

INPUTS BY NAMIBIA FOR THE PLANNED WORKSHOP ON AGRICULTURAL REBATES

Background

Rebates are instruments to do away with the effects of tariffs in agricultural trade. Tariffs have been agreed upon by trading partners to allow agricultural industries and value chains to develop, but also to protect agricultural production in all its forms against subsidization and protection by trading partners.

Agricultural rebates are therefore critical in the development of especially developing and least developed countries and play a meaningful role to address imbalances in custom unions such as the SACU.

However, it has been found that the administration of rebates, that have been agreed upon or unilaterally implemented by SACU member states through the instruments created by some member states, is not always transparent and need to be improved. The concern about these actions as well as the concerns that some member states are not adhering to agreed upon conditions have lead to a discussion and workshop, organized by the SACU secretariat and ITAC. The workshop addressed the administration of rebates, the necessity of agricultural rebates and the unequal imposition of rebates.

A listing of concerns, that SACU member states have raised, will be compiled and commented on by the SACU secretariat on demand of the member states and as a preparation to a comprehensive workshop that has been scheduled for the August 2007 SACU TLC meetings in Gaborone, Botswana. The Namibian agricultural sector has stated concerns about some very pertinent issues in the rebate regime of SACU member countries and especially on the administration thereof. These concerns are listed as inputs into the planned workshop.

Concerns on the rebate regime of SACU member countries

- The Minimum Market Access obligation in terms of the WTO (5% of the total SACU market, which is an obligation by all developed and developing countries under WTO (Uruguay Round Provisions), is in effect a tariff rebate. These duty free agricultural products are only utilized by the South African food and feed industries by a unilateral declaration by SA that she will utilize this rebate only for her own industry on condition that no rebated products are entering the BLNS countries. How is this provision be administered by South Africa?
- Rebates for wheat and dairy products have been a longstanding discussion point between the BLNS and South Africa. Although the current tariff of 2% on wheat and wheat products is not seen as a tariff worthy of a rebate, the principle of the rebates for these agricultural products is still important to Namibia. The administration of the provision of the Cape Town accord, that NO wheat or wheaten products produced from rebated imported wheat should enter any other SACU member country have been adhered to strictly by Namibia through permit control. No export of wheat or

wheaten products is allowed from Namibia to any other SACU member country. This measure is implemented in spite of the fact that Namibia already produces > 20% of its total wheat requirements that would qualify for export permits.

- ITAC, often without even consulting with BLNS countries, issues rebate permits for agricultural commodities. This is done mostly for specific processors in South Africa only, under permit control by different institutions of SA. However, sometimes these rebates are open rebates, valid in the SACU without any permit control and can be utilized by all SACU member states. BLNS member states are not informed by ITAC of the possibility to utilise these rebates. In South Africa, South African Revenue Services (SARS) is controlling the above rebated imports, but who is responsible for either permit issue or monitoring of these imports in BLNS member states?
- In 2006, while acting as the SACU Tariff Board, ITAC has issued rebate permits for 3 750 ton of beef imports to SA companies. The rebate offered is a rebate on the full duty on meat and meat products (40% ad valorem or 240c/kg). The issue of these rebates has been done without consultations and in spite of the fact that this type of beef is readily available in the SACU without any tariffs.
- It should also be noted, that these administrative rulings and implementations of a rebate regime are often only in line with the South African Industrial Policy and without any concern for the development of the whole SACU. They are of an intermediate nature and should be taken over by the National Bodies and the SACU Tariff Board in due course, after implementation of the proposed legal SACU instruments. The following considerations are proposed in this regard:
 - Will the National Body of South Africa, ITAC, have also in future the right to unilaterally implement rebates in line with South African directives and policies without consideration of the SACU development policy?
 - How will the necessary investigation and control on National level be implemented and are the customs authorities in the BLNS geared for the task of managing the administration of national rebates?
 - Should there be national rebates at all or should all rebates be SACU rebates?
 - Should rebates be offered for products that are readily available in the SACU without a tariff?
 - The current forms for the reporting of 460.10 rebates should be upgraded and used by all SACU member states to report all agricultural rebates on a quarterly basis to member states and the Secretariat of the SACU. The Secretariat should compile a report on a yearly basis and submit the report to the Commission and Member States.
 - What will be the guiding framework of the National bodies and the SACU Tariff Board for any rebate concessions? Will that be the Industrial Policy of South Africa only?

Administration of agricultural rebates by Namibia

BLNS Members states are allocated with quotas for the duty free importations of rebates for wheat and dairy products. The rebate quotas are allocated for a period of one year, commencing in October until September.

The quotas allocated per member state were determined according to the national demands of the commodities imported under the rebate facility. One of the conditions is that all rebated commodities should not be re-exported into the SACU member countries.

Table 1: Quotas Allocated to Namibia by SACU annually

Product	HS Tariff line	Quota allocated by SACU(tons)	% rebate provided	Purpose
Wheat	1001	50 000	100	Domestic consumption
Butter	0405	400	100	Domestic consumption
Cheese	0406	300	100	Domestic consumption
Skimmed Milk Product	0402	700	100	Domestic consumption
Whole Milk Product	0402	400	100	Domestic consumption

1. Annually in August adverts are placed in local newspapers for companies to apply in writing to the Ministry of Agriculture Water and Forestry (MAWF) for a quota on duty free importation of wheat and dairy products.
2. The companies indicate the quantities they wish to import for that specific year. The quotas are allocated by MAWF based on the companies' requests.
3. Rebate permits are issued by MAWF to the companies for submission to the customs authorities at the port of entry. The permit contains information on the quantity of commodity imported, port of origin and the port of entry. It is also clearly stated on the permit that the commodity should not be re-exported into SACU.
4. For the importation of wheat, it is a requirement for the importing company to have a milling license and an established factory.
5. The MAWF keeps record of all permits issued for reporting at every SACU ALC meeting for the purpose of transparency on the quantities issued. There is an agreed reporting format developed by the SACU Secretariat.