

the dtic

PROGRAMME 2: TRADE BRANCH

Induction for the Portfolio Committee on Trade, Industry and Competition of the 7th Parliament

Trade Policy and negotiations



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, **growing** the **economy**

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Sub Theme: Trade Policy

- **Programme 2 - Trade Branch:** responsible for trade policy – negotiations and multilateral engagement primarily about trade rules and market access
- **International Trade Administration Commission (ITAC):** investigates and advises on trade measures – tariffs, rebates, trade remedies (anti-dumping, countervailing and safeguard duties), and import & export control

Programme 2: Trade branch

Purpose:

Build an equitable global trading system that facilitates development by strengthening trade and investment links with key economies, and fostering African development, including regional and continental integration and development co-operation in line with the African Union Agenda 2063

Business Units

- **African Economic Development**
 - **African Multilateral Economic Relations**
 - AU
 - SADC
 - SACU
 - **African Bilateral Economic Relations**
 - East & North Africa
 - Central, Southern and West Africa
- **International Trade Development**
 - **Bilateral Trade Relations (Rest of the world, i.e. excluding Africa)**
 - Asia
 - Americas
 - Europe
 - Middle East
 - **Trade Negotiations**
 - Market Access
 - Trade in Services
 - Trade Rules
 - European Organisations
 - Legal
 - Multilaterals
 - **Non-Proliferation**

Scope of trade policy work in the dtic

The work of the Trade Branch builds towards the strategic goal of “Building mutually beneficial regional and global relations to advance South Africa’s trade, industrial policy and economic development objectives”.

the dtic’s trade policy work is primarily about trade rules and market access:

- Establishing and implementing **rules** for trade at bilateral, regional and multilateral levels
 - Rules focused on trade in agricultural and industrial goods, but increasingly expanding to measures that affect trade in services, investment, and intellectual property rights amongst others
 - Maintain policy space for SA productive sector policies
- Negotiations to enhance **market access** for SA exports without unduly undermining domestic industry and employment, and preserving development policy options
- Integration in Africa is a major priority
 - We follow an approach that combines opening markets, with industrial and infrastructure development initiatives – “developmental integration”

Trade policy context & core orientation

- SA Government's broad National Development Plan (NDP):
 - accelerate growth along a path that generates sustainable, decent jobs to reduce poverty and extreme inequality
- ***Trade Policy and Strategy Framework (TPSF; 2010 and 2012):***
 - Sets out a strategic approach to trade policy as an instrument of industrial policy - must support industrial development and upgrading, employment growth, increased value-added exports and contribute to economic development
 - No *a priori* position - tariff setting in SA decided primarily on a sector-by-sector basis, dictated by the needs and imperatives of the sector strategies.
- ***Trade Policy Statement (May 2021):***
 - frames SA trade policy and its international trade engagements on SA's industrial policy objectives
- ***Trade Policy Statement (February 2024):***
 - frames SA trade policy and its international trade engagements on SA's industrial development and employment growth

SA's Trade Policy Orientation

- SA pursues a strategic approach to trade policy, primarily geared to supporting SA industrial development and employment growth.
- SA's TP seeks to improve our trade performance by increasing exports of higher value added manufactured goods
- Resonates globally: policy approaches have seen a “return” of industrial policy to strengthen national industrial capabilities and promote trade
- The key trade policy tools that have been utilised include subsidies, tariffs, export taxes, including trade defense measures such as safeguards (especially for the steel and aluminium sector).
- While trade can contribute to growing the domestic industry and create jobs, fair competition must be maintained between domestic and foreign producers.
- SA will step up efforts to ensure that trade defense instruments are deployed effectively against unfair and injurious imports,
- In this regard we are reviewing the applicable legislation to streamline the application and investigation processes to enable swift and more effective action;
- SA to ensure strategic, rather than 'ad-hoc' deployment of 'offensive' trade instruments, including to address the threat and impact of trade diversion.⁷

SA's Trade Policy Orientation

- In Africa, SA has worked to advance continental economic integration and industrialization
- SA's non-Africa engagements must support this; must correct manufacturing deficit in our trade profile
- Multilaterally, SA adopts a developmental approach:
 - seek to address existing imbalances in the rules
 - secure policy space to pursue industrialisation and ensure new challenges (e.g. pandemic, environment) are addressed fairly and equitably
- As a member of a customs union, SA negotiates trade agreements as part of SACU

SA's Trade Policy for industrial development

- SA's trade policy (TP) aims to support industrial development, sustainable economic growth, decent well-paying jobs and economic inclusion; it pursues:
 - increasing exports of higher value added manufactured goods
 - resilience and to build industrial capacity
 - gender-sensitive and gender responsive trade policy
 - development-oriented trade policy to unlock development in the African Continent
 - enhance South Africa's role at the WTO and the future Multilateral Trade System – adopts a developmental approach and seeks to address existing imbalances in the rules
 - SA aims to position itself as a key partner in the reconfiguration of global supply-chains
 - promote investment that promote value-addition and beneficiation of resources, including critical raw materials at source
 - digital economy - to respond to the challenges and opportunities arising from digital transformation
 - reciprocity - tariff decisions involve trade-offs; reciprocal agreements in tariff applications to ensure balance of protections for vulnerable firms

Approach to tariff setting

- ***Tariffs are instruments of industrial policy and call for developmental tariff setting***
- Tariff setting must support industrial and employment objectives
- An evidence-based, case-by-case assessment will inform changes to tariffs (no *a priori* position) – vital role for ITAC
- Implies:
 - Reduce tariffs on mature upstream input industries → lower the costs for downstream, labour creating manufacturing
 - Raise tariffs on downstream industries with employment or value-addition potential → ensure sustainability and job creation (while observing international trade obligations)
- Tariff adjustments and rebates should not blunt competitive pressures on firms – therefore, may be accompanied by requirements for reciprocal commitments from industry, e.g. to increase investment or introduce skills development programs or other productivity enhancements
- Maintain fair competition; deploy trade defense instruments effectively
- Cooperate with SARS and trading partner authorities to eliminate illicit trade and under-invoicing
- Maintain common external tariff with SACU countries

Legislation

- **Non-Proliferation of Weapons of Mass Destruction Act, 1993** (Act No. 87 of 1993): provides for control over weapons of mass destruction and establish a council to control and manage matters relating to the proliferation of such weapons in SA.
- **Protection of Investment Act, 2015** (Act No. 22 of 2015) provides protection to investors and their investments, while balancing rights and obligations that apply to all investors.
- **International Trade Administration Act, 2002 (Act No. 71 of 2002)**: provides for the establishment of the International Trade Administration Commission; provides for the functions of the Commission and for the regulation of its procedures; provides for the implementation of certain aspects of the Southern African Customs Union (SACU) Agreement in the Republic; provides, within the framework of the SACU Agreement, for continued control of import and export of goods and amendment of customs duties; and to provide for matters connected therewith

Agencies reporting to the Branch

- International Trade Administration Commission (**ITAC**)
 - established in terms of the International Trade Administration Act, No 71 of 2002,
 - Aims to foster economic growth and development in order to raise incomes and promote investment and employment in South Africa and within the Common Customs Union Area by establishing an efficient and effective system for the administration of international trade subject to the ITA Act and the Southern African Customs Union (SACU) Agreement.
 - The core functions are: customs tariff investigations; trade remedies; and import and export control.

International Trade Administration Commission of South Africa [ITAC]

Mandate

The aim of ITAC, as stated in the Act, is to foster economic growth and development and promote investment and employment in South Africa and within the Common Customs Union Area by establishing an efficient and effective system for the administration of international trade subject to this Act and the SACU Agreement.

Commission Composition

The Commission is constituted of 2 full time Commissioners - Chief Commissioner; and Deputy Chief Commissioner (vacant) and 3 Part time. The Commission meets monthly to evaluate investigations and make recommendations to the Minister of Trade, Industry and Competition. The administrative arm of the Commission has a staff complement of 131.

Business Support

- Human Resources
- Finance
- Information Technology
- Legal Services
- Policy and Research
- Economic Analysis & Trade Monitoring

Core Business

Tariffs 1 and 2 | Tariff Amendments

- Increase, reduction of custom duties & creation of rebate provision
 - Automotive Production Development Programme
 - Administer rebate and draw back provisions.
- Sectors include but not limited to: Agriculture & Agro-processing; Chemicals and plastics; Textiles and clothing; Leather, Footwear and pharmaceuticals; Automotive; Metals and Machinery; Electronics, White goods, Green products, amongst others.

Remedies 1 & 2

Trade remedies' strategic objectives include protecting domestic industry, ensuring fair trade, complying with international agreements, and enhancing competitiveness. This is achieved by effectively administering:

- Anti-dumping,
- Countervailing, and
- Safeguards instruments.

Import and Export Control

- Import Permit
- Export Permit
- Enforcement

1. Tariff Investigations

2023-24 Financial Year Report – 20 reports that have been implemented for tariff amendments.
2024-25 Year-To-Date July – 5 reports have been implemented for tariff amendments.
These include tariff increases, creation of rebate facilities, and reductions of tariffs.

Clothing and Textile

ITAC received a ministerial directive to review the Wiping Rags rebate provisions (311.18) due to concerns from the Intergovernmental Illicit Economy Trade Task Team. Concerns raised include potential abuse and misuse of the rebate, its contribution to illicit trade, negative impacts on the domestic clothing and textile industry, and the lack of review over an extended period. The ITAC commission recommended maintaining the rebate item 311.18/63.09/01.04 (“wiping rags rebate”) but phasing it out over the next two years to allow the industry to adjust and prevent immediate job losses.

Poultry

In 2023, the South African poultry industry faced severe challenges due to Highly Pathogenic Avian Influenza (HPAI). To address poultry product shortages, ensure food security, and maintain affordability, the Minister of the dtic directed ITAC to create a temporary rebate provision on meat and edible offal of fowls (HS0207.1). In Q1 2024, ITAC implemented the rebate with a Temporary Tariff Rate Quota (TRQ) of 4,300 tons. Distribution was as follows: 70% for Historical Importers (HIs), 27% for Historically Disadvantaged Individuals (HDIs), and 3% for new entrants. By February 2024, ITAC issued 65 permits, totalling a rebate value of R969 million. Offals, primarily consumed by poorer communities, were the most imported product under this rebate, with an 81% utilization rate of the allocated quota. This rebate provision significantly mitigated the HPAI outbreak's impact, supported market stability, and ensured the continued availability of affordable poultry products.

1. Tariff Investigations

Steel Products

Due to global over-capacity, there has been a surge in steel product imports into the Southern African Customs Union (SACU), leading to an increase in applications for both trade remedies and tariffs for downstream and upstream industries. The Commission recommended increasing the customs duty rate on certain coated or plated flat-rolled steel, classified under various tariff subheadings, from free of duty to 10% ad valorem. Additionally, the Commission proposed creating rebate provisions for the importation of certain products not manufactured locally.

Solar Panels

The Commission recommended increasing the customs duty on crystalline silicon photovoltaic modules or panels from free of duty to 10% ad valorem by creating an 8-digit tariff subheading, and the creation of a temporary rebate for importing photovoltaic cells in modules or panels. The aim was to protect the domestic solar panel industry and circumvent the shortage of component that could delay the country's energy-supply rollout plan.

Automotive Production Development Programme Phase II (APDP 2)

The ITAC administers rebate provisions provided for under the Automotive Production Development Program Phase II (APDP2). The objective of the programme is to support the attainment of the vision of the South African Automotive Masterplan 2035.

Electric Vehicles: ITAC published the Draft Amendment APDP Phase2 Regulations for public comment for the inclusion of EVs and associated components.

2. Trade Remedies



2023-24 Financial Year Report – 11 reports have been implemented for trade remedies (i.e. Anti-dumping, Sunset reviews, Safeguard).

- **Tyres:** Anti-dumping duties were imposed to protect domestic industries from unfair trade from imports originating from China. The duties will be imposed for 5 years. Anti-dumping duties may be extended for another five years if it is determined that removing them would likely lead to the continuation or recurrence of dumping and injury to the domestic industry.
- **Windscreen:** Anti-dumping duties were imposed on imports from China, for a period of five years
- **Poultry- Frozen bone in Chicken:** Anti-dumping duties were imposed on imports from Brazil, Denmark, Ireland, Poland, and Spain, for a period of 5 years.
- **Frozen Potato Chips:** Anti-dumping duties were imposed on imports originating from Belgium, Netherlands and Germany.
- **Steel:** Provisional safeguard duties were imposed for 200 days to temporarily protect the domestic SACU industry against the sudden surge of imports of hot-rolled steel products, while the investigation is being finalised.

3. Import and Export Control



- **Export Control:** ITAC's contribution to the government's industrial policy implementation is evident in its ongoing efforts to regulate the export of waste and scrap metals through the Price Preference System (PPS).
- **Import Control:** The prevailing import control policy stipulates that the importation of used or second-hand goods is allowed only when similar or substitute new goods are not available from local manufacturers. Importation of second-hand Vehicle is not allowed in SA.
- **Enforcement:** Import and Export Control measures are applied to enforce health, environmental, security and safety, and technical standards that arise from domestic laws and International Agreements such as the:
 - ✓ Montreal Protocol on Substances that Deplete the Ozone Layer,
 - ✓ Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal,
 - ✓ 1988 UN Convention Against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances.
- **Mineral Subject** to ITAC Export Control: Lithium Ore, Sugulite, Tigers eye.

International Trade Administration Commission of South Africa [ITAC]

Trade Instruments are a lever for Economic Development

Investment

R1.3 billion of investment in Property Plant and Equipment facilitated through Reciprocal Commitments.

Job Creation



Jobs Supported: A total number of 99 417 jobs, including APDP (63 700) direct jobs supported at the time of application as a result of implemented tariff increases, rebates, APDP and trade remedies administered.

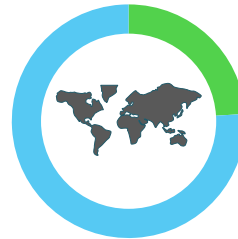
New Jobs Created

498 jobs created as a result of implemented tariff increases and rebates

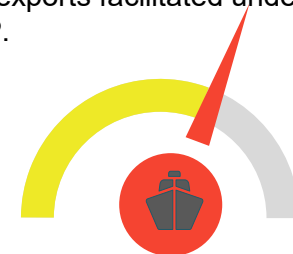
Output: R28.9 billion additional local output as a result of the utilisation of rebates.



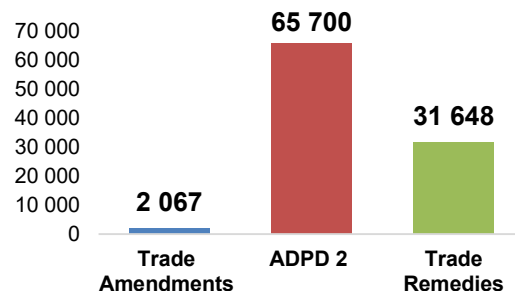
Total Exports (470.03, 521.00, APDP): R259 billion was achieved in terms of manufactured goods for exports under rebates, non-proliferation permits and APDP.



Exports to African Countries: accounted for R21.9 billion in terms of manufactured goods for exports facilitated under rebates and APDP.



Jobs Supported



Flagship Project- Administrative Cost Recovery



The investigation of the viability and financial sustainability of levying prescribed fees on applicants.

SA's Trade Agreements

- Several forms: customs union, free trade agreements, preferential trade agreements, multilateral agreements, non-reciprocal preferential trade programmes
- Customs union:
 - Southern Africa Customs Union (SACU)
- Free trade agreements:
 - SADC Protocol on Trade in Goods
 - SADC Protocol on Trade in Services
 - SADC-EU Economic Partnership Agreement
 - SACU+Mozambique – UK EPA
 - SACU-European Free Trade Association (EFTA) FTA Free Trade Agreement
 - African Continental Free Trade Agreement (AfCFTA) opens new markets in Africa beyond SADC.
 - Common Market for Eastern and Southern Africa (COMESA) – East Africa Community (EAC) - SADC Tripartite Free Trade Agreement (TFTA): negotiations ongoing; covers trade in goods and in services

SA's Trade Agreements (2)

- Preferential trade agreement (PTA):
 - SACU-MERCOSUR PTA
 - SACU-India PTA negotiation - ongoing
- Multilateral trade agreements: several agreements under the World Trade Organisation (WTO), covering trade in goods and in services, and several agreements that set rules e.g. the Subsidies & Countervailing Agreement; Trade related aspects of intellectual property and the dispute settlement understanding
- SA benefits from several non-reciprocal preferential trade programmes, mainly offered by developed countries:
 - African Growth and Opportunities Act (AGOA)
 - Generalized System of Preferences (GSP) programmes offered by several countries: the EU, Norway, Switzerland, Russia, Turkey, the US, Canada and Japan

African Continental Free Trade Area (AfCFTA)

- African integration is a longstanding continental objective to overcome limitations of small fragmented economies established under colonialism.
- The AfCFTA, is a flagship project of the AU's Agenda 2063.
- 54 out of the 55 AU members have signed (excluding Eritrea). As at February 2024, 47 countries ratified the AfCFTA agreement. The Agreement entered into force on 30 May 2019 (after 22 ratifications).
- Preserves existing regional trade arrangements (SACU & SADC) and unlocks preferential access to Members/Regions without existing preferential arrangements.
 - The Agreement covers trade in goods, trade in services: Phase II protocols on Competition Policy; Intellectual Property Rights; Investment Policy; Women and Youth in Trade; Digital Trade; and a Protocol on Rules and Procedures for Settlement of Disputes
- For SA, the key importance of the AfCFTA is the new market access to west, north and central Africa, which promises to grow the existing share of its African exports.

THANK YOU



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