

Indian paper sector seeks higher import duty to level playing field

Paper manufacturers cite underutilisation of capacity amid rising imports

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Following the 43 per cent rise in import of paper and paperboard in the first half of FY24 and the 25 per cent increase in volume terms in FY23, India's paper industry has asked for a hike in the import duty on paper in the upcoming Budget to ensure a level playing field for domestic manufacturers.

The industry has been reeling under stress with underutilisation of capacity owing to an indiscriminate increase in import of paper and paperboard, the Indian Paper Manufacturers Association (IPMA) has said in its pre-budget submission to the government.

The imports have increased despite adequate domestic production capacity for all kinds of paper, said Pawan Agarwal, president of IPMA.

Paper manufacturers in export-dependent economies such as Indonesia and China enjoy substantial incentives, garnering significant market share in different countries, the association statement said. However, muted demand due to the economic slowdown and the anti-dumping/ anti-subsidy tariffs imposed by the US and EU has led to significant excess capacity of paper and paperboard in China and Indonesia. Taking advantage of the nil or low import duty in India, these countries are diverting their excess inventory, IPMA said.

The domestic paper industry has invested large amounts in the recent past to upgrade and implement clean technology, product quality, agro/farm forestry, and so on, with more investments also in the pipeline. These investments should not be jeopardised by concessional imports under free trade agreements, it said.

According to the Department for Promotion of Industry and Internal Trade (DPIIT), only 553 of the 900-plus paper mills in the country are currently operational.



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IPMA wants the basic customs duty on paper and paperboard imports to be increased from 10 per cent to 25 per cent as India's WTO-bound rate is 40 per cent.

This increase in customs duty will not impact the duty-free imports under FTAs, IPMA said. It wants paper and paperboard to be placed in the negative/exclusion list (that is, no preferential treatment in terms of import tariff) when reviewing existing FTAs (ASEAN, South Korea and Japan) and formulating new FTAs.

Suitable safeguards, anti-dumping and countervailing duties on the import of various grades of paper should be expeditiously imposed, especially after the recommendation of the Directorate General of Trade Remedies, IPMA said.