

REPORT NO: 342

**INCREASE IN THE RATE OF CUSTOMS DUTY ON
INORGANIC PIGMENTS AND PREPARATIONS
BASED ON CHROME OXIDE GREEN, LEAD
CHROMATE, ZINC CHROMATE, BARIUM
CHROMATE OR STRONTIUM CHROMATE**

The International Trade Administration Commission of South Africa herewith presents its Report No. 342: Increase in the rate of customs duty on inorganic pigments and preparations based on chrome oxide green, lead chromate, zinc chromate, barium chromate or strontium chromate



.....
Siyabulela Tsengiwe
CHIEF COMMISSIONER

PRETORIA

15/06/2010

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 342

INCREASE IN THE RATE OF CUSTOMS DUTY ON INORGANIC PIGMENTS AND PREPARATIONS BASED ON CHROME OXIDE GREEN, LEAD CHROMATE, ZINC CHROMATE, BARIUM CHROMATE OR STRONTIUM CHROMATE

Synopsis

Rolfes Colour Pigments International (Pty) Ltd applied for an increase in the rate of customs duty on certain inorganic pigments classifiable under tariff sub-heading 3206.20.10 from free of duty to 10% ad valorem.

The Commission concluded that a moderate increase in the general rate of duty to 10% ad valorem would afford the industry adequate support in its efforts to meet the challenges of foreign competition, to achieve increased economies of scale, and to reduce the marginal cost of production. The increase in duty would not have an undue cost-raising impact.

The Commission decided to recommend an increase in the rate of customs duty on inorganic pigments from free of duty to 10% ad valorem.

THE APPLICATION AND TARIFF POSITION

Rolfes Colour Pigments International, applied for increase in the rate of customs duty on inorganic pigments classifiable under tariff sub-heading 3206.20.10 from free of duty to 10% ad valorem.

The reasons for the application, as submitted by the applicant, are that the inorganic pigments in question are manufactured in the SACU and that the existing free of duty dispensation is a disadvantage to the domestic industry manufacturing these pigments especially, in the face of stiff price competition experienced from foreign producers of these pigments.

The application was published in the Government Gazette of 26 February 2010, for interested parties to comment.

The tariff position for inorganic pigments is shown in the table below:

Heading	Sub-heading	Article Description	Rate of Duty			
			General	EU	EFTA	SADC
32.06		Other colouring matter; preparations as specified in Note 3 to this Chapter (excluding those of heading 32.03, 32.04 or 32.05); inorganic products of a kind used as luminophores, whether or not chemically defined:				
	3206.20	- Pigments and preparations based on chromium compounds:				
	3206.20.10	-- Pigments and preparations based on chrome oxide green, lead chromate, zinc chromate, barium chromate or strontium chromate, inorganic pigments of the following description and International Colour Index Numbers:-..... C.I. Pigment, Yellow 34, No. 77603- C.I.Pigment, Yellow 34, No. 77600- C.I. Pigment, Red 104, No. 77605- C.I. Pigment, Red104 and 84:4, No. 77605 and No. 15865-.C.I. Pigment, Green 15, No. 77603 and No.77520- C.I. Pigment, Green 13, No. 77603 and No 74200- C.I. Pigment, Green 17, No. 77288-C.I. Pigment, Yellow32, No. 77839- C.I. Pigment, Yellow 36, No 77955	free	free	free	free

INDUSTRY AND MARKET

Rolfes Colour Pigments International is currently the sole manufacturer of inorganic pigments in the SACU.

Inorganic pigments are used for colouring paints, ink, plastic, fabric, cosmetic, and various other products.

The key raw materials used in the manufacture of inorganic pigments are lead, chrome and zinc.

Rolfes Colour Pigments International was established in 1925 as a family business. At present, the company holds approximately 80% of the SACU market for inorganic pigments.

Import statistics show that imports of inorganic pigments into the SACU, especially from South America and East Asia, have been increasing.

The SACU market decreased from R92 million 2007 to R59 million in 2009, influenced to a significant extent by the depressed economic situation which prevailed during 2008 and 2009.

The applicant indicated that the requested moderate increase in customs duty would lead to an increase in domestic production of inorganic pigments and ensure a reversal of the situation where a loss of employment opportunities at the company was imminent

COMMENTS ON THE APPLICATION

Three objections were received from the industry using the inorganic pigments in question stating that certain grades of inorganic pigments are not manufactured in the SACU.

FINDINGS

The Commission found that the applicant is experiencing price disadvantages against similar imported inorganic pigments.

The Commission found that certain specialty grades of inorganic pigments are not manufactured in the SACU. However, the Commission noted that, for customs tariff administration purposes, the South African Revenue Service is not in a position to distinguish between different grades of inorganic pigments.

The Commission concluded that a moderate increase in the general rate of duty to 10% ad valorem would afford the industry adequate support in its efforts to meet the challenges of foreign competition, to achieve increased economies of scale, and to reduce the marginal cost of production. The increase in duty would not have an undue cost-raising impact.

The Commission therefore decided to recommend an increase in the rate of customs duty on the inorganic pigments in question. The Commission further decided that the increase in the rates of customs duty on inorganic pigments be reviewed in a period of 5 years to assess the industry's performance.

RECOMMENDATION

The Commission recommends that the general rate of customs duty on inorganic pigments and preparations based on chrome oxide green, lead chromate, zinc chromate, barium chromate or strontium chromate, classifiable under tariff subheading 3206.20.10, be increased from free of duty to 10% ad valorem.

(35/2009)