THE HINDU • BUSINESS LINE
WEDNESDAY, FEBRUARY 24, 2010

Rane group chief favours additional 20% duty on Chinese imports

Urges Centre to focus on helping auto components industry to stay competitive

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Chennai, Feb. 23

Mr L. Ganesh, Chairman of the Chennai-based Rane group, an auto component manufacturer, is in favour of the Centre levying an additional import duty on Chinese auto components.

Outlining his expectations of the Budget, Mr Ganesh told *Business Line* today that, "I feel personally India should impose an additional 20 per cent duty on all Chinese imports for about five years." He argues that the Chinese are hurting the Indian component manufacturers through their export subsidies and by holding the value of their currency. While India hardly has any subsidy on exports, the currency is not controlled for the sake of exporters.

Figures from the Automotive Component Manufacturers Association (ACMA), the representative body for the auto components sector, would show that there had been a surge in Chinese components imports into the country, whereas India's exports to China had hardly grown.

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– Mr L. Ganesh

"I feel that this is a big threat for us and we must be bold to protect ourselves from China for some time," he said.

Mr Ganesh pointed out that the Budget was coming at a time when the country was clearly poised for a healthy GDP growth for the next few years. The auto industry had built competencies for exports, both of small cars and of low- and medium-technology components. In this context, the Government should take steps to catalyse this kind of an environment.

Compared to China, Mr Ganesh said, India was still a high-cost economy in terms of the cost of doing business, whether it was taxation, infrastructure or logistics. "I am saying this because I see China as our main competitor in the global market. We have definite advantages over other countries, but China certainly is our main competitor."

China was subsidising its industry, particularly with regard to exports. The Government should take this factor into account in whatever policy decision.

The ACMA had highlighted the need for increasing the peak Customs duty on auto parts to 10 per cent, which he said was a reasonable kind of import duty that would give the domestic industry a level-playing field. ACMA had also requested that duty drawback on exports be increased to 5 per cent from around 2 per cent now. This would offset some of the disadvantages the Indian manufacturers had vis-à-vis the Chinese.

While the association had requested the Government to retain the Cenvat rates on automobiles, Mr Ganesh argued this point differently. He did not want the reduction in excise duty (done as part of the Centre's stimulus to revive the economy) to be merely looked at as a stimulus issue, but as a progressive reform towards making India a lower cost economy.

The lower excise duty would drive volumes and the Government would earn higher revenues because of this. He highlighted the example of the information technology sector, which, he said, had benefitted immensely from a low tax regime.

Some of the irritants that the industry had been talking about for sometime and which he hoped would be addressed in the Budget, included the inverted duty structure relating to raw materials and components. Globally, the tax system was designed to encourage local manufacture.

Mr Ganesh wanted the Centre to create a technical development fund for small and medium-sized component companies, and greater and continued focus on infrastructure – power, roads and ports – to make the Indian components manufacturers compete on an equal footing with their Chinese counterparts. He hoped the Budget would also focus on soft infrastructure – education and training – especially in the context of the rising employee costs.