

REPORT NO: 405

Increase in the rate of duty on textile fabric inter-layered or otherwise combined with bentonite clay

The International Trade Administration Commission of South Africa herewith presents its Report No. 405: **Increase in the rate of duty on textile fabric inter-layered or otherwise combined with bentonite clay**



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Siyabulela Tsengiwe
CHIEF COMMISSIONER

PRETORIA

.....01/1/11...../2012

REPUBLIC OF SOUTH AFRICA
INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA
REPORT NO. 405
INCREASE IN THE RATE OF DUTY ON TEXTILE FABRIC INTER – LAYERED OR
OTHERWISE COMBINED WITH BENTONITE CLAY

Synopsis

Kaymac (Pty) Ltd, applied for an increase in the rate of duty on textile fabric inter-layered or otherwise combined with bentonite clay, known as geosynthetic clay liner (GCL), classifiable under tariff subheading 5911.10.90, from free of duty to 25 per cent ad valorem.

On balance, the Commission, after careful consideration of the application and the comments received, found adequate justification for an increase in the general rate of duty on GCL to the WTO bound rate of 25 per cent ad valorem.

The duty should serve to eliminate the price disadvantage experienced against emerging South and East Asian producers of GCL. However, the bulk of GCL imports (roughly 90 per cent) originate from the EU.

The Commission found that the domestic competitors of the applicant currently source their GCL requirements from producers in the EU and that an increase in the general rate of duty would not have an immediate adverse impact on these producers as in terms of SA – EU Agreement, the applicable duty on GFL is zero.

Nevertheless, there are indications that the emerging South and East Asian economies have rich bentonite clay deposits and are attracting investments for the manufacture of GCLs.

The Commission concluded that an increase in the rate of duty on GCL would improve the price-competitive position of a domestic industry in its early stages of development and in the face of stiff foreign competition. The support would enable the domestic industry to increase the demand for its products; to fully utilise its underutilised production capacity; and achieve economies of scale.

The Commission recommended that the general rate of duty on textile fabric inter-layered or otherwise combined with bentonite clay be increased from free of duty to 25 per cent ad valorem. It is further recommended that the duty be reviewed after a period of three years to determine its impact on the industry value chain.

THE APPLICATION AND TARIFF POSITION

Kaymac (Pty) Ltd, applied for an increase in the rate of duty on textile fabric inter-layered or otherwise combined with bentonite clay, known as geosynthetic clay liner (GCL), classifiable under tariff subheading 5911.10.90 from free of duty to the bound rate of 25 per cent *ad valorem*.

As reasons for the application, the applicant stated that tariff support would protect the capital invested in the manufacture of advanced geotextiles, in particular geosynthetic clay fabrics; improve the potential for further investment and expansion; and protect the local industry from potentially low-priced and inferior products.

The existing tariff structure for textile fabric inter-layered or otherwise combined with bentonite clay, reads as follows:

The existing tariff position is as follows:

Heading	Sub-heading	Article Description	Rate of Duty			
			General	EU	EFTA	SADC
59.11		Textile products and articles, for technical uses				
	5911.10	Textile fabrics, felt and felt-lined woven fabrics, coated, covered or laminated with rubber, leather or other material, of a kind used for card clothing, and similar fabrics of a kind used for other technical purposes, including narrow fabrics made of velvet impregnated with rubber, for covering weaving spindles (weaving beams):				
	.10	Narrow fabrics, made of velvet impregnated with rubber, for covering weaving spindles (weaving beams)	22%	10%	10%	Free
	.90	Other	Free	Free	Free	Free

The applicant requested that an additional 8-digit tariff subheading be created at a rate of duty of 25 per cent *ad valorem* as follows:

“Textile fabrics inter-layered or otherwise combined with bentonite clay.”

The application was published in the Government Gazette of 04 May 2012, for comments by interested parties.

THE INDUSTRY AND MARKET

Kaymac (Pty) Ltd is the sole domestic manufacturer of GCL, comprising natural sodium bentonite sandwiched between two geotextiles. The GCL production plant was established in 2009.

GCL is an assembled structure of geosynthetic materials and low hydraulic conductivity earth materials (clay or bentonite) in the form of a manufactured sheet, used in contact with soil or rock or other geotechnical material in civil engineering applications such as power station infrastructure and waste management, typically liquid and gas landfill containment barriers for environmental protection.

Currently the applicant has a production capacity of 4 000 000 m² per annum, exceeding the SACU demand. It is currently producing at 40 per cent of its maximum production capacity, down from 80 per cent in 2010.

There are other manufacturers of geotextiles in the SACU, namely Geotextiles Africa, Fibertex SA and Gundle Geosynthetics that use their domestically manufactured products in conjunction with imported GCL to offer complete geosynthetic packages. The above companies are direct competitors of Kaymac in terms of the provision of geosynthetic products that require the complete geosynthetic package. In critical applications, it is required that GCLs are offered as part of the total package.

COMPETITIVE POSITION

According to information at the Commission's disposal, the domestic industry is experiencing appreciable price disadvantages against European and Asian producers.

Information indicated that South and East Asian countries such as India and Malaysia have rich Bentonite clay deposits and are now attracting investors, especially from the EU, to manufacture GCL in these countries.

COMMENTS ON THE APPLICATION

The domestic competitors of Kaymac, i.e. Geotextiles Africa, Fibertex, and Gundle Geosynthetics, objected to the application.

The objections revolved around the cost-raising impact of an import duty and the perceived price advantages experienced by the applicant.

FINDINGS

On balance, the Commission, after careful consideration of the application and the comments received, found adequate justification for an increase in the general rate of duty on GCL to the WTO bound rate of 25 per cent *ad valorem*.

The duty should serve to eliminate the price disadvantage experienced against emerging South and East Asian producers of GCL. However, the bulk of GCL imports (roughly 90 per cent) originate from the EU.

The Commission found that the domestic competitors of the applicant currently source their GCL requirements from producers in the EU and that an increase in the general rate of duty would not have an immediate adverse impact on these producers as, in terms of the SA – EU Agreement, the applicable duty on GCL is zero.

Nevertheless, there are indications that the emerging South and East Asian economies that have rich bentonite clay deposits are attracting investments for the manufacture of GCLs.

The Commission concluded that an increase in the rate of duty on GCL would improve the price-competitive position of a domestic industry in its early stages of development and in the face of stiff foreign competition. The support would enable the domestic industry to increase the demand for its products; to fully utilise its underutilised production capacity; and achieve economies of scale.

RECOMMENDATION

In the light of the foregoing, the Commission recommends that the general rate of duty on textile fabric inter-layered or otherwise combined with bentonite clay, classifiable under tariff subheading 5911.10.90, be increased from free of duty to 25 per cent *ad valorem*. It is further recommended that the duty be reviewed after a period of three years to determine its impact on the industry value chain.

(22/2011)