

Report No. 142

Application for a reduction in the rate of duty on vinyl acetate ethylene copolymer in aqueous dispersion

The International Trade Administration Commission herewith presents
its Report No. 142: Application for reduction in the rate of duty on vinyl
acetate ethylene copolymer in aqueous dispersion



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PRETORIA

27 / 09 / 2005

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH
AFRICA

REPORT NO. 142

APPLICATION FOR REDUCTION IN THE RATE OF DUTY ON VINYL
ACETATE ETHYLENE COPOLYMER IN AQUEOUS DISPERSION

Synopsis

The Commission considered an application by Henkel SA (Pty) Ltd (Henkel), a manufacturer of adhesives and glues, for reduction in the rate of duty on vinyl acetate ethylene copolymer in aqueous dispersion, (commonly referred to as VAE) classifiable under tariff subheading 3905.21 from 10 per cent ad valorem to free of duty.

As reasons for the application, Henkel stated that VAE is not manufactured in the SACU, and no justification exists for the current rate of duty. Furthermore, Henkel stated that adhesives are imported at free of duty while the input material for the manufacture of adhesives, VAE, is imported at a rate of duty of 10 per cent ad valorem.

Following the publication in the Government Gazette, the three manufacturers of a substitute product objected to the application on the basis that VA Copolymer is manufactured in the SACU and is a suitable substitute of VAE in certain applications such as in the manufacture of paints and adhesives.

The Commission concluded that a suitable substitute product is manufactured in the SACU. Furthermore, VAE is classifiable under a general tariff subheading, which includes other products. A reduction in the rate of duty could impact negatively on the industries manufacturing these products.

In view of the above, the Commission recommended that the application for a reduction in the rate of duty on vinyl acetate ethylene copolymer in aqueous dispersion, classifiable under tariff subheading 3905.21 be rejected.

1. **Discussion**

1.1 The Commission considered an application by Henkel SA (Pty) Ltd (Henkel), a manufacturer of adhesives and glues, for reduction in the rate of duty on vinyl acetate ethylene copolymer in aqueous dispersion, (commonly referred to as VAE) classifiable under tariff subheading 3905.21 from 10 per cent ad valorem to free of duty.

1.2 The tariff structure of VAE is shown in the table below:

Table 1: Existing tariff position of VAE

Tariff Heading	Description	Rate of Duty		
		General	EU	SADC
3905	Polymers of Vinyl Acetate or of Other Vinyl Esters, in Primary Forms; Other Vinyl Polymers in Primary Forms:			
3905.2	Vinyl acetate copolymers			
3905.21	=In aqueous dispersion	10 %	8.8 %	free

Source: South African Revenue Service

1.3 Tariff subheading 3905.21 is a general tariff subheading, which includes other products. A reduction in the rate of duty on the product concerned could impact negatively on the industries manufacturing these products.

1.4 SARS also indicated that they are not in a position to effectively distinguish between VAE and VA copolymer and could therefore not provide a separate provision for VAE.

1.5 Following the publication in the Government Gazette, the three manufacturers of a substitute product objected to the application on the basis that VA Copolymer is manufactured in the SACU and is a suitable substitute for VAE in certain applications such as in the manufacture of paints and adhesives.

- 1.5 All three manufacturers confirmed that VAE is not manufactured in the SACU but stated that they manufacture vinyl acetate copolymer (VA copolymer), which is a substitute for VAE in the manufacture of glues, adhesives and paints.
 - 1.6 During the investigation, it was established that VA Copolymer competes with VAE in the manufacture of certain paints and adhesives. According to price information at the Commission's disposal, the SACU manufacturers of Vinyl Acetate copolymer are experiencing significant price disadvantages against imported VAE.
- 2. Recommendation**
- 2.1 In view of the fact that a suitable substitute product is manufactured in the SACU, and that SACU manufacturers of Vinyl Acetate Copolymer are experiencing significant price disadvantages against imported Vinyl Acetate Ethylene, the Commission recommended that the application for a reduction in rate of duty on Vinyl Acetate Ethylene, be rejected.

[28/2005]