

REPORT NO. 352

AMENDMENT OF REBATE ITEMS 311.12/60.05/.01.04 AND 311.12/60.06/01.04 FOR THE IMPORTATION OF WARP, KNITTED OR CROCHETED FABRICS

The International Trade Administration Commission of South Africa (ITAC) herewith presents its Report No. 352: **Amendment of rebate items 311.12/60.05/01.04 and 311.12/60.06/01.04 for the importation of warp, knitted or crocheted fabrics.**



SIYABULELA TSENGIWE
CHIEF COMMISSIONER

PRETORIA

22 / 10 / 2010

REPUBLIC OF SOUTH AFRICA

**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH
AFRICA**

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**AMENDMENT OF REBATE ITEMS 311.12/60.05/01.04 AND 311.12/60.06/01.04
FOR THE IMPORTATION OF WARP, KNITTED OR CROCHETED FABRICS**

Synopsis

The Textile Federation of South Africa (TEXFED) applied for an amendment to rebate items 311.12/60.05/01.04 and 311.12/60.06/01.04 that make provision for the duty-free importation of warp, knitted or crocheted fabrics for the manufacture of impregnated, coated, covered or laminated textile fabrics. The amendment requested is that the provision be made subject to a permit issued by ITAC.

The reasons advanced by the applicant are that the existing rebate provisions, due to broadly defined descriptions, are abused by importers and undermine the position of the domestic manufacturers of textile fabrics.

According to the applicant, importers use the fabrics for dyeing and printing purposes, contrary to the intention of these rebate provisions, and that the imposition of stricter control mechanisms is required.

The Commission found that it has become necessary to control the inflow of these fabrics to protect the employment and investment opportunities available in the domestic fabric manufacturing industry.

The Commission decided that the rebate provisions be amended to ensure that the provisions are not abused and that the users of the rebate provisions manufacture the end products as described, to an extent that a visible and characteristic permanent change to the fabric is effected, evidenced by a change in tariff heading from input material to end product.

The application and tariff position

The Textile Federation of South Africa (TEXFED) applied for an amendment to rebate items 311.12/60.05/01.04 and 311.12/60.06/01.04 that make provision for the duty-free importation of warp, knitted or crocheted fabrics for the manufacture of impregnated, coated, covered or laminated textile fabrics. The amendment requested is that the provision be made subject to a permit issued by ITAC.

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The application was published in the Government Gazette for comments by interested parties.

The rebate provisions broadly provide for rebate of the full duty on imported warp fabrics, including those made on gallow knitting machines (excluding those of headings 60.01 to 60.01), and knitted or crocheted fabrics, classifiable under tariff headings 60.05 and 60.06, at a rate of duty of 22% *ad valorem*, for the manufacture of impregnated, coated, covered or laminated textile fabrics.

Findings

The published application attracted no comments or objections from interested parties.

Imports under these rebate provisions increased sharply during 2009 by 198%. This substantial increase was found to have a detrimental effect on the domestic industry manufacturing, among others, warp knitted or crocheted fabrics. The latter industry currently employs approximately 5 394 employees, down from 6 284 in 2008.

The Commission found that it has become necessary to control the inflow of these fabrics to protect the employment and investment opportunities available in the domestic fabric manufacturing industry.

The Commission therefore decided that the rebate provisions be amended to ensure that the provisions are not abused and that the users of these rebate provisions manufacture the end products as described, to an extent that a visible and characteristic permanent change to the fabric is effected, evidenced by a change in tariff heading from input material to end product.

To this purpose, the Commission introduced guidelines with strict control measures to administer the revised rebate provisions as recommended below.

Recommendation

In light of the above, the Commission recommends that the rebate items that make provision for the duty-free importation of warp knitted or crocheted fabrics, be amended as follows:

311.12/60.05/01.04

Warp knit fabrics (including those made on galloon knitting machines (excluding those of headings 60.01 and 60.04) in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit.

311.12/60.06/01.04

Knitted or crocheted fabrics in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit.

[08/2010]