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2. Why Tariffs Appear Attractive for Job Creation in Developing Countries

The theoretical case for protectionism as a job-creation instrument rests primarily on the infant industry and import substitution arguments. In developing countries characterised by high unemployment and premature deindustrialisation, such as South Africa, protecting nascent industries from more competitive imports is seen as a means to preserve existing jobs and create new ones in the short run.

First, tariffs can redirect domestic demand towards local producers. By increasing the price of imported goods, tariffs make locally produced goods relatively more attractive. In South Africa, this argument has been advanced strongly by the poultry industry, which employs over 110,000 workers directly and indirectly, and by the steel industry concentrated in Gauteng and KwaZulu-Natal. Proponents argue that without tariff protection of up to 62% on certain poultry cuts, these jobs would be lost to imports from Brazil and the European Union.

Second, the infant industry argument suggests that temporary protection provides breathing space for industries to achieve economies of scale and become internationally competitive. The experience of Bangladesh is illustrative. Through initial protection and targeted industrial policy in the 1980s, Bangladesh developed its garment sector into an employer of over four million people, accounting for approximately 80% of export earnings. This case demonstrates that when protection is linked to learning and productivity improvements, it can facilitate structural transformation and employment growth.

Third, tariffs generate fiscal revenue which, in a constrained fiscal environment as outlined in the 2026 Budget Review, can be repurposed to fund social and industrial priorities. For a government facing a large budget deficit and pressure to stabilise State-Owned Entity finances, tariff revenue offers a seemingly less politically costly alternative to increased direct taxation.

However, these apparent benefits depend critically on complementary policies. As Edwards and Lawrence (2008) note, South African trade policy matters most when it is aligned with investments in capabilities, rather than acting as a standalone shield.