

Import tariffs, export taxes

Higher food import tariffs aimed at protecting local producers — and new export taxes on primary produce aimed at boosting local manufacture — are on the cards, judging by a confidential department of trade & industry (DTI) document.

By Shannon Sherry 18 Sep 2009

The document, which has been circulated to government and other stakeholders, says the DTI will fight for the agricultural sector to compete on a level playing field with the world's biggest agricultural producers.

Though import tariffs might lead to higher food prices in the short term, the report says, “consumers will generally benefit from sustainable production and lower prices in the long term”.

SA's gross farming production was valued at R120,16bn in 2007-2008. Primary agricultural exports — by value mainly fruit and nuts, followed by beverages, spirits and cereals — were R5,8bn in the first quarter of this year, up 57% from the first quarter of 2008. Primary agricultural imports — mainly rice from Thailand and wheat from Argentina and the US — were R2,3bn, marginally up from R2,2bn.

SA farmers have complained bitterly that they are forced to compete without any trade policy assistance against foreign governments that heavily subsidise their agriculture sectors.

The document states that SA will no longer “agree to perpetuate the historic injustice” of previous international trade regimes. It says in Uruguay “SA was obliged to undertake developed-country tariff cuts” and in Doha it was forced to make “the deepest and widest tariff cuts compared to any other World Trade Organisation member.

“While we are prepared to make a contribution [it] must be proportionate to the contributions of others and must not undermine our policy space to pursue industrial development, create employment and raise the standard of living.”

The document notes SA has cut tariffs significantly since 1994, making it “open” compared with other similar-sized economies. This has, however, proven “insufficient as an instrument to restructure the industrial economy”.

This echoes agriculture minister Tina Joemat-Pettersson, who recently told the FM that “job creation and poverty eradication” were the main drivers of agricultural policy.

The report says agriculture has a “strong indirect role in the economy”, with linkages to other sectors contributing about 14% to GDP and accounting for about 8% of formal employment. It also contributes to the livelihoods of 3m-4m households, carries responsibility for food security and is the basis of economic activity in rural areas.

“Given the strategic role of the sector, particular attention will need to be granted to the application of tariffs in agriculture given the highly distorted nature of international agricultural trade,” it says.

Opposition DA shadow agriculture spokesman Lourie Bosman says raising import tariffs is “long overdue

because our government has been slow to adapt to circumstances”. For example, SA's local wheat production has been reduced by a third because government offered tariff protection of just 2%, though it was entitled to go as high as 72%, he says.

However, the proposal to tax exports of primary agricultural produce to encourage local manufacture and value-added exports has drawn criticism. Bosman supports the idea of developing local manufacturing industries, but says taxes on exports might make local producers less competitive internationally.

The Trade Law Chamber's Hilton Zunckel says SA should “tread lightly around restrictive food export measures. There is a danger that export restrictions will depress or even collapse prices of primary crops like maize, by creating an artificial surplus, and depress returns to the farmer at the very point they need to be encouraged to produce more food.”

He says: “Shooting from the hip may well leave us with nothing for the pot.”

Agricultural Business Chamber CEO John Purchase, too, is concerned by the recommendation to tax exports. But he welcomes the shift in thinking and would like to see the issues being debated thoroughly so the “long overdue” policy can be implemented quickly.

Source: Financial Mail

Published courtesy of



For more, visit: <https://www.bizcommunity.com>