NATIONAL COUNCIL OF PROVINCES

WRITTEN REPLY

PARLIAMENTARY QUESTION NO 271

Mr S Zandamela (Mpumalanga: EFF) to ask the Minister of Trade and Industry:

Whether his department has introduced tariff and nontariff measures to protect the country's primary agricultural industry from unfair competition from outside countries; if not, why not; if so, what are the relevant details? CO409E

Reply:

Yes, the Department and its agencies have introduced or maintained a range of measures to support local industry. Non-tariff measures include support to improve competitiveness and details of these measures have been made available to Parliament.

Tariff measures are administered by ITAC in accordance with World Trade Organisation rules. Tariff measures are those where a charge is levied on goods imported into South Africa. The *charge* takes the form of a duty, either *ad valorem* (i.e. calculated based on the declared value of the product) or is quantitative (i.e. calculated based on the declared quantity of the goods imported). Tariff measures administered by ITAC fall into two categories: a) ordinary customs duties which are used to achieve particular industrial policy objectives and are applied against all imports of a particular product, including fairly traded imports; b) trade remedies which are trade defence instruments endorsed by the World Trade Organisation ("WTO") used in combatting material injury or serious injury (or the threat thereof) caused by unfairly traded imports.

<u>The two measures administered by ITAC include</u>

(a) Ordinary customs duties

As a result of the high unemployment in South Africa and the region, ordinary customs duties are applied in a manner that is sensitive to employment outcomes. Careful consideration is given to the value chain for agricultural products. Not only the profitability and interests of primary producers are taken into account, but also those of value added producers and the possible inflationary effects for the consumers of food in particular the poor. These different parties across the spectrum of the value chain represent sometimes sharply opposing interests. Food security and affordability are central public objectives.

A number of ordinary customs duties to protect the primary agricultural industry have been imposed i.e. duties on sugar, poultry, wheat, canned tomatoes, tomato paste puree and uncooked pasta. During the last financial year ITAC received an application to review the Dollar Based Reference Price (DBRP) on sugar and based on its study, it was increased from USD566/tonne to USD680/tonne. Ordinary customs duties were imposed against all countries except those with which there are free trade agreements in place.

(b) Trade remedies

The following trade remedies in the agricultural sector were imposed from 2015 to date:

Agricultural products	**Measure**
Frozen potato chips	Anti-dumping duties on frozen potato chips from Belgium & Netherlands
Garlic - fresh and dried	Extend & increase anti-dumping duties against China after sunset review
Poultry	Anti-dumping duties on frozen chicken from Germany, Netherlands and UK
Poultry	Anti-dumping duties on frozen chicken from USA
Frozen potato chips	Safeguard duties on imports from all countries
Poultry	Bi-lateral safeguard against EU

Other measures

The success of most industries and/or firms has revealed how co-operation between government institutions and the private sector and organised labour, could help promote industrialisation in South Africa: ITAC's supports alone are not sufficient to turn an industry and/or firm around.

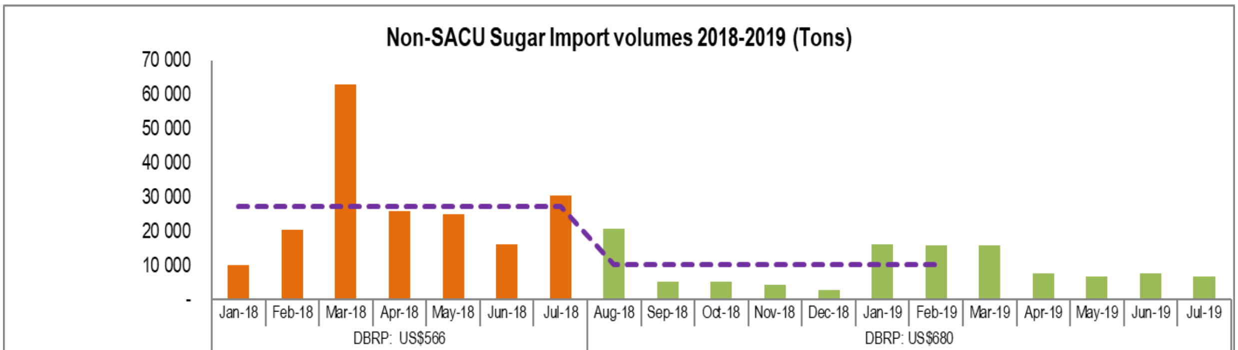
For some sectors, the co-location of all supplier tiers as well as new entrant SMME's assists with both competitiveness and inclusion. It offers opportunities for incubation, technology localisation and innovation, tooling engineering, skills training, supply chain competitiveness enhancement and access to the sharing of costly capital equipment and infrastructure.

Economies of scale are also important, as they contribute to the competitiveness of firms. African regional economic integration is therefore particularly vital as it creates larger markets for the South African firms. This calls for a greater emphasis on regional infrastructure projects, harmonisation of industrial policy and national economic goals as well as reforms to reduce other costs of trading across borders.

That said, tariffs have produced some positive results for firms which have received support as the volume of imports have reduced significantly following the imposition of duties. Note that tariff meausures recommended by ITAC apply only to imports originating from countries that are not part of the Southern African Customs Union (SACU) which consists of South Africa, Botswana, eSwatini, Lesotho and Namibia. The examples below show the impact of tariff measures.

a) Sugar imports (Impact of ordinary customs duties):

FIGURE 1: NON-SACU IMPORTS FOR THE PERIOD JAN 2018 TO JULY 2019



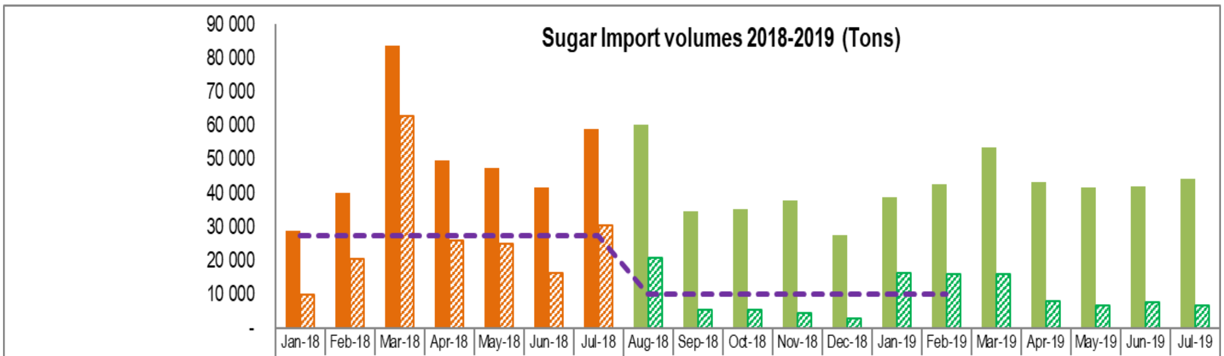
	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19
Volumes (tons)	10 025	20 364	62 931	25 872	25 057	16 191	30 375	20 868	5 427	5 433	4 467	2 985	16 290	15 962	15 859	7 844	6 772	7 723	6 704
7 Months Avg. (tons)	27 259	27 259	27 259	27 259	27 259	27 259	27 259	10 204	10 204	10 204	10 204	10 204	10 204	10 204					

Source: SARS & ITAC’s own calculation

Overall the volume of imports from Non-SACU countries has also declined significantly as can be seen from Figure 1 above. This demonstrates that the increase in the DBRP has had an impact on non-SACU imports, which is its intended purpose.

Figure 1 above also shows the average non-SACU sugar imports, 7 months prior to the increase in the DBRP compared to imports 7 months after the increase of the DBRP. The 7-month average imports also shows a similar trend with the overall non-SACU import volumes, where imports declined from a 7 month total of approximately 190 800 tons prior an increase in DBRP to approximately 71 400 tons 7 months after an increase in DBRP (January 2018 – February 2019).

FIGURE 2: TOTAL SUGAR IMPORTS FOR THE PERIOD JAN 2018 TO JULY 2019



	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19
	DBRP: US$566							DBRP: US$680											
Total Volumes (Tons)	28 914	39 948	83 588	49 589	47 270	41 507	58 832	60 079	34 609	35 334	37 934	27 539	38 751	42 626	53 618	43 285	41 553	42 102	44 053
Non-SACU Volumes (tons)	10 025	20 364	62 931	25 872	25 057	16 191	30 375	20 868	5 427	5 433	4 467	2 985	16 290	15 962	15 859	7 844	6 772	7 723	6 704
Non-SACU 7 Months Avg. (tons)	27 259	27 259	27 259	27 259	27 259	27 259	27 259	10 204	10 204	10 204	10 204	10 204	10 204	10 204					

Source: SARS & ITAC’s own calculation

Figure 2 above shows total imports of sugar (including SACU). As shown in the figure above, sugar imports from non-SACU declined following an increase in DBRP, however, total imports remained relatively highly, mainly due to sugar from Eswatini (Swaziland). Of the total imports (including SACU), Eswatini sugar constituted approximately 58 per cent of total sugar imports, followed by Brazil and United Arab Emirates (UAE) with 14 per cent and 6 per cent respectively. For the period January – July 2019, Eswatini sugar constituted approximately 75 per cent of total imports, followed by India and Brazil at 9 per cent and 3 per cent respectively.

-END-