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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NO. 605

DATE OF ORAL REPLY: 28 SEPTEMBER 2022

Mr D W Macpherson (DA) to ask the Minister of Trade, Industry and Competition:

- (a) Whether businesses who apply for tariff relief measures and/or rebates from the International Trade Administration Commission are required to sign an agreement with his department wherein they commit to no price increases, no job losses and investment in plant, site upgrades and research and development for three years; if not, what is the position in this regard; if so,
 - (b) whether he has found that the requirement to sign the specified agreement does not amount to political interference in matters that should be decided independently; if so, what are the relevant details?
- NO4076E

REPLY:

The matter raised in the question has been the subject of discussion and engagement by the Ministry in the Portfolio Committee and in the Oral Question session in the National Assembly.

In brief, decisions on trade policy, including tariff adjustments, seek to balance a number of policy objectives, such as promoting local industrial output and jobs, boosting competitiveness of firms and taking account of consumer welfare.

Tariff adjustments can have a complex impact on these – for example, an increase in the rate of duty on a product can on the one hand protect jobs and local industrial capacity,

but may also on the other hand encourage a local firm to increase its prices where import competition has been removed, with potential negative effects on customers (industrial firms using the inputs; or consumers purchasing a final product).

Businesses who apply for tariff adjustments will typically provide an assessment of the impact of their application on jobs, industrial output or competitiveness. ITAC evaluates the merits of an application for a tariff adjustments by taking account of these and other relevant factors. In this regard, attention is drawn to Section 7(2) of the ITAC Act that empowers the responsible Minister to issue Trade Policy Statements and Directives that guide the work of the Commission. On 21 April 2016, a Ministerial Trade Policy Directive (Gazette Notice No. 39945) (“the Directive”) was issued that applies to ITAC’s tariff amendment investigations.

The Department, in preparing its views to accompany the recommendations of ITAC, for consideration by the Minister, will where appropriate engage firms to determine the impact of a possible tariff adjustment on prices, competitiveness or jobs. These engagements may also explore commitments by applicant firms for example on increasing their levels of investment so that potential trade measures such as tariff protection, do not undermine a firm’s long-term competitiveness.

The Minister, when applying his mind, will take all relevant considerations into account, including the potential impact on downstream users or consumers, the effect on a firm’s dynamic competitiveness or the impact on jobs. Where firms make commitments for example to restrain price increases or increase investment to improve competitiveness, these are also taken into account.

A final decision is based on a range of factors and careful balancing of policy considerations and no one factor alone determines the final decision.

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