Need for a level playing field

The downstream aluminium industry looks to the government for right interventions

Policy changes will help the local aluminium industry flourish

The domestic secondary aluminium industry has urged the government to provide a level playing field for the manufacturers of downstream aluminium products, including extrusions, sheets and foils. The Aluminium Secondary Manufacturers Association (ASMA), the apex industry body, has said that the secondary or downstream products are dumped in the country by India's neighbouring countries, taking advantage of the Free Trade Agreements (FTA) and incentives offered by these nations, even as about 50 per cent of valuable primary aluminium produced by India, using the country's mining wealth, is being exported,.

ASMA has asked the government to raise the duty on imports of downstream aluminium products from China. Currently, the import duty of 13 per cent is equivalent to the tax incentive given by the Chinese government on the export of these downstream products. In the absence of a safeguard, over 3,500 small and medium industrial units involved in the manufacturing of downstream aluminium products in the country are severely hit. In recent years, the import of finished aluminium products has increased alarmingly, even as over 2 million tonnes of primary aluminium was exported from India in 2018-19.

Moreover, primary aluminium is sold in the domestic market at prices 14 per cent higher than the international prices, due to the protection given to the primary producers by way of an effective import duty of 8.25 per cent, as also other charges. This adversely impacts the downstream segment that uses primary aluminium as raw material.

"It is high time the government looked into these issues and put up a duty structure that ensures steady growth of the entire aluminium value chain from primary to secondary," says Anil Agarwal, patron, ASMA. "We need a holistic approach from the policy makers. The export of primary aluminium should be discouraged and made available to the MSMEs on the export parity prices in the domestic market, enabling them to export value-added finished aluminium products".

"Aluminium is a champion metal," adds Pragun Jindal Khaitan, vice-chairman & managing director, Jindal Aluminium Ltd. "The downstream sector, where aluminium goes through critical value addition, is engineered to create a product that has wide-range of applications. There is need for a scheme that specifically addresses issues like duty and price parity in the downstream sector, which will provide a critical boost to manufacturing and improve the aluminium economy in India".

ASMA is of the view that removing the duty protection on primary aluminium will lead to increasing the affordability and thus boost the consumption. Export of primary metal is like exporting rich natural resources of the country. Hence, the exports of natural resources like primary metal, bauxite and alumina need to be discouraged by the government by imposing suitable export duty. Alternatively, the government should ensure that the primary industry supplies directly to domestic consumers at export parity price or the same price at which they export which, according to an ASMA study, is about 14 per cent lower than that of domestic price.

Adverse effect of FTAs The industry observers say that the government needs to urgently relook and review the existing FTA policy, as a lot of imports take place by misusing it and, thus, adversely impacting the local aluminium industry. Frames used in solar panels are the perfect example. Despite the availability of enough capacity to meet the domestic demand, 95 per cent of solar frames made of aluminium are imported into India.

The vision of an Atmanirbhar Bharat is dwarfed by these imports from China and other countries having FTAs with India. Meanwhile, the apex industry body has urged the government to impose a higher customs duty on solar frames, as it will support the location players significantly to make a dent in this field.

These existing distortions have impacted the growth of the domestic aluminium industry, while consumption, as also production, has not grown commensurate with the overall economic growth. Data shows that the consumption of aluminium in India is merely 2.6 kg per capita, as against

China's 24.2 kg and the global average of 11 kg. While there is a huge potential for increasing this consumption and production of aluminium, the government's decision to give unnecessary protection to the primary producers is hurting the interest of the downstream manufacturers, who are forced to pay the high cost of aluminium and have to compete with the dumping of aluminium products like rods, bars, rolled products, foils, castings, forgings and extrusions. ◆

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Thakur: the West Coast of Africa is the hot spot of maritime piracy

MARITIME PIRACY

A growing menace

A global piracy report published recently by the UK-based 'ICC: International Maritime Bureau' indicates a rise in piracy and armed robbery on the world's high seas during the first nine months of 2020, with a 40 per cent increase in the number of kidnappings reported in the Gulf of Guinea over the figures recorded in the corresponding period in 2019. The report says that pirates armed with guns and knives are abducting bigger groups of seafarers at some distances off the West African coast. It details 132 attacks since the start of 2020 – up from 119 incidents during the corresponding period last year. In the first nine months of 2020, seafarers reported 134 cases of assault, injury and threats, added to 85 crew members being kidnapped and 31 held hostage onboard their ships. A total of 112 vessels were boarded and six were fired upon, while 12 reported attempted attacks.

The menace of maritime piracy is a major cause for concern for over 200,000 Indian seafarers. India now provides about 9.35 per cent of global seafarers and ranks third in the list of large seafarer-supplying nations to the world maritime industry. "The West Coast of Africa comprising Benin, Angola, Equatorial Guinea and Ghana are the current hot spots of maritime piracy," says Amar Singh Thakur, general secretary, The Maritime Union of India, the oldest union of merchant navy officers in the country.

Many leaders of the global maritime fraternity are of the view that the prime responsibility of protecting any merchant vessel lies primarily with its 'flag state'. The United Nations Convention on the Law Of the Sea (UNCLOS) ensures that ships under their flag comply with international regulations, often adopted by the UN's International Maritime Organisation on matters of safety, navigation, crewing, etc. "A ship is part of the sovereign territory of the ship's flag state," explains Bjorn Hojgaard, chief executive officer, Anglo-Eastern Univan Group. "And, flag states should protect the sovereignty of this territory, just as they do for all other parts of their territory. It is unfortunately a fact that many flag states have no real capability or interest in doing what is necessary to protect ships from piracy. UNCLOS speaks of the 'freedom of the high seas' and of member states' obligation to ensure this freedom. It's incumbent on members to ensure that the high seas are free for all ships to ply securely and freely." Adds Hojgaard: "It would be appropriate that the UN, together with the coastal states highly prone to maritime piracy, agree that international ships calling the ports there be protected by UN peacekeeping forces, the so-called 'blue berets'".

Many challenges Maritime stalwarts believe that 'armed guards' (private mercenary security personnel) onboard ships proved effective for ships transiting the Gulf of Aden about a decade ago, when piracy off the coast of Somalia was a serious threat. There are a number of challenges with the use of armed guards, one being that many coastal states do not allow ships to call, if they have private armed guards on board.

Cases of maritime piracy have increased by around 26 per cent due to the current Covid-19 pandemic, which has shut down many businesses and job opportunities around the world. The temptation of 'quick money' has led many residents of underdeveloped countries to choose such an illegal path, which continues to threaten millions of seafarers globally, including Indian citizens.

As many as 20 Indian nationals were kidnapped recently from a Marshall Islands-flagged oil tanker vessel, MT Duke, off Lome, Togo. The vessel was attacked and boarded by six pirates some 115 nautical miles southeast of Lome. These Indian seafarers were recruited by London-headquartered V Group through its ship-management company operating in India.

It is an open secret that billions of dollars are paid every year by shipowners or ship management companies worldwide to sea pirates towards ransom amounts for securing the safe release of abducted seafarers. Ironically, these companies solicit services provided by kidnap-for-ransom consultants based in developed countries. ◆

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