



STEEL AND SUGAR: TARIFFS

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the dti

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CONTENTS

1. GENERAL POLICY CONTEXT
2. TPSF PRIORITIES
3. TRADE AGREEMENTS
4. APPROACH TO TARIFF POLICY
5. WAYS TO PROVIDE TARIFF SUPPORT
6. TARIFFS AND TRADE REMEDY MEASURES
7. TARIFF IMPLEMENTATION PROCESS-FLOW
8. PRESENTATION BY ITAC: STEEL VALUE CHAIN TARIFFS
9. PRESENTATION BY ITAC: SUGAR TARIFF
10. CONCLUSION

1. GENERAL POLICY CONTEXT

- National Development Plan and New Growth Path elaborate the SA Government's broad national development strategy:
 - accelerate growth along a path that generates sustainable, decent jobs to address apartheid legacies
- Productive sector policies include:
National Industrial Policy Framework (NIPF) and its Industrial Policy Action Plan (IPAP) - seek to encourage and upgrade value-addition and labour-absorption in the productive sectors of the economy
- Trade Policy and Strategy Framework (TPSF) sets out how trade policy can contribute to Government's economic development objectives and support the industrial policy imperatives

2. TPSF PRIORITIES

- Focus on African development, industrialisation and integration:
 - Africa needs to shift its current consumption and commodity-driven growth path onto a more sustainable industrial development path
 - Pursue “development integration”: market integration; industrialisation and regional value-chains; and infrastructure development
- Maintain trade and investment relations with industrial economies
- Work to build industrial complementarities and shift structure of trade with dynamic economies of the South, e.g. BRICS

3. TRADE AGREEMENTS

Most Favoured Nation (MFN) treatment required in terms of General Agreement on Tariffs and Trade (GATT) – All countries must be subjected to same customs duties on imports except if preferential market access granted between countries in terms of Free Trade Agreements or Preferential Trade Agreements

Ordinary Customs Duties put in place cannot be more than bound rate on the tariff line agreed in WTO

- Exception to MFN:
 - ❖ Unilateral Preferential Schemes: GSP and AGOA
 - ❖ Reciprocal Trade Agreements:

3. TRADE AGREEMENTS

➤ Free Trade Agreement

Art 24 of GATT: Must cover substantially all trade

- ❖ Southern African Customs Union (SACU)
- ❖ South African Development Community Agreement (SADC)
- ❖ Economic Partnership Agreement (EPA) with European Union
- ❖ Free Trade Agreement with European Free Trade Area (EFTA) countries
- ❖ Tripartite Free Trade Agreement (TFTA)
- ❖ African Continental Free Trade Agreement (AfCFTA)

➤ Preferential Trade Agreement

Enabling clause: Legal basis for Generalized System of Preferences (GSP) and regional arrangements among developing countries

- ❖ Preferential Trade Agreement with MERCOSUR
- ❖ Preferential Trade Agreement with India

4. APPROACH TO TARIFF POLICY

- Tariffs are instruments of industrial policy, which calls for developmental tariff setting in support of industrial and employment objectives
- Approach articulated in the industrial policy: retain and improve industrial capabilities, jobs, linkages and dynamism in strategic industries → tariff setting must be underpinned by a value chain approach
- An evidence-based, case-by-case assessment informs changes to tariffs (no *a priori* position) – vital independent role for International Trade Administration Commission (ITAC)

5. WAYS TO PROVIDE TARIFF SUPPORT

1. Ordinary Customs Duties

- MFN treatment required in terms of World Trade Organisation (WTO) General Agreement on Tariffs and Trade (GATT)
- Ordinary Customs Duties put in place cannot be more than bound rate on the tariff line agreed in WTO
- South Africa make use of the following types of ordinary customs duties:
 - Ad Valorem Duty – duty expressed at specific percentage
 - Specific Duty – duty expressed as specific amount
 - Variable Formula Duty – duty dependant on a specific formula normally related to a world reference price

5. WAYS TO PROVIDE TARIFF SUPPORT CONT.

2. Trade Remedies Duties – these are in addition to ordinary customs duties

- Anti-dumping duties – These duties are specific to individual countries and companies. This duty is used to level the playing field where domestic industry injured because of product exported to South Africa at a price lower than the price that product sold in country where exported from
- Countervailing duties - These duties are specific to individual countries and companies. This duty is used to level the playing field where domestic industry injured because country where product manufactured/produce provide subsidies
- Safeguard duties – These duties are applied to all countries but can exclude some developing countries under specific circumstances. This duty is used where domestic industry injured because of a sudden, unforeseen surge of imports of a product

Trade remedy duties can only be implemented in line with the provisions of the WTO Agreements

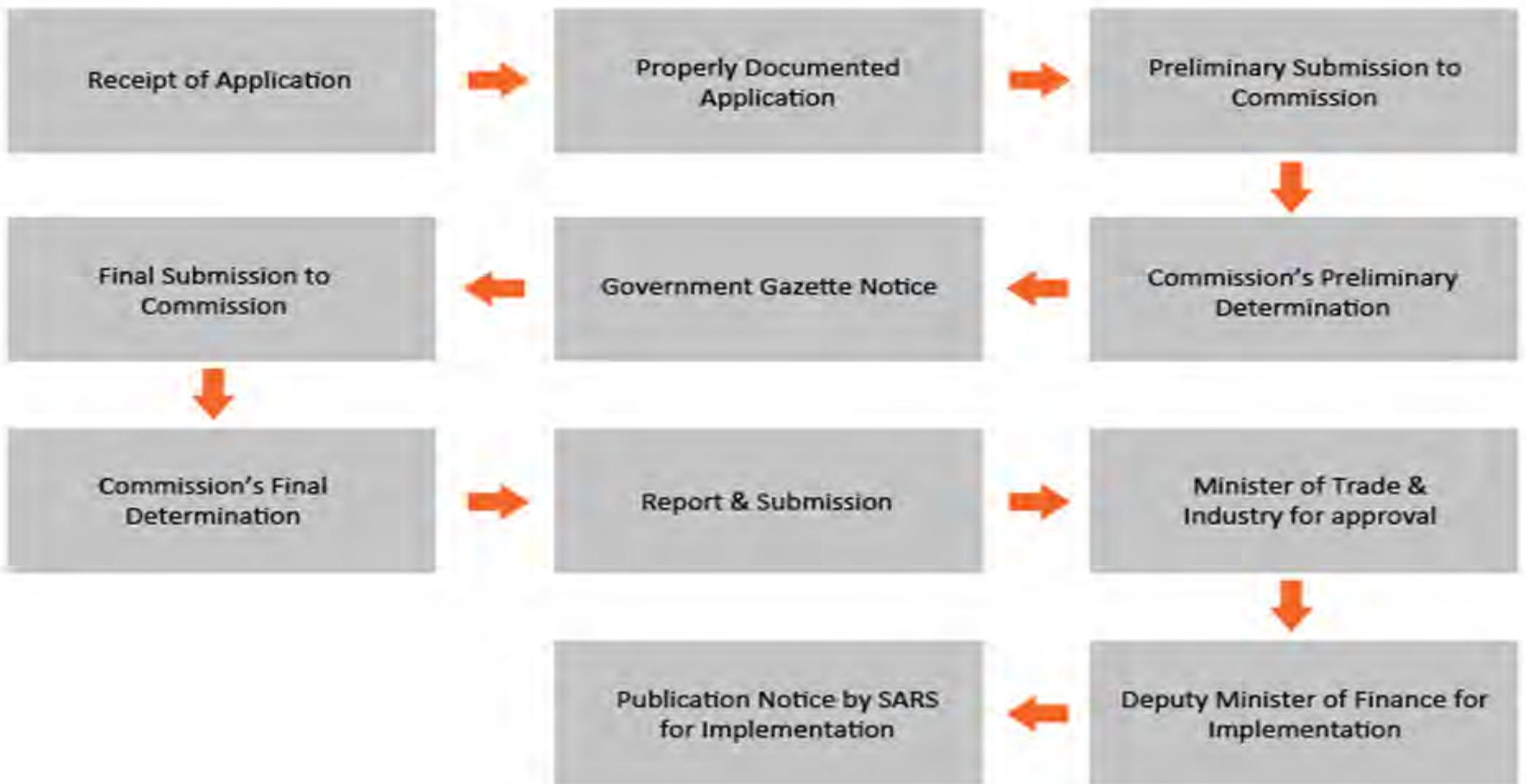
6. TARIFFS AND TRADE REMEDY DUTIES

- The principle of reciprocity when granting tariff and safeguard duty support - conditioned on a commitment by beneficiaries on how they will perform against government's policy objectives, in particular employment, investment, transformation, etc.
- Tariff and trade remedy investigations are carried out by ITAC in compliance with domestic law and consistent with the relevant WTO Agreements
- After investigation concluded, ITAC makes recommendation to the Minister of Trade and Industry who is empowered by the legislation (ITA Act) to support or reject the recommendations put forward or refer the matter back to ITAC
- If Minister of Trade and Industry support the recommendation from ITAC, Minister request the Minister of Finance to implement the recommendation by amendment of the relevant schedule to the Customs and Excise Act

6. TARIFFS AND TRADE REMEDY DUTIES

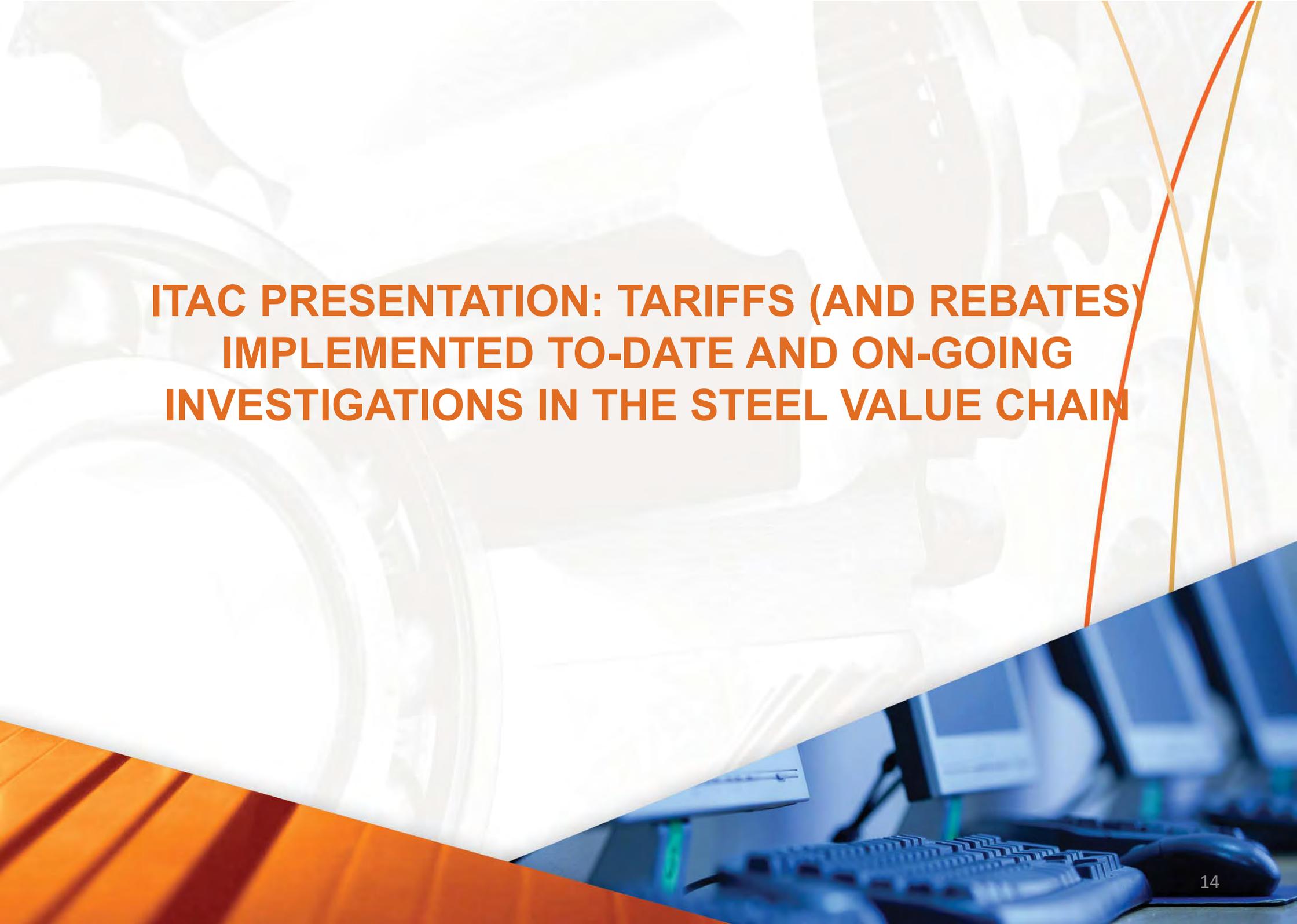
- The empowering legislative framework for the Minister of Finance: Customs & Excise Act 91 of 1964:
 - Section 48(1)(b) – Amend the customs duties in Schedule No. 1 in order to give effect to any request by the Minister of Trade and Industry
 - Sections 56, 56A and 57 – Amend Schedule No. 2 to give effect to any request by the Minister of Trade and Industry relating to anti-dumping, countervailing and safeguard duties
 - Section 75 (15)(a)(i)(aa) – Amend the rebate provisions in Schedule No. 3 and 4 of the Act on imported goods
 - Section 118 – The Minister of Finance may delegate his powers and assign his duties relating to the above-mentioned sections to the Deputy Minister of Finance. The current Minister of Finance so delegated his powers and assigned his duties to the Deputy Minister of Finance

7. TARIFF IMPLEMENTATION PROCESS-FLOW



7. TRADE REMEDIES IMPLEMENTATION PROCESS-FLOW





**ITAC PRESENTATION: TARIFFS (AND REBATES)
IMPLEMENTED TO-DATE AND ON-GOING
INVESTIGATIONS IN THE STEEL VALUE CHAIN**

ITAC PRESENTATION: SUGAR TARIFFS

9. SUGAR INDUSTRY COMMITMENTS

- SASA made commitments to an amount of R1 billion budgeted for a period of three years to support immediate to long-term transformation initiatives in the sugar value chain which can be administered through the SASA members (SACGA; SAMSA and SAFDA)
- Transformation initiatives – mainly aimed at improving throughput, quality and bio-security of the crops as well as the overall competitiveness of emerging cane-growers – have been delinked from the level of the DBRP
- Coca Cola Beverage SA (CCBSA) has also made an announcement of an Agricultural Development Fund that could be accessed for specific projects by members of SAFDA. The fund is managed by the CCBSA-Mintirho Foundation that was formed to promote the development of historically disadvantaged farmers and small suppliers of inputs in the CCBSA value chain

10. CONCLUSION

- Tariffs remain one of the key tools of industrial policy. Implemented timeously, they are able to provide protection and immediate relief to local industries from surge of imports and enhance their competitiveness while balancing the upstream and downstream interests and imperatives
- For both steel and sugar industries:
 - Global conditions (i.e. oversupply; subdued demand; distressed prices; etc.) have necessitated trade support on both up and downstream products to avoid the demise of industry capacity, industry capabilities and job losses
 - Tariffs form part of a set of integrated policy instruments currently implemented and/or under consideration to improve the industries' competitiveness and ensure the long-term viability

10. CONCLUSION

- DTI, in collaboration with ITAC, continues to engage with the industries to assess where additional trade support is required to level the playing field, improve submissions and quality of the information required in the application processes
- Continued commitment by all key government role players in the tariff and trade remedies implementation process, i.e. ITAC; DTI; National Treasury and SARS, to improve their internal processes in order to expedite implementation