

The importance of AGOA for the SA Automotive industry

NAAMSA and NAACAM
submission

Profile of Global and SA automotive industry

- Export-oriented industry – Record export value of R178,8 billion of vehicles and component exports to 155 countries in 2018 – 14,3% of total SA exports
- Largest manufacturing sector - vehicle and component industries accounted for 29,9% of manufacturing output
- Broader auto industry contributed 6,8% to SA GDP
- Dominant market in Africa – 54,3% of continent's vehicle production
- Relatively small in global context with a 0,64% global vehicle production market share, ranked 22nd
- Long term policy certainty – SA Auto Masterplan 2021-2035
- Trade arrangements enhance SA auto exports, EU main auto trading partner, US fifth largest country trading partner in 2018

Positive contribution of AGOA

- A major portion of the country's diversified exports to the US are manufactured goods, such as vehicles, which have assisted in enhancing manufacturing in South Africa. Duty rates into the US normally range from 2,5% on passenger cars to 25% in respect of commercial vehicles. The rule of origin requirement is that 35% of the value added on the output should come from the production activities in the country claiming AGOA preference.
- The US was the South African automotive industry's fifth largest trading partner, fifth largest export destination for vehicles and fifth largest country of origin for total automotive imports in 2018 (SA vehicle exports to US 47 627 units in 2016 in US market of 17,9 million)
- Up to 2017 SA enjoyed an automotive trade surplus with the US but in 2018 this turned into a deficit due to the same BMW model now being manufactured in the US and not exported to the US from SA anymore.

SA – US automotive trade

2001 and 2006 to 2016

R million

	2001	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
SA exports to USA	4 705,2	5 769,7	6 903,0	17 871,1	15 000,8	15 718,2	19 099,7	18 623,1	19 138,7	17 145,0	20 946,9	22 602,4	18 821,2	9 304,7
US exports to SA	2 375,1	3 916,5	5 407,0	6 354,5	4 076,4	5 253,3	8 285,5	9 616,1	10 020,0	11 817,2	11 835,5	11 472,2	10 951,0	12 795,2
Total trade	7 080,3	9 686,2	12 310,0	24 225,6	19 077,2	20 971,5	27 385,2	28 239,2	29 158,7	28 962,2	32 782,4	34 074,6	29 772,2	20 099,9

% increase in automotive exports from SA to USA from 2001 when AGOA commenced to 2018 : 97,8%

% increase in automotive exports from USA to SA from 2001 to 2018: 438,7%

% increase in total automotive trade from 2001 to 2016 : 183,9%

USA – SA automotive trade data : 2018

Millions of Rand : Top ten product categories

United States of America (USA) (Total trade R22 099,9 million) – 2018

Main products	Exports from SA R9 304,7 million	Main products	Imports into SA R12 795,2 million
Light vehicles	4 946,9	Original equipment components	4 576,5
Catalytic converters	2 218,9	Light vehicles	1 612,4
Engine parts	1 007,6	Automotive tooling	682,3
Radiators / parts	200,7	Engine parts	568,4
Automotive tooling	150,9	Transmission shafts / cranks	369,4
Silencers / exhausts	68,5	Tyres	363,4
Gear boxes	51,1	Engines	321,2
Transmission shafts / cranks	33,4	Gauges/ instrument parts	276,5
Tyres	32,9	Axles	258,3
Gauges / instrument parts	31,6	Steering wheels / columns / boxes	215,3
Other	562,2	Other	3 551,5

Positive contribution of AGOA

- Official trade data confirms the substantial increase in two-way trade in automotive products which have grown in volume and value terms. The scope and composition of products traded has broadened.
- There are considerable mutual benefits to be derived from two-way trade in vehicles and components, for both the US and South Africa.
- American global automotive corporations have built strong business links between their SA operations and international stakeholders, including USA automotive companies (Ford, GM, component MNCs)
- Multinational corporations source their requirements globally at best possible price subject to quality and delivery standards. US companies benefit from duty-free access to products manufactured in SA
- Increased SA component and vehicle exports has assisted automotive industry development in SA and has contributed to employment creation and retention in both SA and USA (800 employees Ford US due to Ford engine manufacture in SA)

Positive contribution of AGOA

- Increased automotive trade between SA and the USA has created improved opportunities and demand for American technical expertise and technology and has also resulted in the establishment of automotive shipping links between the two countries
- In many respects, AGOA represents a win-win dispensation for both countries
- Continuity of AGOA up to 2025 will strengthen further trade relations between southern Africa and the United States and will improve the scope of employment creation, industrial growth and development in the southern African region
- The SA automotive industry is increasingly involved in regional integration and the building of capacity in other African countries. Both the US and countries involved under AGOA have the potential of generating significant economic benefits from trade as AGOA countries continue to develop, modernise and industrialise.
- Ultimately, AGOA builds goodwill between the US and Africa