

REPORT NO. 587

**EXEMPTION OF SAFEGUARD DUTIES APPLICABLE ON HOT ROLLED
STEEL PRODUCTS IMPORTED UNDER REBATE ITEM 470.03 AND
DRAWBACK ITEM 521.00**

The International Trade Administration Commission herewith presents its **Report No. 587: EXEMPTION OF SAFEGUARD DUTIES APPLICABLE ON HOT-ROLLED STEEL PRODUCTS IMPORTED UNDER REBATE ITEM 470.03 AND DRAWBACK ITEM 521.00**, with recommendations.


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DUMISANI MBAMBO
DEPUTY CHIEF COMMISSIONER

PRETORIA
11/07/2018

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 587

EXEMPTION OF SAFEGUARD DUTIES APPLICABLE ON HOT-ROLLED STEEL PRODUCTS IMPORTED UNDER REBATE ITEM 470.03 AND DRAWBACK ITEM 521.00

Synopsis

Robor (Pty) Ltd and GasCon, a division of Southey Holdings (Pty) Ltd, applied for the exclusion from Schedule 2 of certain hot-rolled steel plate entered under rebate item 470.03 and the extension of drawback item 521.00 to allow for the refund of such safeguard duties applicable on certain hot-rolled steel products.

The Commission considered all the relevant information at its disposal. The Commission considered government's policy position with regards to the importance of export promotion and the strategic role of exports as a key element in stimulating industrial development and economic growth.

The Commission found that in terms of Schedule No. 2 and Schedule No. 5 to the Customs and Excise Act, goods currently imported under rebate item 470.03 and 521.00 are liable for payment of the safeguard duties. Furthermore, certain grades/specifications of hot-rolled steel are not manufactured locally. Thus, the safeguard duty serves as an unnecessary cost-raising effect on value added exports.

The duty relief, through the waiver of safeguard duties under rebate item 470.03 and drawback item 521.00 would improve the competitive position of the domestic industry in the global market.

In light of the foregoing, the Commission recommended that:

- Rebate items 470.03/00.00/01.00 to 470.03/00.00/03.00, to the extent that it applies to hot rolled steel, be excluded from Part 3 of Schedule No. 2 to the Customs and Excise Act; and that

- Note 3 (b) to Schedule No. 5 be amended to read as follows:

"For the purposes of drawback item 521.00/00.00/01.00, Note 3 to Schedule No. 3 shall *mutatis mutandis* apply in respect of the expression "extent of drawback" in Column III to this item and for that purpose any reference to customs duty shall be deemed to include a reference to any safeguard duty provided for in Part 3 of Schedule No. 2 in respect of the hot rolled steel products classifiable in safeguard items 260.03/72.08/01.04, 260.03/7211.14/01.06, 260.03/7211.19/01.06, 260.03/7225.30/01.06, 260.03/7225.40/01.06, 260.03/7225.99/01.06, 260.03/7226.91/01.06, and/or 260.03/7226.99/01.06"

These provisions will be subject to a permit issued by ITAC in terms of guidelines, rules and conditions.

THE APPLICATION AND TARIFF POSITION

1. ITAC received an application from Robor (Pty) Ltd ("Robor") and GasCon, a division of Southey Holdings (Pty) Ltd ("GasCon") for the exclusion from Schedule 2 of certain hot rolled steel plate entered under rebate item 470.03 and the extension of drawback item 521.00 to allow for the refund of such safeguard duties applicable on certain hot-rolled steel products.
2. The subject products are certain hot-rolled steel products of iron, non-alloy steel or other alloy steel (not including stainless steel), whether or not in coils (including cut-to-length and narrow strip), not further worked than hot rolled, not clad, plated or coated, excluding grain oriented silicon electrical steel.
3. Robor is a domestic manufacturer of small bore tubes, with its manufacturing facility located in Gauteng (Elandsfontein).

4. GasCon is a domestic manufacturer of pressure vessels, heat exchangers, cryogenics and other pressure equipment. The gas tank containers business constitutes approximately 50 per cent of its total business.

5. As reasons for the application, the applicants stated, *amongst others*, the following:

- The safeguard duties that were recently imposed on the subject products are negatively affecting the manufacturing of tubes, pipes, and gas tankers destined for the export market;
- The duties make the export business uneconomical for the applicants and may result in job losses; and
- Some of the steel used to manufacture products for the export market is not available in the domestic market.

6. The application was published in the Government Gazette for interested parties to comment on 16 March 2018, as follows:

“Exemption of safeguard duties applicable on hot rolled steel products imported under rebate Item 470.03 and drawback Item 521.00 for use in the manufacture, processing, finishing, equipping, or packing of goods exclusively for export.”

7. The current safeguard duty structure applicable to the subject products is given in Table 1 below:

Table 1: Safeguard duty structure for the subject products

Item	Tariff Heading	Code	CD	Description	Rebate Items	Imported from or Originating In	Rate of Safeguard
260.00	BASE METALS AND ARTICLES OF BASE METAL						
260.03	72.08	01.04	47	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated (excluding that imported from or originating in: Afghanistan, Albania, Algeria, American Samoa, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Benin, Bhutan, Bolivia (Plurinational State of), Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Chinese Taipei (Taiwan), Colombia, Comoros, Congo (Democratic Republic of the), Congo, Republic, Costa Rica, Côte d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, Arab Republic, El Salvador, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Indonesia, Iran, Islamic Republic, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kiribati, Korea, Democratic Peoples Republic of, Kosovo, Kyrgyz Republic, Lao People's	301.00-399.00; 401.00-499.00 (excluding 480.15/7208.5/ 01.05; 480.15/7208.5/ 02.05; 480.15/7208.5/ 03.05)	All countries	12%

				Democratic Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, the Former Yugoslav Republic of, Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Federated States of, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Romania, Russian Federation, Rwanda, Samoa, Sao Tome and Principe, Senegal, Serbia, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sri Lanka, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sudan, Suriname, Swaziland, Syrian Arab Republic, Tajikistan, Tanzania, united Republic of, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, Uruguay, Uzbekistan, Vanuatu, Venezuela, Bolivarian Republic of), Vietnam, West Bank and Gaza, Yemen, Zambia, Zimbabwe)			
260.03	7211.14	01.06	68	Flat-rolled products of iron or non-alloy steel, of a width of less than 800 mm, not clad, plated or coated, not further worked than hot-rolled, other, of a thickness of 4,75 mm or more (excluding that imported from or originating in: Afghanistan, Albania, Algeria, American Samoa, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Benin, Bhutan, Bolivia (Plurinational State of), Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Chinese Taipei (Taiwan) Colombia, Comoros, Congo (Democratic Republic of the), Congo, Republic, Costa Rica, Côte d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, Arab Republic, El Salvador, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Indonesia, Iran, Islamic Republic, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kiribati, Korea, Democratic Peoples Republic of, Kosovo, Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, the Former Yugoslav Republic of, Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Federated States of, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Romania, Russian Federation, Rwanda, Samoa, Sao Tome and Principe, Senegal, Serbia, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sri Lanka, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sudan, Suriname, Swaziland, Syrian Arab Republic, Tajikistan, Tanzania, united Republic of, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, Uruguay, Uzbekistan, Vanuatu, Venezuela, Bolivarian Republic of), Vietnam, West Bank and Gaza, Yemen, Zambia, Zimbabwe)	301.00-399.00; 401.00-499.00	All countries	12%
260.03	7211.19	01.06	69	Other (excluding that imported from or originating in: Afghanistan, Albania, Algeria, American Samoa, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Benin, Bhutan, Bolivia (Plurinational State of), Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Chinese Taipei (Taiwan) Colombia, Comoros, Congo (Democratic Republic of the), Congo, Republic, Costa Rica, Côte d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, Arab Republic, El Salvador, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Indonesia, Iran, Islamic Republic, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kiribati, Korea, Democratic Peoples Republic of, Kosovo, Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, the Former Yugoslav Republic of, Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Federated States of, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Romania, Russian Federation, Rwanda, Samoa, Sao Tome and Principe, Senegal, Serbia, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sri Lanka, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sudan, Suriname, Swaziland, Syrian Arab Republic, Tajikistan, Tanzania, united Republic of, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, Uruguay, Uzbekistan, Vanuatu, Venezuela, Bolivarian Republic of), Vietnam, West Bank and Gaza, Yemen, Zambia, Zimbabwe)	301.00-399.00; 401.00-499.00	All countries	12%
260.03	7225.30	01.06	60	Other, not further worked than hot-rolled, in coils (excluding that imported from or originating in: Afghanistan, Albania, Algeria, American Samoa, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Benin, Bhutan, Bolivia (Plurinational State of), Bosnia and Herzegovina,	301.00-399.00 401.00-499.00	All Countries	12%

				Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Chinese Taipei (Taiwan) Colombia, Comoros, Congo (Democratic Republic of the), Congo, Republic, Costa Rica, Côte d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, Arab Republic, El Salvador, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Indonesia, Iran, Islamic Republic, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kiribati, Korea, Democratic Peoples Republic of, Kosovo, Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, the Former Yugoslav Republic of, Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Federated States of, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Romania, Russian Federation, Rwanda, Samoa, Sao Tome and Principe, Senegal, Serbia, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sri Lanka, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sudan, Suriname, Swaziland, Syrian Arab Republic, Tajikistan, Tanzania, united Republic of, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, Uruguay, Uzbekistan, Vanuatu, Venezuela, Bolivarian Republic of), Vietnam, West Bank and Gaza, Yemen, Zambia, Zimbabwe)			
280.03	7225.40	01.06	67	Other, not further worked than hot-rolled, not in coils(excluding that imported from or originating in: Afghanistan, Albania, Algeria, American Samoa, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Benin, Bhutan, Bolivia (Plurinational State of), Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Chinese Taipei (Taiwan) Colombia, Comoros, Congo (Democratic Republic of the), Congo, Republic, Costa Rica, Côte d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, Arab Republic, El Salvador, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Indonesia, Iran, Islamic Republic, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kiribati, Korea, Democratic Peoples Republic of, Kosovo, Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, the Former Yugoslav Republic of, Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Federated States of, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Romania, Russian Federation, Rwanda, Samoa, Sao Tome and Principe, Senegal, Serbia, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sri Lanka, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sudan, Suriname, Swaziland, Syrian Arab Republic, Tajikistan, Tanzania, united Republic of, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, Uruguay, Uzbekistan, Vanuatu, Venezuela, Bolivarian Republic of), Vietnam, West Bank and Gaza, Yemen, Zambia, Zimbabwe)	301.00-399.00; 401.00-499.00 (excluding 480.15/7225.40 /01.06; 480.15/7225.40 /02.06; 480.15/7225.40 /03.06)	All countries	12%
280.03	7225.99	01.06	67	Other, (excluding that imported from or originating in: Afghanistan, Albania, Algeria, American Samoa, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Benin, Bhutan, Bolivia (Plurinational State of), Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Chinese Taipei (Taiwan) Colombia, Comoros, Congo (Democratic Republic of the), Congo, Republic, Costa Rica, Côte d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, Arab Republic, El Salvador, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Indonesia, Iran, Islamic Republic, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kiribati, Korea, Democratic Peoples Republic of, Kosovo, Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, the Former Yugoslav Republic of, Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Federated States of, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Romania, Russian Federation, Rwanda, Samoa, Sao Tome and Principe, Senegal, Serbia, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sri Lanka, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sudan, Suriname, Swaziland, Syrian Arab Republic, Tajikistan, Tanzania, united Republic of, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, Uruguay, Uzbekistan, Vanuatu, Venezuela, Bolivarian Republic of), Vietnam, West Bank and Gaza, Yemen, Zambia, Zimbabwe)	301.00-399.00 401.00-499.00	All Countries	12%

				Timor-Leste, Togo, Tonga, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, Uruguay, Uzbekistan, Vanuatu, Venezuela, Bolivarian Republic of, Vietnam, West Bank and Gaza, Yemen, Zambia, Zimbabwe)			
260.03	7226.91	01.06	68	Not further worked than hot-rolled (excluding that imported from or originating in: Afghanistan, Albania, Algeria, American Samoa, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Benin, Bhutan, Bolivia (Plurinational State of), Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Chinese Taipei (Taiwan), Colombia, Comoros, Congo (Democratic Republic of the), Congo, Republic, Costa Rica, Côte d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, Arab Republic, El Salvador, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Indonesia, Iran, Islamic Republic, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kiribati, Korea, Democratic Peoples Republic of, Kosovo, Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, the Former Yugoslav Republic of, Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Federated States of, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Romania, Russian Federation, Rwanda, Samoa, Sao Tome and Principe, Senegal, Serbia, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sri Lanka, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sudan, Suriname, Swaziland, Syrian Arab Republic, Tajikistan, Tanzania, United Republic of, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, Uruguay, Uzbekistan, Vanuatu, Venezuela, Bolivarian Republic of, Vietnam, West Bank and Gaza, Yemen, Zambia, Zimbabwe)	301.00-399.00 401.00-499.00	All Countries	12%
260.03	7226.99	01.06	63	Other (excluding that imported from or originating in: Afghanistan, Albania, Algeria, American Samoa, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Benin, Bhutan, Bolivia (Plurinational State of), Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Chinese Taipei (Taiwan), Colombia, Comoros, Congo (Democratic Republic of the), Congo, Republic, Costa Rica, Côte d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, Arab Republic, El Salvador, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Indonesia, Iran, Islamic Republic, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kiribati, Korea, Democratic Peoples Republic of, Kosovo, Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, the Former Yugoslav Republic of, Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Federated States of, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Romania, Russian Federation, Rwanda, Samoa, Sao Tome and Principe, Senegal, Serbia, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sri Lanka, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sudan, Suriname, Swaziland, Syrian Arab Republic, Tajikistan, Tanzania, United Republic of, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, Uruguay, Uzbekistan, Vanuatu, Venezuela, Bolivarian Republic of, Vietnam, West Bank and Gaza, Yemen, Zambia, Zimbabwe)	301.00-399.00 401.00-499.00	All Countries	12%

8. The subject products are hot rolled steel plates and hot rolled steel coils used in the manufacture of products destined for the export market.

9. The subject products attract a general rate of ordinary customs duty of 10% *ad valorem*. The WTO bound rate is 10% *ad valorem*.

10. The current rate of safeguard duty on the subject products is 12%. The safeguard duty will be liberalised to 10%, 8%, and free of duty on 11 August 2018, 11 August 2019, and 11 August 2020, respectively.

11. ITAC currently administers two instruments which allow for the exemption or waiver of customs duty on imported goods used in manufacture of products destined for the export market. These are rebate item 470.03 and drawback item 521.00 and are described as follows:

Table 2: Rebate Item 470.03

Rebate Item	Tariff Heading	Rebate Code	CD	Description	Extent of Rebate
470.03	Goods cleared in terms of a permit issued by the International trade administration commission				
470.03	00.00	01.00	03	Goods (excluding goods free of duty as contemplated in section 75A) cleared in terms of a permit issued by the International Trade Administration Commission, for use in the manufacture, processing, finishing, equipping or packing of goods exclusively for export	Full duty

Source: SARS, 2018

12. Apart from the applicants, there are other downstream steel users, including re-rollers, which currently benefit from the existing rebate and drawback provisions subject to this application. These provisions provide for the rebate of full ordinary customs duty on imported materials temporarily admitted for use in the manufacture, processing, equipping or packing of goods exclusively for export.

Table 3: Drawback Item 521

Drawback Item	Tariff Heading	Rebate Code	CD	Description	Extent of Drawback
521.00	GENERAL				
521.00	00.00	01.00	08	Goods used in the manufacture, processing, finishing, equipping or packing of any goods exported: Provided that (1) no drawback in terms of this item shall be granted unless the claim in respect of such drawback is accompanied by and complies with the provisions of a permit issued by the International Trade Administration Commission; (2) the said permit may specify the nature, quantity or value of the goods to which the drawback relates, the nature, quantity or value of the goods in the manufacture, processing, finishing, equipment or packing of which the first-mentioned goods are used, the period during which any such goods shall be imported or exported or any restrictions of whatever nature ; and (3) the Commissioner may, exempt any person to whom such permit has been issued or any goods to which this item is applicable from the provision of any Note relating to Part 1 of Schedule No. 5	Full duty less the duty in Section B of Part 2 of Schedule No. 1

Source: SARS, 2018

13. As depicted above, both rebate item 470.03 and drawback item 521.00 are not industry specific. They apply to all industries importing goods for use in the manufacture of products exclusively for the export market.

14. The purpose of the above provisions is to assist exporters to access raw materials and other input materials at world market prices, without paying any form of customs duty, therefore helps in stimulating exports from the SACU region.

15. The concern raised by the applicants is that the above provisions are currently restricted to Schedule 1 customs duties and do not allow for the waiver of safeguard duties under Schedule 2. Hence the reason for this current application.

INDUSTRY AND MARKET

16. The only known manufacturer of hot-rolled steel in the SACU region is ArcelorMittal South Africa Limited (AMSA). However, certain grades/specifications of hot-rolled steel are not manufactured locally. AMSA only produces hot-rolled material ranging from 1mm to 16mm in thickness and ranging from 800mm to 1925mm in width. Relating to hot rolled pickled and oiled material, the applicant produces dimensions ranging from 1.4mm to 4.8mm in thickness and from 800mm to 1850mm in width.

17. The hot-rolled steel is used as an input in the manufacturing of various downstream steel products such as containers, mining equipment, drawing and forming applications like wheel rims, small and large bore pipes, agricultural implements, earth moving equipment, gas cylinders, truck trailers, water tanks, railway rolling stock, and racking & shelving, amongst others. It is also used as the main input in the manufacture of coated and painted steel, which in turn is used predominantly in roofing applications.

COMPETITIVE POSITION

18. The waiver of safeguard duties under both rebate item 470.03 and drawback item 521.00 would result in a reduction in input cost of the domestic downstream industry's manufactured goods destined for the export market.

COMMENTS RECEIVED

19. Support for the application was received from AMSA, indicating that it supports the application subject to there being proper control measures at ITAC in the form of guidelines, rules and conditions.
20. Support for the application was also received from the Botswana Ministry of Investment, Trade and Industry, citing that such an exemption will improve the SACU industry's competitiveness.

FINDINGS

21. The Commission considered government's policy position with regards to the importance of export promotion and the strategic role of exports as a key element in stimulating industrial development and economic growth.
22. The Commission found that in terms of Schedule No. 2 and Schedule No. 5 to the Customs and Excise Act, goods currently imported under rebate item 470.03 and 521.00 are liable for payment of the safeguard duties. Furthermore, certain grades/specifications of hot-rolled steel are not manufactured locally. Thus, the safeguard duty has an unnecessary cost-raising effect on value added exports.
23. The duty relief, through the waiver of safeguard duties under both rebate item 470.03 and drawback item 521.00 would improve the competitive position of the domestic industry in the global market.
24. The relevant provisions will be subject to a permit issued by ITAC in terms of the relevant guidelines, rules and conditions

RECOMMENDATION

25. In light of the foregoing, the Commission recommended that

- Rebate items 470.03/00.00/01.00 to 470.03/00.00/03.00, to the extent that it applies to hot rolled steel, be excluded from Part 3 of Schedule No. 2 to the Customs and Excise Act; and that
- Note 3 (b) to Schedule No. 5 be amended to read as follows:

“For the purposes of drawback item 521.00/00.00/01.00, Note 3 to Schedule No. 3 shall *mutatis mutandis* apply in respect of the expression “extent of drawback” in Column III to this item and for that purpose any reference to customs duty shall be deemed to include a reference to any safeguard duty provided for in Part 3 of Schedule No. 2 In respect of the hot rolled steel products classifiable in safeguard items 260.03/72.08/01.04, 260.03/7211.14/01.06, 260.03/7211.19/01.06, 260.03/7225.30/01.06, 260.03/7225.40/01.06, 260.03/7225.99/01.06, 260.03/7226.91/01.06, and/or 260.03/7226.99/01.06”

26. These provisions will be subject to a permit issued by ITAC in terms of guidelines, rules and conditions.