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Textile export incentive list out soon

By Charlotte Mathews

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A new list of 10 clothing and textile product categories eligible for duty credit certificates would be gazetted shortly, the Department of Trade and Industry's chief director for African multilateral economic relations, Xolelwa Mlumbi-Peter, confirmed on Thursday, 21 January 2010.

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Credit: Suat Eman

The duty credit certificate scheme was the main export incentive for SA's clothing and textiles sector, which for years has battled to compete on domestic and international markets for various reasons. These have included illegal imports, local structural inefficiencies, the strength of the rand in recent times, as well as the flood of mass-market clothing produced in Asia.

The sector, stung by factory closures and retrenchments in recent years, has been identified as a high priority industry for the government because it is labour intensive.

Restrictions were placed on the duty credit certificate scheme in December 2008, partly over concerns that it was being abused. The certificates permitted companies exporting clothing and textiles to earn rebates on import duties for inputs, but the problem was that because the certificates were tradable, they were being used by companies that were purely importers. The scheme was also not compliant with World Trade Organisation rules, and it had already been decided that it would expire in March this year.

The new list was compiled after more than a year of discussions in the Southern African Customs Union (Sacu), all of whose members participated in the scheme.

Mlumbi-Peter said the 10 product lines were all input items such as fabrics and yarn and did not include any finished items. “These constitute products on which consensus could be reached and are aimed at ensuring that the duty credit certificates do not undermine production within the customs union.

“Through the gazetting, certificates can be redeemed for the period 1 April 2009 until it terminates on 31 March 2010, as agreed by Sacu Council decisions in 2008 and 2009,” she said.

The scheme previously covered 107 product categories and was said to cost the government about R550m a year. The government was finalising a replacement in the form of a production incentive, which would offer a cash subsidy based on local production and the number of workers employed.

Mlumbi-Peter said the production incentive would apply only within SA and not to Sacu countries.

Alan Jarvis, CE of Tern Sportswear in Durban, said he was not surprised by the reduced list of products in the duty credit certificate scheme, as it had become largely devalued anyway. But he was surprised that other Sacu members had agreed to the limitations, as countries such as Lesotho and Swaziland had benefited from it in the past.

Jarvis doubted whether the South African government's planned production incentive would do much to help exporters in an industry fighting for survival.

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