

## **Report No. 132**

# **Reduction in the rate of customs duty on 2-mercaptobezothiazole, derivatives of p-phenylenediamine and derivatives of octylated diphenylamine**

The International Trade Administration Commission herewith presents its  
Report No. 132: **REDUCTION IN THE RATE OF CUSTOMS DUTY ON 2-  
MERCAPTOBEZOTHAZOLE, DERIVATIVES OF P-PHENYLENEDIAMINE  
AND DERIVATIVES OF OCTYLATED DIPHENYLAMINE**

  
.....  
Ms N P MAIMELA  
CHIEF COMMISSIONER

PRETORIA

..17..August.....2005

# REPUBLIC OF SOUTH AFRICA

## INTERNATIONAL TRADE ADMINISTRATION COMMISSION

### REPORT NO. 132

#### REDUCTION IN THE RATE OF CUSTOMS DUTY ON 2-MERCAPTOBEZOTHIAZOLE, DERIVATIVES OF P-PHENYLENEDIAMINE AND DERIVATIVES OF OCTYLATED DIPHENYLAMINE

##### Synopsis

The Commission considered an application for a reduction in the rate of customs duty on 2-mercaptobezothiazole, derivatives of p-phenylenediamine and derivatives of octylated diphenylamine. A decision to publish was taken based on evidence that the domestic manufacturer is no longer manufacturing the products concerned. Local manufacturers supported the application stating that there is currently a worldwide shortage of derivatives of p-phenylenediamine and that as a result these products are purchased at extremely high international prices on top of which import duties are levied. They commented that the import duty does not serve any purpose, as there are no SACU manufacturers manufacturing the products concerned and that the customs duties only increase the production cost of SACU tyre manufacturers who are already under pressure from low cost imported tyres.

The Commission found that the products concerned are not manufactured in the SACU. A reduction in the customs duty on the products concerned is justified, as a reduction in the rates of customs duty on the products concerned will lead to reduced input costs for the downstream manufacturers and it would simplify the customs tariff through the deletion of the 8-digit tariff subheadings.

The Commission decided to recommend a reduction in the rates of customs duties on:

- a) 2-Mercaptobezothiazole classifiable under tariff subheading 2934.20.15 from 10 per cent ad valorem to free of duty.
- b) Derivatives of p-phenylenediamine classifiable under tariff subheading 2921.51.30 from 10 per cent ad valorem to free of duty.
- c) Derivatives of Octylated diphenylamine classifiable under tariff subheading 2921.44.30 from 10 per cent ad valorem to free of duty.

The Commission further decided to recommend that the 8-digit tariff subheadings concerned be deleted.

##### Introduction

Orchem (Pty) Ltd applied for a reduction in the rate of customs duties on:

- a) 2-Mercaptobezothiazole classifiable under tariff subheading 2934.20.15 from 10 per cent ad valorem to free of duty.
-

- b) Derivatives of p-phenylenediamine classifiable under tariff subheading 2921.51.30 from 10 per cent ad valorem to free of duty.
- c) Derivatives of Octylated diphenylamine classifiable under tariff subheading 2921.44.30 from 10 per cent ad valorem to free of duty.

The application was published in Government Gazette No. 27685 of 24 June 2005.

Orchem (Pty) Limited is a subsidiary of Karbochem (Pty) Ltd. and is a SACU supplier of rubber chemicals and related products to the tyre and industrial rubber industries.

2-Mercaptobenzothiazole (MBT) is a yellow powder that can be used as a general-purpose accelerator for natural and synthetic rubbers. It is then sold to downstream manufacturers of tyre treads and carcasses, wire insulation, footwear and rubber goods in general.

MBT is also used as a raw material to manufacture a biocide used in the leather industry. The main manufacturers of this biocide in South Africa are SA Paper Chemicals (Chloorkop) & Buckman Laboratories (Hammersdale).

Phenylenediamine is a purple/grey pastille or flake. It is used as an antiozonant in the rubber industry. It is applied to downstream manufacturers of all rubber goods where ageing, flexing or ozone resistance is required. It is especially useful in tyre treads, sidewalls of tyres, chafer and breaker compounds.

Octylated diphenylamine is a reaction product of diphenylamine and disobutylene. It is used as an antioxidant, which is then sold to downstream manufacturers of tyre carcasses; footwear moulded heels and soles as well as automotive rubbers.

The reasons submitted for the application by the applicant were:

- 1) Raw materials not available in the SACU as Orchem, a subsidiary of Karbochem, terminated production due to the high cost of production, low volumes of the SACU demand and the low competitive prices of imported products.
- 2) Existing duty exerts pressure on production costs of downstream products and rendering the final product uncompetitive when compared to similar imported end products.

The products concerned are not manufactured in the SACU since Orchem terminated its manufacturing activities four years ago.

Two local tyre manufacturers supported the application stating that there is currently a worldwide shortage of derivatives of p-phenylenediamine and that as a result these products are purchased at extremely high international prices on top of which import duties are levied. They commented that the import duty does not serve any purpose, as there are no SACU manufacturers manufacturing the products concerned and that the customs duties only increase the production cost of SACU tyre manufacturers who are already under pressure from low cost imported tyres.

The Commission found that a reduction in the customs duty on the products concerned is justified, as it will lead to reduced input costs for the downstream manufacturers and it would simplify the customs tariff through the deletion of the 8-digit tariff subheadings.

### **Recommendation**

The Commission decided to recommend a reduction in the rates of customs duties on:

- d) 2-Mercaptobezothiazole classifiable under tariff subheading 2934.20.15 from 10 per cent ad valorem to free of duty.
- e) Derivatives of p-phenylenediamine classifiable under tariff subheading 2921.51.30 from 10 per cent ad valorem to free of duty.
- f) Derivatives of Octylated diphenylamine classifiable under tariff subheading 2921.44.30 from 10 per cent ad valorem to free of duty.

The Commission further decided to recommend that the 8-digit tariff subheadings concerned be deleted.

[10/2005, 13/2005, 14/2005]