



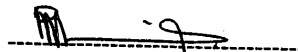
International Trade Administration Commission of South Africa

Report No. 59

**Review of the duty structure for pigments and
preparations based on titanium dioxide**



The International Trade Administration Commission herewith presents its Report No 59:
Review of the duty structure for pigments and preparations based on titanium dioxide



CHIEF COMMISSIONER

PRETORIA

10 June-----2004

**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH
AFRICA**

REPORT NO. 59

**REVIEW OF THE DUTY STRUCTURE FOR PIGMENTS AND PREPARATIONS
BASED ON TITANIUM DIOXIDE**

Synopsis

The commission initiated and published the investigation following the recommendations contained in Report No. 3773 by the previous Board on Tariffs and Trade (the Board). It was recommended that the duty on pigments and preparations based on titanium dioxide be reviewed after a period of two years. The purpose of the review was to assess and evaluate changes within the industry concerned and to determine whether there was still justification for the duty on pigments and preparations based on titanium dioxide.

The request for the review was brought by Clariant Southern Africa (Clariant) who submitted that the duty on pigments and preparations based on titanium dioxide be reviewed in line with the recommendation in Report No. 3773. Clariant manufactures white masterbatch using imported titanium dioxide based preparations. This firm stated that the titanium dioxide grades which are suitable for specialized white masterbatch for the plastic industry are not available in the Southern African Custom Union (SACU).

Huntsman tioxide SA (Huntsman) is the only manufacturer of titanium dioxide in the SACU and can meet the SACU market requirement for titanium dioxide. Huntsman tioxide has a significant share for the SACU market of titanium dioxide. The Commission found that Huntsman is experiencing an appreciable price disadvantage and therefore recommended that the existing rate of duty on titanium dioxide be maintained as the duty serves as protection and encouragement for the industry manufacturing titanium dioxide.

Introduction

1. The Commission considered the application for the review of duty on pigments and preparations based on titanium dioxide, classifiable under tariff subheadings 3206.11.
2. The tariff structure of pigments and preparations based on titanium dioxide is as follows:

Table 1: Tariff structure

Tariff Subheading	Description	Duty (%)		
		General	EU	SADC
3206	Other Colouring Matter; Preparations as Specified in Note 3 to This Chapter (Excluding those of Heading No. 32.03, 32.04 or 32.05); Inorganic Products of a Kind Used as Luminophores, Whether or Not Chemically Defined:			
3206.1	-Pigment and preparations based on titanium dioxide:			
3206.11	=containing 80 per cent or more by mass of titanium dioxide calculated on the dry mass	10%	10 %	free

3. The SACU market for titanium dioxide by volume is estimated at 26 000 tons per annum.
4. Import statistics of titanium dioxide are as follows:

Table 2: Import statistics for titanium dioxide

	2001	2002	2003
Volume	9 681 160 kg	11 137 372 kg	8 896 686 kg
Value	R 124 656 118	R 186 789 749	R 127 820 837

5. Huntsman currently produces approximately 30 000 tons of titanium dioxide and employs over 300 employees excluding contract employees. The Commission however took note of the recent developments regarding the Huntsman group's international restructuring which affected Huntsman in South Africa. The Commission noted in particular that the restructuring by Huntsman would result in job losses as a result of the capacity changes. Huntsman stated that the restructuring by the group was as a result of oversupply of titanium dioxide on the world market and the continued imports into SACU.
6. The production of titanium dioxide by Huntsman declined in 2003 by approximately 8 percent. However, this happened at the time when the SACU market size of titanium dioxide declined by approximately 11 per cent.
7. Huntsman experienced an appreciable price disadvantage against imported titanium dioxide.
8. A number of comments were received from interested parties. They stated that the titanium dioxide manufactured in the SACU does not meet their specifications and requested the Commission to consider the reduction in the rate of duty on pure titanium dioxide. Another party stated that Huntsman does not need additional protection as it is continuing to sell at prices higher than imported prices.
9. The Commission therefore found that it is justified to recommend that the duty be maintained as titanium dioxide is manufactured in the SACU and that the duty serves as protection and encouragement for the industry manufacturing titanium dioxide.

RECOMMENDATION

10. The Commission recommended that the existing rate of duty on titanium dioxide be maintained.

[T5/2/7/2/1]