NEDBANK & OLD MUTUAL BUDGET SPEECH COMPETITION 2026 – UNDERGRADUATE

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TOPIC: Can higher import tariffs be used to create jobs in developing economies, particularly South Africa?

1. INTRODUCTION

South Africa's 2026 Budget is tabled amid a jobs crisis. The unemployment rate stands at 32.9% (Stats SA, 2025), with youth unemployment most severe in the Eastern Cape where I study. Suppliers are said to be a crucial component of the company's entire system for delivering value to customers (Tait & Tait, 2016:71). Similarly, local suppliers are crucial to the national economy. This essay asks whether protecting them with higher import tariffs can create jobs.

2. THEORETICAL FOUNDATION

The infant industry argument maintains that young sectors in developing economies need temporary protection to reach maturity (Tait & Tait, 2016:73). This is the basis for using tariffs to redirect demand towards local products and support industrial expansion (Tait & Tait, 2016:71).

3. EVALUATION

3.1 Potential short-term benefit

A tariff can provide breathing space. In poultry and automotive components around Gqeberha, duties have temporarily preserved jobs.

3.2 Limitations in South Africa

However, tariffs raise the prices of imported goods, disproportionately affecting low-income households and worsening inequality; they can trigger retaliation from trading partners, restricting access to export markets essential for developing economies; and prolonged protection may reduce incentives for domestic industries to innovate, entrench inefficiencies and encourage rent-seeking (Lizani, 2026).

More importantly, South Africa's deindustrialisation from 20% of GDP in the 1960s to 13% today is driven by electricity shortages, Transnet logistics failures and skills gaps, not low tariffs (National Treasury, 2026:45). Manufacturing jobs fell from 2.1 million in 2008 to 1.6 million in 2023.

A tariff on steel helps primary steel but destroys jobs in automotive manufacturing in Kariega, which uses steel as input.

4. BUDGET RECOMMENDATIONS 2026

Instead of blanket tariff hikes, I propose:

(a) Conditional protection: Tariffs must be time-bound (3-5 years) with sunset clauses and mandatory job targets monitored by ITAC.

(b) Revenue recycling to green economy: If government allocates R45 billion, it should allocate R15bn to renewable energy for industrial parks, R10bn to sustainable transport and rail, R10bn to skills development for green technology, and R10bn to SMME support in green buildings and waste management. This creates jobs and protects the environment.

(c) Fix competitiveness: Invest in Eskom transmission, water management and TVET artisans. A factory with power does not need protection.

(d) Inclusivity: Link all support to 40% SMME procurement and youth employment to ensure social equity.

5. CONCLUSION

Tariffs can stabilise employment in the short run but cannot create sustainable jobs alone. Long-term employment requires competitiveness, not walls. The 2026 Budget should therefore invest in infrastructure and skills, so that Second Avenue graduates can work in factories that compete globally without protection.

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