**SAFETY HEADGEAR**

Exports to markets other than Africa have decreased. For example, clothing exports to the USA have fallen more than two-thirds since 2008 and are now less than R50m a year while exports to the UK decreased in 2011 despite it being the major purchaser of clothing in 2010. Zambia, Zimbabwe and Mozambique have taken its place as the main export destinations for clothing exports from South Africa.
More than 50 000 jobs have been lost in the last decade as clothing companies have been forced to close due to a combination of factors including an influx of imports from China and an inefficient local industry not geared up to compete in a global environment. As mentioned, the events of the past two decades are summarised in Appendix 1. More recently the clothing manufacture industry has stabilised, with further closures less likely as clothing companies tap into the government incentives detailed below, and become more efficient.

As far as the export market is concerned, clothing exports account for just below 6% of the value of imports. Exports grew by 13% in 2012 following two years of decline. Growth has come from an increase in clothing exports to African countries, a growth of 27% in 2012 and a growth of 10% each year from 2008 to 2012. Exports to Africa, which may involve re-exports by retailers, now make up two-thirds of total clothing exports. Not all exports are locally manufactured items for two reasons:

- A large proportion of exports are shipments by South African retailers to their regional retail stores. The majority of these shipments comprise imported items with only a small volume of garments manufactured in South Africa; and
- Traders from African countries buy from South African wholesalers who stock imported goods. These exports are declared as clothing exports from South Africa by the buyers/ exporters.

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**EXPORTS GLOBALLLY**

**International**

Global clothing companies supplied R9 094.5bn ($1,025.9bn) worth of retail apparel in 2008. Retail trade in apparel accounted for R3 208.2bn ($361.9bn) of this amount. China is the world's largest exporter of apparel accounting for 33.2% of this figure at approximately R1 062.4bn ($120.06bn). Its position as the main clothing exporter is being challenged by other low-cost clothing manufacturing regions which include India, Mexico, Turkey and Vietnam. It has been suggested that for China to continue to compete effectively in the face of rising production costs it will have to "move up the global clothing value chain" producing higher value-added goods. In terms of global competitiveness ranking South Africa has dropped from 50th to 52nd out of 144 countries. Despite the drop, South Africa and Mauritius at 54th, lead the regional ranking in Africa. The Global Competitiveness Index (GCI), released by the World Economic Forum in September 2012, is calculated according to a country's 'set of institutions, policies and factors that determine the level of productivity of a country'. According to Verdict Research, between 2007 and 2012 spending on clothing fell 4.3% in Europe with countries like Spain most affected by the debt crisis, showing poor results. Out of the top five European countries, only France and Germany had increased sales between 2007 and 2012.

The global financial crisis in 2008 had a severe impact on both local and global aluminium production, which has decreased by between 20% and 30% according to Aluminium Federation of South Africa (AFSA). AFSA's executive director stated that a number of construction projects had been postponed while new construction of residential and commercial buildings had been significantly reduced. In addition, many major construction projects which used aluminium, such as the 2010 FIFA World Cup stadiums and some station construction for the Gautrain have largely been completed. South Africa's economic situation started to improve marginally in the second half of 2009 with South Africa's major fabricator Hulamin reporting an improvement on overall demand for its products. However, Hulamin's CEO highlighted that a two-week strike by Transnet, rising electricity and labour costs and a strong rand negatively impacted on the group's earnings.

**GOVERNMENT SUPPORT**

As a means of support to the ailing industry, the government introduced "an industry upgrading incentive" as a replacement to the Duty Credit Certificate (DCC) Programme, known as the Clothing and Textiles Competitiveness Programme (CTCP) which is administered by the Department of Trade and Industry (DTI). The CTCP forms part of the government's Industrial Policy Action Plan (IPAP) and aims to help the industry upgrade processes, products and people. The government recognised that because levels of profitability are very low there has been little incentive to invest in capital upgrades. With the assistance of a Production Incentive Programme (PIP) the aim is to encourage competitiveness. Similarly, the Competitiveness Improvement Programme (CIP) is geared towards supporting the cluster concept of similar manufacturing entities or value chain clusters made up of manufacturers, suppliers and retailers. Support offered by the government to NBC-compliant companies with the CTCP and PI incentives revealed the following results as at August 2012:

- PI - released R1 149m in funding;
- PI - saved 49 888 jobs;
- PI - created a further 12 205 jobs; and
- CTCP - disbursed R39m.

**TARIFF PROTECTION**

At the start of the court case in January 2013, the Centre for Development Enterprise (CDE) released a report entitled, "Job Destruction in the Clothing Industry: How an Alliance of Organised Labour, the State and Some Firms is Undermining Labour-Intensive Growth.

The industry is calling for the scrapping of a 22% import duty on imported fabric with the reasoning that the local clothing industry is forced to import fabric as there is no local supply. AMSA believes that the duty rebate schedule which reflects fabrics exempt from duty should be expanded to reflect all fabric lines not available locally. A textile scoping study prepared by Justin Barnes indicates that the local textile industry is not able to supply fabric in the weaving portion of the value chain as well as the knitted-woven spectrum in respect of synthetic fabric supply. Barnes ascribes failure in the development of advanced capabilities in the dyeing and finishing sub-sector to be a major hindrance and has suggested support for the Textile industry around a Duty Rebate Mechanism. According to a source from the DTI, the department is currently investigating the recommendations and the positions, comments and proposals of all parties concerned in order to come up with a solution that will suit all.

**EQUITABLE EXPORT OBLIGATIONS**

The main points of this document is that if the government wants to realise its 2020 goal of creating 5 million jobs as laid out in the IPAP it should take greater cognisance of the large number of foreign-owned firms who, although not compliant, are offering employment and operating on lower margins. The CDE views it as positive that Chinese firms, moving away from an increasingly expensive China are able to operate and employ mostly unskilled labour while paying less than the stipulated minimum wage.

**PRODUCT**

Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops & parts thereof; prepared feathers & articles made therewith; artificial flowers; articles of human hair (64-67)

HS2: Headgear and parts thereof

HS4: Other headgear, whether or not lined or trimmed

| Product and code | Trading partners - Top five | *Barriers to entry - | | | *Trade Agreements | Key role players(KZN) |
|---|---|---|---|---|---|---|
| | | *Tariffs **Applied (A)** | **Total ad valorem (TAV)** | *Non-Tariffs | | |
| **H650610** | USA | 0% | 0% | | | Wynns Manufacturers. |
| Safety | China | 10% | 10% | | | Triton |

| | | | | | |
|---|---|---|---|---|---|
| head gear | | | | | Clothing |
| | Japan | 0% 0% | | | Jonnson Workwear |
| | UK | 0% 0% | | | Durban overall |
| | Netherlands | 0% 0% | | | |

***detail information available on macmap.org.za**