

## **Report No. 218**

# **Application for an increase in the rate of duty on spun bond fabric**

The International Trade Administration Commission of South Africa herewith presents its **Report No 218: Application for an increase in the rate of duty on Spun Bond fabric classifiable under tariff heading 56.03 from 10% to 20% ad valorem.**



.....  
**ITUMELENG MASEGE**  
**ACTING CHIEF COMMISSIONER**

**PRETORIA**

.....12 | 03 | .....2007

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF  
SOUTH AFRICA

REPORT NO 218

**Application for an increase in the rate of duty on spun bond fabric classifiable under tariff heading 56.03 from 10% to 20 % ad valorem**

**Synopsis**

Cordustex Manufacturing (Pty) Ltd applied for an increase in the duty on spun bond non-woven fabric from 10 % to 20 % *ad valorem*.

The application was published in the Government Gazette on 6 October 2006.

The Commission received comments from manufacturers, industry associations and government institutions.

All interested parties were opposed to the application for an increase of the duty on spun bond fabric.

The Commission found that:

- The increase in the duty would not be in conformance with the policy framework of the **National Industry Policy Framework (NPF)** and the **Sector Development Strategy (CSP) for Textiles and Clothing**.
- The price information and other information at the Commission's disposal do not support the allegations that the applicant is unable to compete against imports.
- The fabric is an input in the pipeline manufacturing diapers and sanitary pads which are consumer articles. An increase in the duty would unnecessarily raise the cost for the end user of these products.
- There are a number of available supply side measures that from part of the **NPF**.
- Unfair trade practices should be addressed through the appropriate instrument i.e. Trade Remedies in terms of ITAC's Anti-dumping, Countervailing and Safeguard policies.

In view of the above, the Commission decided to recommend that the application for an increase of the customs duty from 10 % to 20 % **ad valorem** on non-woven fabric of man-made filaments not impregnated, coated or covered with plastics classifiable under tariff subheadings 5603.11.90, 5603.12.90, 5603.13.90, 5603.14.90 be rejected.

### **Introduction**

Cordustex Manufacturing (Pty) Ltd applied for an increase in the duty on spun bond non-woven fabric from 10 % to 20 % **ad valorem**.

The reasons in support of the application were:

- There is capacity to manufacture hydrophilic non-woven fabric, which is a specialised non-woven used in the medical industry. This fabric is of high quality and is used by diaper manufacturers in SACU.
- Due to the current tariff structure description, importers import the fabric at a duty of 10% **ad valorem**.
- Prices from China, India and countries in South America are unreasonably low due to extensive government support.

On 6 October 2006, the application for a increase in the rate of duty from 10 % to 20 % **ad valorem** on non-woven fabric of man-made filaments not impregnated, coated or covered with plastics classifiable under tariff subheadings 5603.11.90; 5603.12.90; 5603.13.90; 5603.14.90 was published in the Government Gazette.

### **Tariff Position**

In terms of the tariff structure, a distinction is made between fabric, which is impregnated, coated, covered or laminated with plastics and other fabrics of man-made filaments. The first distinction carries a duty of 20 % **ad valorem** while the latter carries a duty of 10 % **ad valorem**.

It should be stated that rebate provision 311.12 caters for the industry that manufactures impregnated, coated, covered or laminated textile fabrics.

The above rebate provision allows for the import of non-woven, uncoated, fabric classifiable under tariff heading 56.03 for the manufacture of impregnated or coated textile fabrics (excluding interlinings)

This above provision has been in place irrespective of the fact that the applicant also manufactures non-woven spun bond fabric, which is also classifiable under the same tariff subheading. However, it should be noted that there are a number of non-woven varieties classifiable under the same heading that are not manufactured in SACU.

A rebate provision also exist that allows for the importation of non-woven fabric of man-made filaments, impregnated, coated, covered or laminated with plastics of a mass exceeding 25 g/m<sup>2</sup> but not exceeding 150 g/m<sup>2</sup> for the manufacture of baby diapers. This provision also covers a wide variety of fabrics including those that are not manufactured in SACU.

### Comments on the application

Manufacturers of diapers and sanitary products, industry associations and government institutions commented on the application

All are opposed to the increase in the duty on spun bond fabrics in view of the following:

- The applicant is unable to meet the requirements of the SACU market in terms of volume, range of products, quality and service.
- An increase in the duty would be prejudicial and unfair and not productive nor relevant to other types of non-woven fabrics not manufactured in SACU.
- Concern has also been raised that the increase in the tariff would unjustifiably increase the applicant's competitive position in the medical disposable market.
- A more rational and holistic approach requires to be followed by looking into the entire chain. This approach should also consider incentive-linked encouragement to assist this sector rather than tariff measures.

### Findings & recommendations

The Commission considered the following:

- The application is not in line with the policy framework of the **National Industry Policy Framework (NPF)** and the **Sector Development Strategy (CSP) for Textiles and Clothing**. This policy supports the rebate or reduction of the customs duty rather than an increase.
- The price and other information at the Commission's disposal do not support the allegations that the applicant is unable to compete against imports.
- The fabric is an input in the pipeline manufacturing diapers and sanitary pads which are consumer articles. An increase in the duty would unnecessarily raise the cost for the end user of these products.
- There are a number of available supply side measures that form part of the **NPF**.

- Unfair trade practices should be addressed through the appropriate instruments, i.e. Trade Remedies in terms of ITAC's anti-dumping countervailing and Safeguard policies.

In view of the above, the Commission decided to recommend that the application for an increase of the customs duty from 10 % to 20 % **ad valorem** on non-woven fabric of man-made filaments not impregnated, coated or covered with plastics classifiable under tariff subheadings 5603.11.90, 5603.12.90, 5603.13.90, 5603.14.90 be rejected.

[11/2006]