

## **SA waters down textiles benefits programme**

Decision could have devastating consequences for export industry and puts SA on collision course with Lesotho

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AS SA considers a comprehensive plan to bail out the clothing and textiles industry, it has opted to dilute the benefit of the industry's flagship industrial policy — the Textile and Clothing Industry Development Programme.

The decision could have devastating consequences for the export industry and put SA on a collision course with export-dependent Lesotho, whose economy is dominated by clothing manufacturing.

The export-based incentive expired yesterday with no government directive about its future. Business Day, however, is aware of a decision taken at the Southern African Customs Union (Sacu) ministerial council in December, and circulated informally in the industry, that the plan would be renewed for one year.

But it was also decided that its key benefit — the ability to sell rebate certificates used to import clothing duty-free to other manufacturers or retailers — be removed, which would render the programme virtually valueless. Because many manufacturers do not import clothes, the certificates are of no use to them unless they sell them on. The removal of tradability would leave exporters with “worthless paper”, a manufacturer said.

The decision will severely compromise the competitiveness of the region's exports, at a time when other countries are injecting incentives into industries to keep exports afloat.

Lesotho, already reeling from the recessionary drop in demand, is particularly vulnerable. Lesotho exports 90% of garment output and many companies rely on the Sacu scheme to do so profitably. Industry players now fear that 40 000 jobs, and those of thousands more in auxiliary services, could be at stake because of the decision. About 16 000 jobs in Swaziland are at risk. In the long term SA also risks an influx of jobless Basotho and Swazis.

Lesotho's Finance Minister Timothy Thahane last week appealed to SA to revisit the decision, saying Lesotho's industry could be destroyed.

“The tradability of the certificates does not equate to half the benefits SA gives to its automotive sector. Lesotho's industry has already been hit by the global crisis and has no resilience. How can industry be held back on

the simple matter of the tradability of the certificates while SA at the same time does not hesitate to help its automotive industry?"

Some manufacturers in Lesotho have already reported a decline in orders of as much as 40%.

"The rug has been pulled from under our feet." said Nkopane Monyane, manager of Precious Garments Group, one of Lesotho's largest manufacturers.

Industry consultant Mark Bennett lambasted SA for choosing this "short-sighted" route. "Sacu should have left the incentive in place pending the outcome of Sacu policy research looking at a replacement scheme. The current trajectory may result in many firms closing down."

Siyabulela Tsengiwe, chief commissioner of the International Trade Administration Commission, which administers the programme, yesterday said the commission had not received a policy directive from the trade and industry minister to gazette the decision.

Trade policy chief Xavier Carim could not be reached for comment.