

REPORT NO. 482

Increase in the rate of customs duty on uncoated paper and paperboard.

The International Trade Administration Commission of South Africa herewith presents its Report No.482: **Increase in the rate of customs duty on uncoated paper and paperboard.**



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CHIEF COMMISSIONER

PRETORIA
...../19/.....08.../2014

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH
AFRICA

REPORT NO. 482

**INCREASE IN THE RATE OF CUSTOMS DUTY ON UNCOATED PAPER AND
PAPERBOARD**

Synopsis

The Paper Manufacturers Association of South Africa (PAMSA) has applied on behalf of SAPPI (Pty) Ltd and MONDI (Pty) Ltd, for an increase in the rate of customs duty on uncoated paper and paperboard, classifiable under tariff subheadings 4802.56.20 and 4802.56.90 (A3 and A4 business paper) be increased from free of duty to 5% *ad valorem* and 20% *ad valorem*, respectively.

The Commission considered the application in the light of the information at its disposal. It took into account the considerable levels of production, employment and investment across the full value chain.

The Commission found that increasing imports of uncoated paper and paperboard into the SACU are threatening the domestic industry's market share; that price disadvantages are experienced by the domestic producer of uncoated paper and paperboard; and that considerably underutilized manufacturing capacity has affected profitability.

The Commission concluded that a moderate increase in the general rate of duty on uncoated paper and paperboard would substantially improve the domestic industry's price-competitive position in the face of fierce lower-priced competition from abroad without having an undue cost-raising impact on downstream industrial consumers.

The Commission recommended that the rate of duty on the subject products be increased from free of duty to 5% *ad valorem* (tariff subheading 4802.56.20) and 10% *ad valorem* (tariff subheading 4802.56.90).

1. THE APPLICATION AND TARIFF POSITION

- 1.1. The Paper Manufacturers Association of South Africa (PAMSA) on behalf of SAPPI (Pty) Ltd (Sappi) and MONDI (Pty) Ltd (Mondi), applied for an increase in the rate of customs duty on uncoated paper and paperboard, classifiable under tariff subheadings 4802.56.20 and 4802.56.90 from free of duty to the WTO-bound rate of 5% *ad valorem* and 20% *ad valorem*, respectively.
- 1.2. SAPPI and MONDI manufacture paper and paper packaging products including newsprint, coated and uncoated fine papers, office and business papers, security and speciality papers, containerboard, packaging paper, and bleached paper

pulp. The application under consideration is for an increase in duty on size A3 (4802.56.20) and A4 (4802.56.90) business paper.

1.3. As reasons for the application, the applicant stated that:

- The main aim of the application for tariff support is to improve Sappi and Mondi's competitive position against producers in low-cost countries. Both Sappi and Mondi are experiencing fierce competition from low-priced imports. Consequent price-undercutting resulted in Sappi and Mondi losing significant market share;
- Tariff support would provide relief to the local industry and would not translate to domestic price increases;
- Tariff support would curb further job losses, as large retrenchments have already taken place;
- Tariff support would provide the opportunity to improve the domestic industry's competitive position in an oversupplied global market;
- The support would encourage the industry to continue to invest in South Africa and create further employment; and
- The support would assist upstream and downstream service and product providers and enable further investment into the industry value chain.

1.4. The existing tariff structure for uncoated paper and paperboard reads as follows:

CHAPTER 48		PAPER AND PAPERBOARD; ARTICLES OF PAPER PULP, OF PAPER OR PAPERBOARD					
Head	Sub Head	Article Description	Statistical Unit	General	EU	EFTA	SADC
48.02		Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, and non-perforated punch cards and punch tape paper, in rolls or rectangular (including square) sheets of any size (excluding paper of heading 48.01 or 48.03); hand-made paper and paperboard					
	4802.56	Of a mass of 40g/m ² or more but not more than 150g/m ² , in sheets with one side not exceeding 435 mm and the other side not exceeding 297 mm in the unfolded state					
	4802.56.20	In rectangular (including square) sheets with one side exceeding 360mm and the other side exceeding 150mm in the unfolded state	kg	free	Free	Free	Free
	4802.56.90	Other	kg	free	free	free	free

