

REPORT NO. 709

**INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON COATED
WELDED WIRE MESH, CLASSIFIABLE UNDER TARIFF SUBHEADING
7314.39**

The International Trade Administration Commission herewith presents its **Report No. 709: INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON COATED WELDED WIRE MESH, CLASSIFIABLE UNDER TARIFF SUBHEADING 7314.39**, with recommendations.



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AYABONGA CAWE
CHIEF COMMISSIONER

PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 709

INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON COATED WELDED WIRE MESH, CLASSIFIABLE UNDER TARIFF SUBHEADING 7314.39

Synopsis

Clear Creek Trading 167 (Pty) Ltd, trading as Wireforce (herein referred to as “Wireforce” or the “applicant”), applied for an increase in the general rate of customs duty on coated welded wire mesh, classifiable under tariff subheading 7314.39, from 5% *ad valorem* to the WTO bound rate of 15% *ad valorem*.

The International Trade Administration Commission (“ITAC” or the “Commission”) considered the application in light of all the information at its disposal. In particular, the Commission took the following factors into account:

- The subject product is coated welded wire mesh and is designed for specific applications such as high-security perimeter control or simple demarcation and protection. The product is mostly used in the construction, security, agriculture, engineering and mining sectors;
- Aggregate import volumes of the subject product increased over the three-year period under investigation;
- Following the imposition of the duty on other tariff lines that resulted from the ITAC Report No.487, there appears to have been more imports coming in under the tariff subheading under investigation (TH7314.39), likely by virtue of it having the lowest applicable duty, 5% *ad valorem*;

- While the applicant's total production and sales volumes of the subject product recorded an increase over the three-year period under investigation, capacity utilisation levels remain very low; and
- The applicant experienced an escalating cost structure with regard to the manufacturing of the subject products. The main driver of production costs is the cost of the raw material and coating processes which have rapidly increased over the three-year period under investigation;

The Commission concluded that tariff support should enable the domestic industry manufacturing enable the domestic industry manufacturing coated welded wire mesh to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in increased volumes with a reduction in the marginal cost of production.

The additional tariff support should also assist in closing what appears to be a loophole in the tariff structure following the imposition of duties on the other tariff lines that were covered under ITAC Report No. 487.

The Commission recommended that the rate of customs duty on coated welded wire mesh, classifiable under tariff subheading 7314.39, be increased from 5% *ad valorem* to the WTO bound rate of 15% *ad valorem*.

The Commission further recommended that the duty be reviewed to determine its impact on the industry value chain after three years from the date of implementation, or such other period as decided by the Commission.

THE APPLICATION AND TARIFF POSITION

1. Wireforce applied for an increase in the general rate of customs duty on coated welded wire mesh, classifiable under tariff subheading 7314.39, from 5% *ad valorem* to the WTO bound rate of 15% *ad valorem*.
2. The applicant is based in Germiston and specializes in a wide range of quality products, including welded wire mesh, mining support products, fabric reinforcement and fencing products, all designed for specific applications such as high-security perimeter control or simple demarcation and protection. Most of the applicant's wire products are destined for the construction, security, agriculture, engineering and mining sectors. The applicant is considered as one of the largest converters of wire

in South Africa, with a customer base ranging from major construction companies to private domestic users.

3. For many years, the applicant has been a manufacturer of galvanised welded wire mesh and, since 2019, it started manufacturing coated welded wire mesh. According to the applicant, the subject product is a relatively higher value-added product.
4. As motivation for the increase in the general rate of customs duty the applicant cited, *inter alia*, the following:
 - Wireforce has since been producing galvanised welded wire mesh and only started manufacturing coated welded wire mesh in 2019;
 - The locally produced coated welded wire offers an opportunity for import replacement as well as export opportunities;
 - An additional 10% tariff protection would assist the industry in the initial stage to develop, to increase economies of scale and enhance its global competitiveness;
 - There is an anomaly in the tariff structure as the main input material used in the manufacture of coated welded wire mesh, wire rod, currently attracts a higher ordinary customs duty of 10% *ad valorem* whilst the end-product remains significantly below the WTO bound rate at only 5% *ad valorem*; and
 - Should the tariff protection not be awarded, low-priced imports of coated welded wire mesh, specifically those from China, will continue to increase at the rate observed in recent years, which would be to the detriment of the SACU domestic industry.
5. On 18 November 2022, the Commission published the application in the Government Gazette No. 47526 under Notice 1424 of 2022 for interested parties to comment, as follows:

INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON:

“Coated welded wire mesh, classifiable under tariff subheading 7314.39, from 5% ad valorem to the WTO bound rate of 15% ad valorem”.

6. Table 1 below shows the existing tariff structure of the subject product.

Table 1: The subject product’s current tariff structure

Tariff Heading / Subheading	Description	Statistical unit	Rate of duty					
			GENERAL	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA
7314	Other grill, netting and fencing, welded at the intersection							
7314.31	Plated or coated with zinc	kg	15%	free	free	free	15%	12%
7314.39	Other	kg	5%	free	free	free	5%	4%

Source: SARS, 2022

7. As shown in Table 1 above, the subject product, classifiable under tariff subheading 7314.39, is currently at 5% *ad valorem* under the General category. The World Trade Organisation (“WTO”) bound rate for the subject product is 15% *ad valorem*.

8. The requested tariff position is depicted in Table 2 below.

Table 2: The requested tariff structure

Tariff Heading / Subheading	Description	Statistical unit	Rate of duty					
			GENERAL	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA
7314	Other grill, netting and fencing, welded at the intersection							
7314.31	Plated or coated with zinc	kg	15%	free	free	free	15%	12%
7314.39	Other	kg	15%	free	free	free	5%	4%

Source: SARS, 2022

INDUSTRY AND MARKET

9. The subject product is coated welded wire mesh, classifiable under tariff subheading 7314.39 (“other”).

10. Coated welded wire mesh is a series of steel wires that are welded at the wire cross-sections using one of several welding techniques. The coated welded wire mesh subject to this application is either PVC (Polyvinyl Chloride) coated, or powder coated.

11. The coating material is an additional layer of polyvinyl chloride or polyethylene on the surface of the galvanized wire. The coating layer is firmly and uniformly attached to the metal wire to form the features of anti-aging, anti-corrosion, anti-cracking, long life, and other characteristics.

12. The coating process of the subject product is currently being outsourced to other local companies, supporting a total of 70 jobs. These local companies are contracted to the applicant to coat the galvanised wire with either PVC or powder coating.

13. There are three known manufacturers of welded wire mesh in the SACU region, namely, Wireforce, Wire Industries (Pty) Ltd and Cape Gate (Pty) Ltd. The applicant has historically been a manufacturer of galvanised welded wire mesh. It has only recently started the manufacturing of coated welded wire mesh.

14. The known local importers of the subject product in the SACU region include, amongst others: Wholesale Fencing SA; SMI Industrial Knitted Wire Mesh (Pty) Ltd; Merco Wire Mesh and Screening (Pty) Ltd; and Industrial Mesh Supplies (Pty) Ltd.

COMPETITIVE POSITION

15. The domestic industry manufacturing coated welded wire mesh is not price-competitive against imports of the subject products.

COMMENTS RECEIVED

16. Comments in support of an increase in customs duty on the subject product were received from the South African Wire Association (“SAWA”), stating that it concurs with the motivation provided by the applicant for the increase in customs duty on the subject product

FINDINGS

17. The Commission considered all the relevant information at its disposal. In particular, the Commission considered the following factors:

- The subject product is coated welded wire mesh and is designed for specific applications such as high-security perimeter control or simple demarcation and protection. The product is mostly used in the construction, security, agriculture, engineering and mining sectors;
- Aggregate import volumes of the subject product increased over the three-year period under investigation;

- Following the imposition of the duty on the other tariff lines that resulted from the ITAC Report No.487, there appears to have been more imports coming in under the tariff subheading under investigation (TH7314.39), likely by virtue of it having the lowest applicable duty, 5% *ad valorem*. The additional tariff support should also assist in closing this apparent loophole in the tariff structure;
- While the applicant's total production and sales volumes of the subject product recorded an increase over the three-year period under investigation, capacity utilisation levels remain very low;
- The applicant faces an escalating cost structure with regards to the manufacturing of the subject products. The main driver of production costs is the cost of the raw material and coating processes which have rapidly increased over the three-year period under investigation; and
- The Commission concluded that tariff support should enable the domestic industry manufacturing enable the domestic industry manufacturing coated welded wire mesh to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in increased volumes with a reduction in the marginal cost of production.

RECOMMENDATION

18. In the light of the foregoing, the Commission recommended that the rate of customs duty on coated welded wire mesh, classifiable under tariff subheading 7314.39, be increased from 5% *ad valorem* to the WTO bound rate of 15% *ad valorem*.

19. The Commission further recommended that the duty be reviewed to determine its impact on the industry value chain after three years from the date of implementation, or such other period as decided by the Commission.