



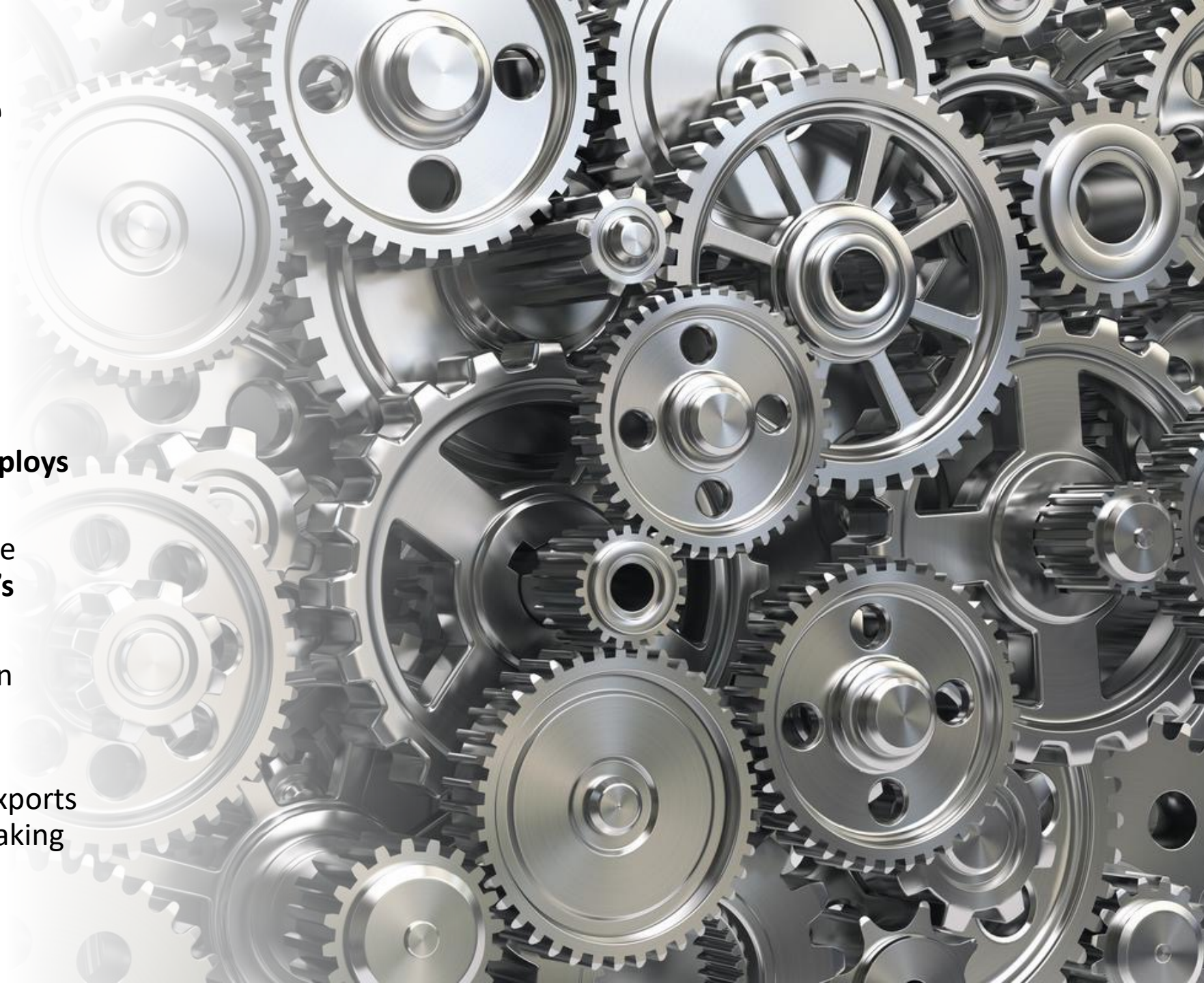
**The importance of AGOA for the SA Automotive industry
NAACAM submission**

7th June 2023

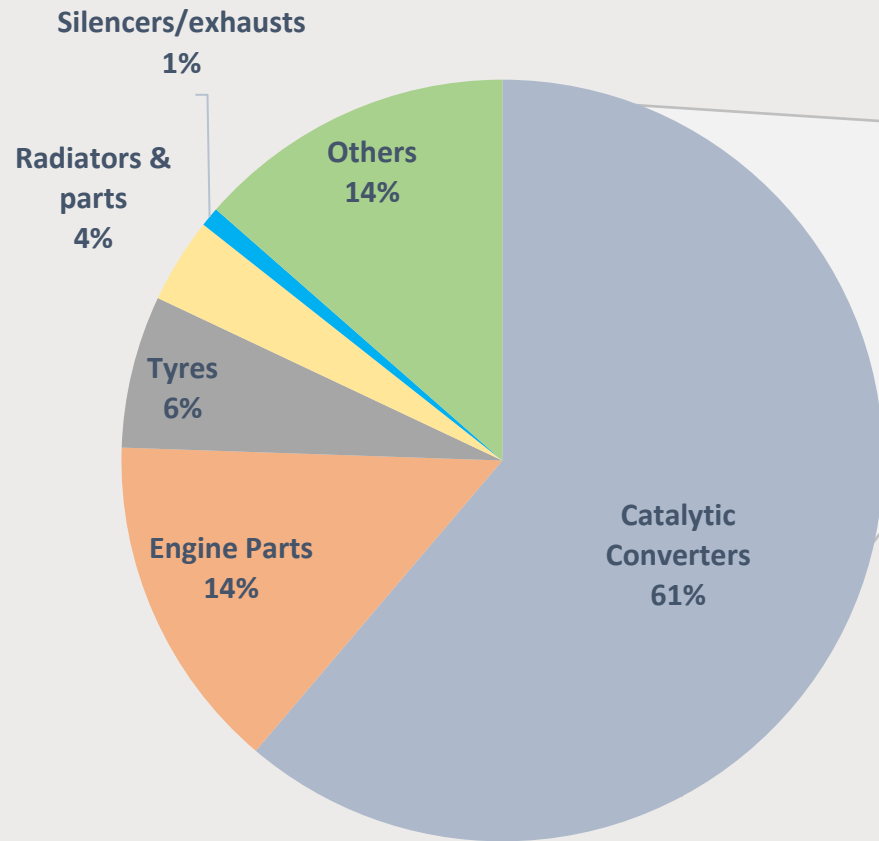
USTR-2023-0003

SA's Automotive Component Industry Profile

- Broader automotive industry contributes **4.9% to SA's GDP**
- Automotive component sector **employs 83 362 people**
- Automotive component and vehicle production constitute **21.7% of SA's manufacturing output**
- Total automotive export earnings in 2022 are **R227.3 billion (US\$13.9 billion)**.
- Value of automotive component exports is **R70.3 billion (US\$4.3 billion)**, making up **31% of the total automotive industry exports**.

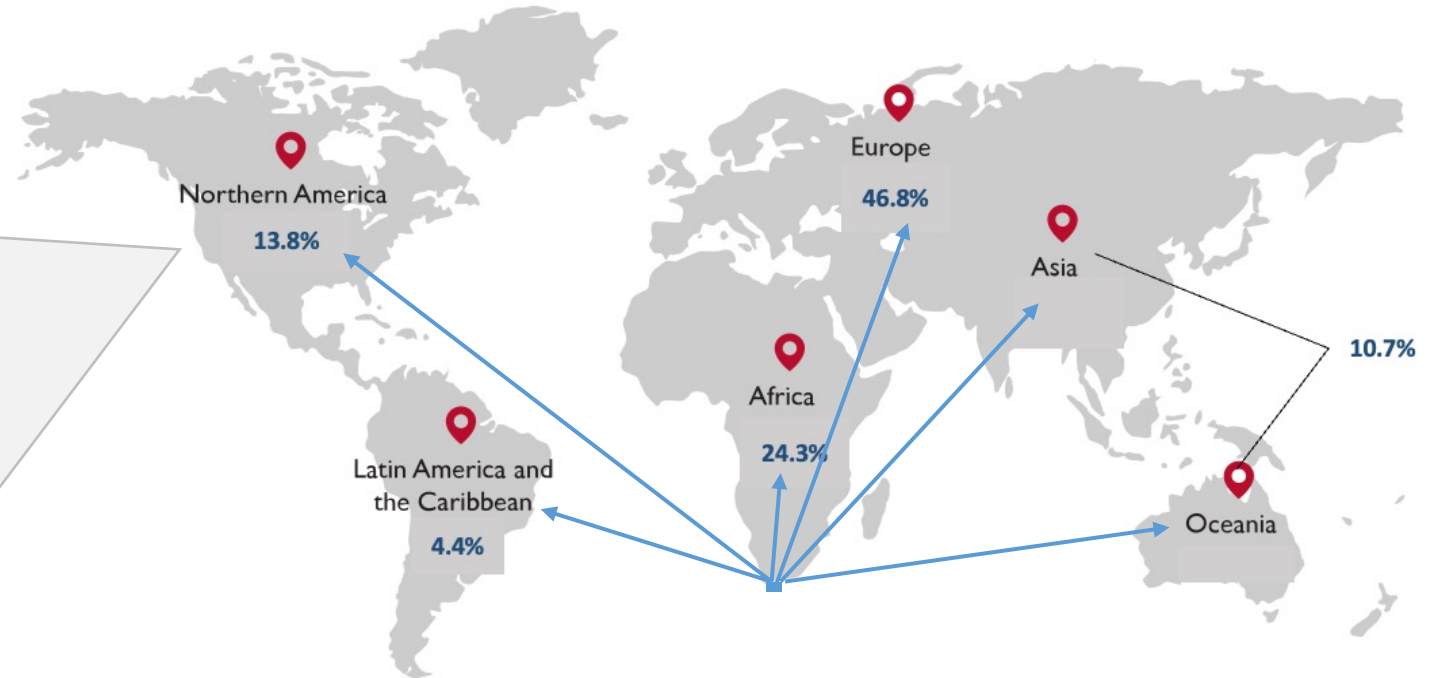


SA's Automotive Component Export Profile



Source: Automotive Industry Export Council, 2023

Percent share of South Africa's automotive component exports: 2022



“AGOA has served as the bedrock of trade relations between the US and sub-Saharan Africa, specifically in the support of regional integration and the stimulation of regional value chains.” (AIEC, 2023).

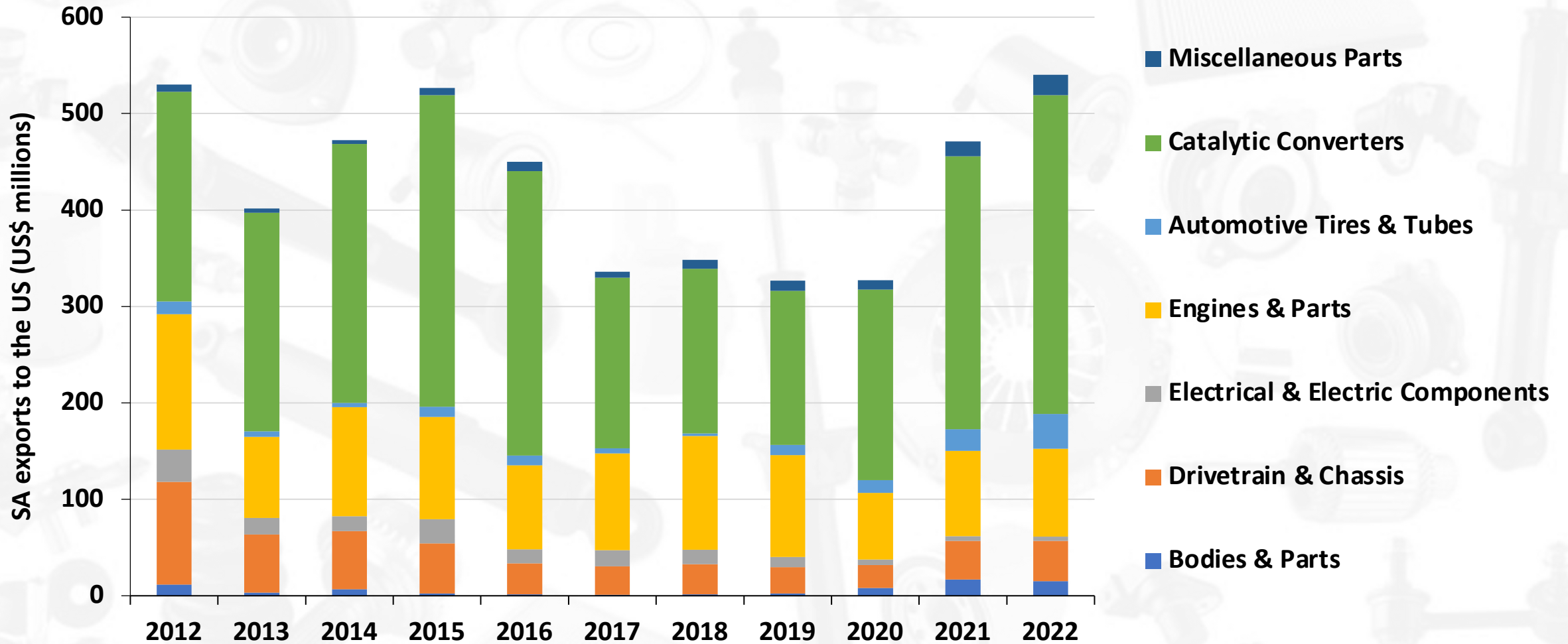
US-SA two-way autos trade is R42.5billion (US\$2.6 billion)

(in 2022)


Main products	Exports from SA R24 123,7 million	Main products	Imports into SA R18 329,8 million
Light vehicles	15 332,3	Original equipment components	6 572,4
Catalytic converters	5 379,1	Light vehicles	4 542,0
Engine parts	1 264,8	Engine parts	722,4
Tyres	591,4	Transmission shafts / cranks	519,1
Radiators / parts	318,8	Axles	477,9
Silencers / exhausts	72,8	Automotive tooling	410,9
Axles	70,3	Gauges / instruments / parts	393,6
Automotive tooling	62,4	Steering wheels / columns / boxes	323,6
Gear boxes	59,8	Engines	291,0
Clutches / shaft couplings	35,9	Brake parts	218,0
Other	936,1	Other	3 858,9

Source: Automotive Industry Export Council, 2023

SA automotive component exports to the US (2012-2022)



Source: Trademap, 2023



How SA's auto-components sector benefits from SA's inclusion in AGOA

- SA's US\$1.6 billion vehicle and automotive components exports to the US represents the **highest utilization of AGOA by any sector (99%)**.
- The 35% Rule of Origin (RoO) for SA vehicle exports to the US, together with domestic localization incentives, **promote sourcing from local auto-component sector, which promotes deep and scaled industrialization**.
- Growing vehicle and auto-component demand in the US creates scale and **expanded scope to increase capacity for achieving equity through the inclusion of black industrialists in the sector**.



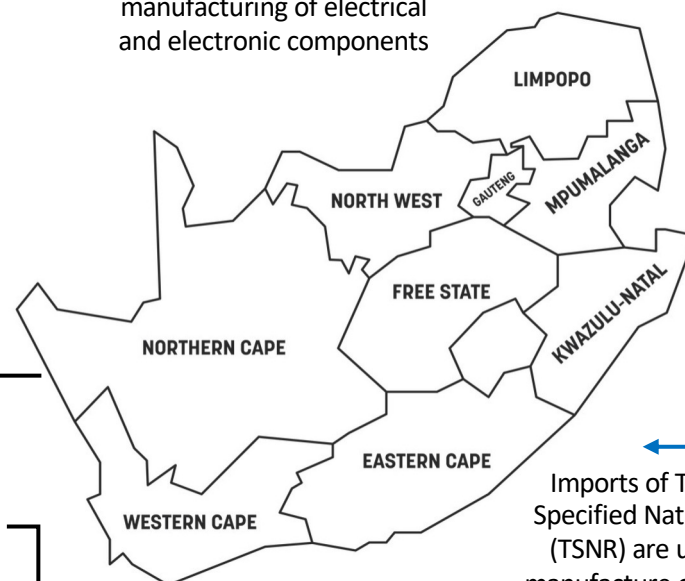
AGOA helps support and strengthen the regional value chain in SA's automotive components sector

Examples of raw materials imported into SA from sub-Saharan Africa for auto component and vehicle manufacture in SA

Light vehicles US\$937 million



Catalytic converters	\$328.9 million
Engine Parts	\$77.3 million
Tyres	\$36.2 million
Other Components	\$99.4 million
Total components	\$541.8 million



Imports of copper and copper alloys into SA support the manufacturing of electrical and electronic components

US\$102 million



US\$100 million



US\$6.9 million



US\$2.3 million



US\$15.3 million



Imports of Technically Specified Natural Rubber (TSNR) are used in the manufacture of vulcanized rubber for tyre manufacture

US\$119 million



Imports of ignition wiring sets and other wiring sets are used in the manufacture of automotive tooling and vehicle engines



How the US benefits from SA's inclusion in AGOA

- US auto-industry investments in South Africa benefit from the country's **AGOA's duty free access for vehicle and component exports.**
- **SA auto-component exports sustaining US jobs.** For instance, about 800 employees are supported at Ford US due to Ford engine manufacture in SA.
- US companies benefit from **purchasing competitively sourced high quality (duty-free) automotive component products and vehicles manufactured in SA.**
- The expansion of NEV investments in **South Africa will provide enormous benefits to North American firms that are seeking to drive the green economy.**
- **AGOA represents a critical tool to deepen technology transfer, investment and growth in the development New Energy Vehicles (NEVs).**





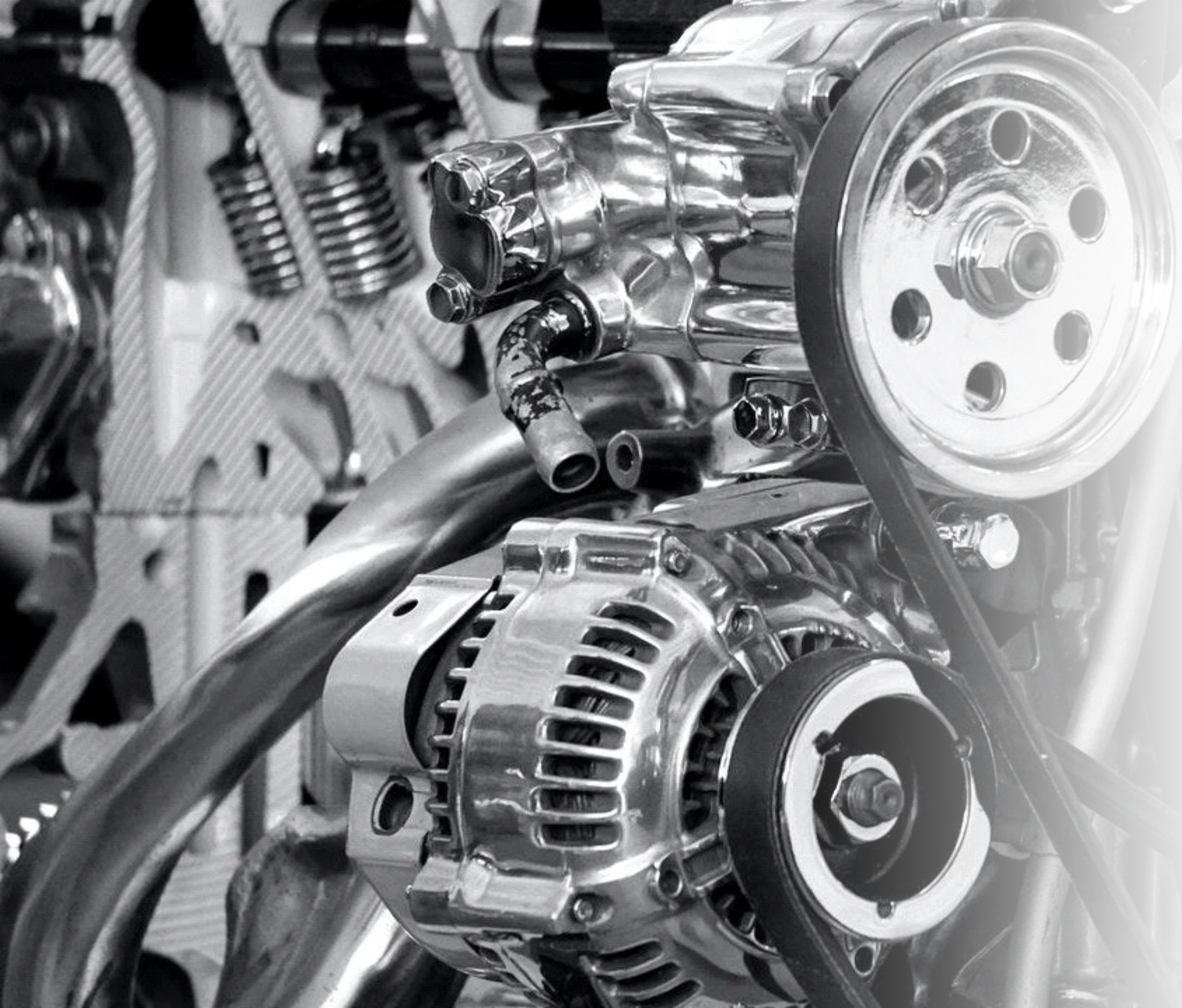
SA still an attractive investment market

- **Ford invested R15 billion (\$1.05 billion) in SA in 2021**, a testament to South Africa's uniqueness as preferred investment destination in sub-Saharan Africa.
- **BMW will invest R4.2 billion (US\$224 million) in New Energy Vehicle (NEV) technology**, a major boost for South Africa's automotive industry, and the potential for the expansion of the component industry supporting the NEV.
- **Mercedes-Benz announced a R10 billion (US\$755 million) multi-year investment in 2018 for a wide modernization of the East London Plant** – including a new Body Shop, designed for higher capacities and features more than 500 “Internet of Things” Industry 4.0-enabled robots.
- Domestic incentives under the 2nd iteration of the **Automotive Production and Development Plan (APDP2)**, coupled with South Africa's preferential market access under various **trade arrangements**, such as **AGOA, EFTA, EU-EPA and the AfCFTA** present opportunities to drive growth in future investments in NEVs.



Losing AGOA will negatively affect SA's automotive component industry

- Auto component sector will bear the brunt of **declining competitiveness** of vehicle exports due to loss of AGOA.
- **De-industrialization, loss of skills and technological innovation** (particularly in NEVs), due to lower export demand for SA's auto components
- **Disintegration of regional value chains**, due to SA's declining import demand for raw material inputs from sub-Saharan African markets
- **Reduced capacity for future growth**, which impairs the sector's ability to create jobs, and contribute to the sector's equity goals.



Potential impact of the loss of AGOA: A case study

- **Domestic, locally owned Tier 1 company** based in the Eastern Cape.
- Currently employs approximately **550 people**.
- Over half of the firm's revenue is generated from direct exports to the US, which constitute **4000 tons** of product per year.
- **What is at risk?**
 - More than R300million (US\$18 million) in revenue
 - At least 250 jobs
 - Over 30 apprenticeships
 - Loss of forex earnings
 - Loss of earnings for port and logistics companies



Thank you

END