

**REPORT NO: 401**

**INCREASE IN THE RATE OF CUSTOMS DUTY ON  
ALKYD RESINS**

The International Trade Administration Commission of South Africa herewith presents its  
Report No. 401: **Increase in the rate of customs duty on alkyd resins.**



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**Siyabulela Tsengiwe**  
**CHIEF COMMISSIONER**

PRETORIA

...06./...08.../2012

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 401

INCREASE IN THE RATE OF CUSTOMS DUTY ON ALKYD RESINS

**Synopsis**

Uniresins (Pty) Ltd applied for an increase in the rate of customs duty on alkyd resins classifiable under tariff subheading 3907.50, from free of duty to the WTO-bound rate of 15 % ad valorem.

The Commission found that the domestic industry is experiencing significant price disadvantages against foreign producers of alkyd resins. The Commission also considered that the existing rate of effective protection for the industry manufacturing alkyd resins is negative, as the rate of duty on intermediate inputs exceeds the rate of duty on the end product.

The Commission concluded that an increase in the general rate of duty to 15 % ad valorem would afford the domestic industry adequate support in its efforts to meet the challenges of foreign competition and would rectify the existing anomaly of the industry being burdened by a negative rate of effective protection.

The Commission therefore decided to recommend an increase in the general rate of customs duty on alkyd resins from free of duty to 15 % ad valorem.

**THE APPLICATION AND TARIFF POSITION**

1. Uniresins (Pty) Ltd applied for an increase in the rate of duty on alkyd resins classifiable under tariff subheading 3907.50 from free of duty to the WTO-bound rate of 15 % ad valorem.
2. As reason for the application, the applicant stated that the product in question is manufactured in the SACU and that it is experiencing fierce price competition from imported products.

3. The application was published in the Government Gazette of 23 March 2012, for comments by interested parties.
4. The tariff position for alkyd resins is as follows:

Tariff heading	Tariff sub-heading	Description	Statistical Unit	Rate of duty			
				General	EU	EFTA	SADC
3907		Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms:					
	3907.50	Alkyd resins	kg	free	free	free	free

#### **INDUSTRY AND MARKET**

5. The applicant is one of several domestic manufacturers of alkyd resins.
6. Alkyd resins are used primarily in the production of various types of paint coatings.
7. Key raw materials such as solvents, vegetable oils, glycerine and phthalic anhydride are sourced domestically. Others, such as styrene and glycols are imported. The raw materials are currently dutiable at rates varying between 10% and 15% ad valorem.
8. The applicant has an annual capacity to produce 8 000 tons of resins.
9. Imports of alkyd resins have risen since 2009, albeit from a low base and amounted to 1 335 tonnes in 2011 at a value of approximately R19m. SACU exports of alkyd resins were insignificant in 2011.
10. Arkema Resins (Pty) Ltd is the largest domestic manufacturer of alkyd resins. Its production capacity is 32 500 tons per annum. There are several other smaller producers of alkyd resins in the SACU.

11. All the producers are operating well below capacity. The SACU market for alkyd resins was estimated at approximately 30 000 tons annually in 2011, at a value of approximately R480 million.

#### **THE COMPETITIVE POSITION**

12. According to price information at the Commission's disposal, the domestic industry is experiencing significant price disadvantages especially vis-à-vis Egyptian and other Middle Eastern producers.

#### **COMMENTS ON THE APPLICATION**

13. Arkema Resins (Pty) Ltd and the Republic of Botswana supported the application. The application attracted no objections.

#### **FINDINGS**

14. The Commission found that the domestic industry is experiencing significant price disadvantages against foreign producers of alkyd resins. The Commission also considered that the existing rate of effective protection for the industry manufacturing alkyd resins is negative, as the rate of duty on intermediate inputs exceeds the rate of duty on the end product.
15. The Commission concluded that an increase in the general rate of duty to 15 % ad valorem would afford the domestic industry adequate support in its efforts to meet the challenges of foreign competition and would rectify the existing anomaly of the industry being burdened by a negative rate of effective protection.
16. The Commission therefore decided to recommend an increase in the general rate of customs duty on alkyd resins from free of duty to 15 % ad valorem.

#### **RECOMMENDATION**

17. The Commission recommends that the general rate of customs duty on alkyd resins, classifiable under tariff subheading 3907.50, be increased from free of duty to 15 % ad valorem.

(32/2011)