

# RUBBER INDUSTRY NEEDS NEW EXPORT STRATEGY

by  
**S. MOHAN KUMAR\***

India ranking 5th among the rubber products manufacturing countries produces about 35,000 wide ranging products from tiny bushes to vehicle tyres. The products are made from NR/SR or its blends by a process of compounding, shaping and vulcanization.

The industry in India is dominated by tyres and tubes which has a share of around 47 per cent of the total consumption of natural rubber in the country. Among the four major NR producing countries, India has the unique advantage of a captive domestic market and it is 4th in production as well as consumption of NR.

Another peculiar advantage of Indian rubber goods industry is that it enjoys an export market of nearly Rs. 1,217 crores a year. The competitive edge of the Indian market is lower labour cost and her near monopoly in resource base. It is estimated that the Indian labour cost is 26 per cent lower than that in the world market. However, the share of the rubber industry in total export is very negligible, i.e., around 1 per cent. (See Table-1)

## GLOBAL TRADE

The world export of rubber products is estimated to be around US \$ 35 billion and India's share

in it is only 0.96 per cent. But the developed countries control more than 80 per cent of the world market. Malaysia, the third largest producer of NR in the world, exported rubber products worth RM 387 crores in 1995. This was expected to increase in 1996.

Because of her dependence on NR, Malaysia developed a world standard R & D laboratory for NR consumption research, and now has become the world leader in NR latex technology and export of latex products such as examination gloves, surgical gloves, catheters, latex thread, etc. The Malaysian latex industry alone exported its products at RM 310 crores in 1995, which is expected to increase to the level of RM 331 crores. Thailand and Indonesia, the largest suppliers of NR, have also been developing strong elastomer base for making products and export globally. But unfortunately the Indian rubber industry has not yet been able to exploit effectively opportunities in the world trade on rubber products and still lags far behind some of the developing

countries in the far east such as South Korea, Taiwan, China and South East Asian countries.

## INDIA'S EXPORTS

India's exports of rubber products in 1996-97 registered a growth of 13.45 per cent over the previous year when they reached a level of Rs. 1217 crores over Rs. 1073 crores. India's export as may be seen from Table - 2, is dominated by a single product group, viz., tyre and tubes sharing about 67 per cent of the total products exported from India during 1995-96. Another three product groups, viz., rubber gloves, cycle tyre and tube, and pharmaceutical items together accounted for a share of more than 18 per cent in 1995-96. The remaining share was accounted for by beltings (3.4 per cent), footwear (2 per cent), rubber sheetings (0.9 per cent) and 8.7 per cent by various other rubber products.

Segmentwise export also reveals that "truck and bus tyre" is the exceptionally high growth item

**Table 1 : SHARE OF RUBBER INDUSTRY IN FOREIGN TRADE**

| year    | Total export | Export of rubber products | % Share | Total import | import of rubber products | % Share |
|---------|--------------|---------------------------|---------|--------------|---------------------------|---------|
| 1990-91 | 32,558       | 263                       | 0.81    | 43,193       | 99                        | 0.23    |
| 1994-95 | 82,674       | 943                       | 1.14    | 89,971       | 204                       | 0.23    |
| 1995-96 | 1,06,353     | 1,073                     | 1.01    | 1,22,678     | 351                       | 0.29    |

\* The writer is working in the Training and Technical Consultancy Department of the Rubber Board.

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exported from India, but this item is witnessing a sudden decline in the world market, and the global tyre market has changed for growing radialisation. Other items exported from India, except a few like gloves, cycle tyre, belts, hoses, sheets, are considered to be negative growth items in the world market.

## GREAT POTENTIAL

In this backdrop, Indian rubber industry has to concentrate on more promising export-oriented product groups. The International Trade Centre (ITC) in a report revealed certain items are having greater potential for export from developing countries like India and some other items having limited possibilities of exports in the near future. Likewise, there are various companies in Europe and other developed countries providing service for manufacturing value-added and export or oriented items. All these details are available with the Rubber Board.

It is advisable to have some criteria for selection of the product such as :

- ☆ High content of non-imported raw materials.
- ☆ High labour content and significant cost advantage for the exporting country.
- ☆ High value-added products.
- ☆ High volume market in many countries.
- ☆ Ease of packing and shipping.
- ☆ Not oversensitive to tight delivery schedule.

The first thing to be done in export of any product is market identification. The USA, UAE, Afghanistan, Africa, Middle East, and CIS countries constitute a major market for the Indian rubber products. But marketwise analysis conducted by international agencies revealed that all the above regions, except the USA, registered a low volume of trade and countries like West Europe, North America, and the Asia Pacific Region (Japan, Asia, Australia, New Zealand) alone account for more than 70 per cent of the global trade. Therefore, while planning export strategy more focus should be on select markets trading huge quantity of rubber products.

India's exports to its principal markets in 1995-96 are shown in Table - 3.

## CLEARCUT POLICY

Notwithstanding the favourable factors like availability of raw materials such as NR/SR, labour at

cheap rates and well established industrial base, the country has not been able to fully tap the export potential of rubber products due to :

- i) Low capital intensive and poor technology intensive industries.
- ii) Hike in prices of raw materials like petroleum products and rubber chemicals.
- iii) Concentration of low value and non-critical items.
- iv) Absence of R & D activities/testing facilities in the non-tyre sector.
- v) Steep hike in freight rate.

For making a breakthrough in exports there is a need for chalking out a clearcut export strategy. Some of the steps suggested in this direction include :

- a) Upgradation of technology.
- b) Develop R & D to identify new products.

**Table 2 : TREND OF RUBBER PRODUCTS EXPORT**

Rs. in million

| Item                              | Export                 |         |         |         |         |
|-----------------------------------|------------------------|---------|---------|---------|---------|
|                                   | 1996-97<br>(estimated) | 1995-96 | % share | 1994-95 | % share |
| Automobile tyres & tubes          | 7,900                  | 7,185   | 66.99   | 6,802   | 72.13   |
| Cycle tyre and tube               |                        | 760     | 7.09    | 656     | 6.96    |
| Rubber gloves                     |                        | 688     | 6.41    | 591     | 6.27    |
| Hygienic and pharmaceutical items |                        | 534     | 4.98    | 168     | 1.78    |
| Beltings                          | 4,268                  | 369     | 3.44    | 277     | 2.94    |
| Footwear                          |                        | 215     | 2.00    | 186     | 1.97    |
| Rubber sheetings                  |                        | 101     | 0.94    | 94      | 1.00    |
| Other rubber products             |                        | 873     | 8.14    | 656     | 6.96    |
| Total                             | 12,168                 | 10,725  | 100.00  | 9,430   | 100.00  |

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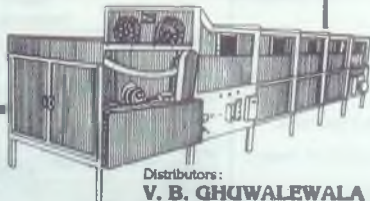
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- c) Exploring new markets.
- d) Easy availability of finance to the industry.
- e) Building up a strong brand image abroad.
- f) Greater participation in trade fairs.
- g) Strengthening of infrastructure.

India is progressively working towards a free economy (liberalisation) which gives equal opportunity to all – there will be

more exports/imports and tough international competition. In this scenario the Indian market is not protected and therefore industrialists are thinking to enter world market. To compete in world market we need professionalism on very front under a determined leadership.

## QUALITY MANAGEMENT

In this context adopting "total quality management" (TQM) outlook and its thinking in terms

of price, environment, productivity and services are essential. A new scientific and technological culture must be developed and sustained among the industrialists.

It is reported that India has the largest trained scientific and technological manpower in Asia and perhaps in the world, but their achievements are not reflected in the economy. Therefore, suitable measures will have to be taken to retain and exploit this bank of scientific skill.

Lastly, the resource base available with World Federation of Trading Houses and Associations (WFTA) (like information on technological developments, studies on emerging problems, details of segmentwise market, information on trade regulations, etc.) can be utilised properly through the help of the Federation of Indian Export Organisation (FIEO) which is the founding member on behalf of Indian exporters.

– RUBBER ASIA

Table 3 :

### DIRECTION OF INDIA'S EXPORT TO PRINCIPAL MARKETS, 1995-96

| Country  | % of total share | Country     | % of total share |
|----------|------------------|-------------|------------------|
| USA      | 17.34            | USA         | 24.39            |
| Japan    | 6.96             | UAE         | 16.36            |
| JK       | 6.31             | Afghanistan | 2.87             |
| Germany  | 6.23             | Egypt       | 1.72             |
| Hongkong | 5.71             | Australia   | 0.95             |
| UAE      | 4.47             | Kenya       | 0.90             |
| Belgium  | 3.51             | Canada      | 10.40            |
| Italy    | 3.19             |             |                  |
| Total    | 100.00           | Total       | 100.00           |

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