

POTCHEFSTROOM COLLEGE OF AGRICULTURE STUDENT EXPOSURE PROGRAMME: ROLE OF ITAC

PRESENTED BY:

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PRESENTATION OUTLINE

1. An overview of ITAC
2. Functions of Tariff Investigations
3. Assessment criteria
4. Legal framework
5. Structure of the units
6. Process
7. Tariff structure of main sectors
8. How to apply
9. Key investigations

AN OVERVIEW OF ITAC

- The International Trade Administration Commission of South Africa (**ITAC**) is a schedule 3A Public Entity established in terms of the International Trade Administration Act, No 71 of 2002, and came into force on 1 June 2003.
- The aim of ITAC, as stated in the Act, is 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.
- ITAC administers trade instruments on behalf of Member States of the Southern African Customs Union ("**SACU**"), being South Africa, Botswana, Lesotho, Namibia and Eswatini.

The core functions are:

- Trade remedies;
- Import and export control; and
- Customs tariff investigations

TRADE REMEDIES

There are three Trade remedies instruments:

- **Anti-dumping measures** are taken against injurious dumped imports. In an international trade context, dumping is used to refer to a situation where goods are sold in a foreign market at prices lower than in the country of origin.
- **Countervailing measures** are used against subsidised imports that threaten and/or cause injury (i.e. decrease in prices; loss of market share; decrease in profits; decrease in sales volumes; job losses, etc.) to the domestic manufacturer.
- **Sunset Reviews:** These are investigations conducted at the end of the five year period over which anti-dumping and countervailing duties have been in force in order to determine whether there will be a continuation or recurrence of injurious dumping or injurious subsidised exports if the protective measures were to be removed.
- **Safeguards** are actions against trade that may be regarded as fair but overwhelms domestic producers. Safeguards are used against an unforeseen surge of imports that threatens and/or causes injury to the domestic producers.
- Out of the three remedies the one we are mostly active in is anti-dumping. There has been few countervailing measures and even less safeguards.

IMPORT AND EXPORT CONTROL

- Import and export control measures are essentially meant to enforce health, environment, security and safety, and technical standards that arise from domestic laws and international agreements.

FUNCTIONS OF TARIFF INVESTIGATIONS: (1)

Conduct customs tariff investigations on behalf of the Commission

Responsible for :

1. Customs Tariff Amendment Investigations
2. Administration of customs rebates & drawbacks
3. Administration of Automotive Production and Development Programme (APDP)

FUNCTION (2)

1. Tariff amendments

What is a tariff amendment?

Amendment of customs duty applicable to imported product

Types of amendment:

Increase in customs duties

Reduction in customs duties

Creation of industrial rebates

Types of custom duties

Ad valorem duties - expressed as a % of the FOB value

Specific duties - expressed in Rand per volume

combination duties - have both an *ad valorem* and specific duty element

variable formula duties

Tariff amendment applications are conducted within the **domestic policy framework**, consistent with WTO bound rates

FUNCTION (3)

2. Rebates and Drawbacks

What are they?

- A waiver provided for the domestic industries not to pay customs duties (rebate a duty or refund a duty)
- Allows sourcing of inputs at competitive world prices
- Promotes exports (470.03/521.00)

PARTICIPATION IN DEVELOPMENT AND IMPLEMENTATION OF MASTERPLANS

- ITAC actively participates in the various Masterplans that are being developed by the Department of Trade, Industry and Competition (**the dtic**) and the Department of Agriculture, Land Reform and Rural Development (DALRRD);
- A recent example is the Poultry Masterplan. In this regard, ITAC received a Ministerial Directive to review the entire tariff structure which is still ongoing.
- Other Masterplans include the Retail, Clothing, Textile, Footwear, Leather (R-CTFL) -; Sugar-; Furniture-; Chemicals and Plastics-; Cannabis-; Steel-, Automotive Masterplans, where ITAC's instruments seek to provide a fair trading environment for locally produced products, which competes against low priced imported goods.

ASSESSMENT CRITERIA (A)

The Commission's evaluation of applications and its determinations in investigations are based on a **case-by-case** approach and are informed by the industrial policy and economic objectives of government.

In evaluating applications and making determinations in investigations, the Commission may consider, as applicable, the following factors as these relate to the product that is the subject of the investigation –

ASSESSMENT CRITERIA (B)

- (a) The domestic industry's production capacity and potential;
- (b) Employment;
- (c) Investment;
- (d) Price differentials between the domestically manufactured product and the imported product;
- (e) Market shares;
- (f) Import and export data;
- (g) Demand and supply conditions;
- (h) The financial state of the domestic industry, including; profitability and return on investment ratios;
- (i) Price and cost structures; and
- (j) The rate of effective protection.

This list of factors is not exhaustive, nor can one or several of these factors necessarily give decisive guidance.

LEGAL FRAMEWORK

- ITA Act, 71 of 2002
- Customs and Excise Act, 1964
- Government's overarching policies (NDP/NGP)
- Industrial & Trade policies
- Compliance with WTO Agreement
- Tariff Investigations Regulations
- Promotion of Access to Information Act (PAIA)
- Promotion of Administrative Justice Act (PAJA)

STRUCTURE OF THE UNIT

TARIFF INVESTIGATIONS 1

(Rika Theart)

- Agriculture & Agro-processing
- Chemicals & Plastics
- Clothing & Textiles
- Pharmaceuticals, Leather and Footwear
- Import Tariff Investigations

TARIFF INVESTIGATIONS 2

(Pateka Busika)

- Motors
- Metals
- Machinery
- Mechanical Appliances & Electrical Equipment
- Automotive Production and Development Programme (APDP)

TARIFF STRUCTURE – MAIN SECTORS (1)

SECTOR	BOUND RATE	APPLIED RATE
Primary metals - (steel, aluminum and copper – bars, rods)	10% - 15%	10% - 15%
Secondary metals (steel, aluminum and copper – tubes and pipes)	5% - 10%	Few at 5% & most at 10%
Fabricated Metals (e.g. hollowware, sanitary ware)	10 – 30%	10% - 30%
Electrical Equipment	15% - 20%	0% , 10%, 15% and 20%
Capital Equipment	15% - 20%	0% , 10%, 15% and 20%
Automotive	Vehicles – 50% OE components – 28%	28% cars ; 23% components

TARIFF STRUCTURE MAIN SECTORS (2)

SECTOR	BOUND RATE	APPLIED RATE
Textiles Clothing Home textiles	25% 45% 30%	22% 40% - 45% 30% (Rebates)
Chemicals & Plastics Pharmaceuticals	0% - 30% 0% - 20%	Mostly 0% - 10% but a few subject to 15% - 20%
Agriculture	Meat 22% - 95% Poultry 37% - 82% Dairy 96% Wheat 72% Maize 99%	<u>Ad Valorem</u> duties Specific duties Variable tariff formulae

APPLICATION PROCESS

- Receive the application
- Assessments – All info provided i.e. non-confidential version
- Preliminary Investigation
- Table findings of prelim before adjudicating body –Commission
- Publish for further investigation (Government Gazette) – SACU wide consultation
- Table for final determination the Commission
- Recommendation to Minister of Trade, Industry and Competition (the dtic) - Minister of Trade, Industry and Competition to Minister of Finance for implementation Gazette
- Turnaround time:
- 4 - 6 Months

HOW TO APPLY?

- Information is available on ITAC's website - www.itac.org.za
- Come for consultation – ITAC offices
- Post/courier

KEY INVESTIGATIONS

2015-2021 period:

Increases:

- Increase in the rate of Customs duties on Frozen Chicken (Bone-in – portions 37% - 62% and Boneless cuts 12 – 42%)
- Review of the rate customs duty on steel wire products and steel fasteners (Ranging between 10% – 30%)
- An increase in the Dollar-Based reference price of Sugar from \$566/ton to \$680/ton.

Reductions:

- Wheat: US\$294/ton to US\$279/ton
- Reduction in the rate of customs duty on atrazine: 10% to 0%

Rebates:

- A temporary rebate of the full anti-dumping duty on -
Frozen meat of the species Gallus domesticus, cut in pieces with bone in, imported from or originating in the United States of America

Reviews:

- The variable tariff formulae for wheat, sugar & maize was reviewed to take specific account of the impact on the price of bread, maize and sugar given large exchange rate fluctuations and the drought.

2021/22 - Ongoing Major Investigations

- Ground nuts – the investigation is still on-going (requested an increase from 10% to 20%)
- Onion powder – the investigation is still on-going (requested the creation of a rebate facility)
- Frozen Vegetables - the investigation is still on-going (requested an increase from 10% - 37% WTO bound rate)

Thank you!
Ke a leboga!

