

7 July 2023

Office of the United States
Trade Representative

Grain Building, 1st Floor, 477 Witherite Street

The Willows, Pretoria, South Africa, 0184

For attention: Jeremy Streatfeild,
Director of African Affairs,
Office of African Affairs

Per email: Jeremy.E.Streatfeild@ustr.eop.gov

(1) 2024 AGOA Eligibility Review: South Africa: Agbiz written submission on the revision of the African Growth and Opportunity Act

Dear Mr Streatfeild

Agbiz, the Agricultural Business Chamber of South Africa, would like to thank the US Congress for the opportunity to submit a written motivation on behalf of the South African agricultural and agro-processing sector. We trust that the honourable members will take our submission into consideration.

Who are we?

The Agricultural Business Chamber (Agbiz) is an independent, voluntary and influential association of agribusinesses operating in South and Southern Africa. Key constituents of Agbiz include the major banks in South Africa, development finance institutions, short-term and crop insurance companies, agribusinesses, commodity organizations and co-operatives providing a range of services and products to farmers, and various other businesses and associations in the food and fibre value chains in the country. Conservative estimates attribute 14% of South Africa's GDP to the food and fibre value chain, although its proportionate contribution to the rural economy and rural job creation is significantly higher. Many commodity associations affiliated with

Agbiz represent industries that rely on irrigation to produce high-value, irrigated crops for the domestic and export market. Our agribusiness members also have a substantial interest in water rights as they supply irrigation farmers with inputs and equipment or finance these enterprises.

Agbiz's function is to ensure that agribusiness plays a constructive role in South Africa's economic growth, development and transformation and to create an environment where agribusinesses of all sizes can thrive, expand and be competitive. One way in which we seek to achieve this is by providing thoroughly researched inputs on draft laws and policies affecting our members.

Agbiz is also a member of Business Unity South Africa (BUSA), where we play a leading role in shaping the economic policy of South Africa along with other sectoral organizations. We have made substantial inputs into the BUSA submission and fully support its proposals. For the sake of brevity, we will not repeat those arguments in our submission but rather offer a sector focus on the importance of AGOA to the South African agricultural and agribusiness sectors.

The positive impacts of AGOA on the South African sector

South Africa's economy, particularly the agricultural sector, has benefitted hugely from tariff-free access through AGOA. We remain a middle-income country, and whilst AGOA has assisted us greatly, we are still on the journey to becoming a fully developed country. The GDP per capita has declined over the past decade from US\$8 059 in 2010 to US\$7 055 in 2021. This is a result of both global shocks after the financial crisis and domestic challenges related to state capture, deteriorating network industries and low levels of investments. The Covid-19 pandemic exacerbated the already fragile economic conditions and impacted our poorest households significantly. Consequently, South Africa remains one of the countries with the highest unemployment in the world, measured at 32,9% in the first quarter of 2023. The country also has the highest inequality in income distribution, with a Gini score of 63.

Confronted with these challenges, the South African business community, collectively with the government, is on a path to rebuild the economy and address the triple challenges facing South African society. These are inequality, rising poverty, and unemployment. The approach taken by the business and government is sectoral.

Agriculture and agro-processing will help drive employment, particularly in the poorest regions of South Africa that face acute poverty and unemployment. These are also the regions with the lowest levels of schooling. But for agriculture to thrive, access to export markets must be available, as we export roughly half of our agricultural produce in value terms. South Africa exports roughly US\$12,8 billion of agricultural and agro-processed products annually, 4% of which go to the US market, making it the country's eighth largest market. The US market is further one of only a handful of markets where South Africa enjoys preferential access.

These export activities are key to supporting the sustainability of agriculture and agro-processing and, in turn, supporting roughly 1,3 million jobs, which equals 9% of South Africa's labour force, as of 2022. Given the current high unemployment in the country, there is a national plan, the Agriculture and Agro-processing Master Plan, to boost production by roughly a third in the coming decade. The idea is to increase employment and revitalise rural economies. But these will only be feasibly provided if there is continuous access to export markets.

Against this backdrop, we view the African Growth and Opportunity Act (AGOA) as crucial in assisting emerging markets such as South Africa to address various socio-development challenges. In 2015, when the renewal of the AGOA was underway, it could be argued that South Africa was in fact in a relatively better economic condition than today. Thus, retaining South Africa's inclusion in AGOA is crucial to providing much-needed economic growth opportunities. From an agricultural perspective, the industries that benefit are primarily wine, citrus and macadamia nuts. There is also evident scope for expanded trade under AGOA, that can increase the impact on South Africa.

Importantly, South Africa is also on an investment drive to grow domestic manufacturing and create employment, which results in economic and social stability in the Southern Africa region. The exclusion of South Africa from AGOA may also unintentionally send negative signals and increase negative sentiment about the country's investment conditions, all of which could have a far-reaching impact on the economy and jobs. South Africa currently houses a range of American firms that manufacture and retail various products to the African continent through South Africa.

The stability of their investments and growth is key to all parties involved and, ultimately, to the South African economy.

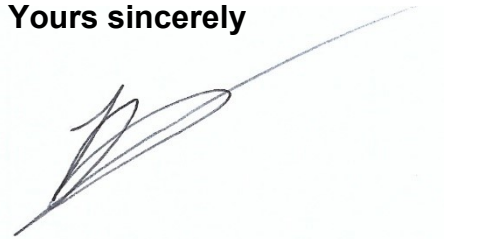
Recommendations

Given the importance of the US market as a strategic export market for South Africa, the agricultural industry calls for:

- (a) South Africa's continued inclusion in the AGOA preference programme.
- (b) The soonest possible extension of AGOA, well before the September 2025 deadline, to enable more certainty in bilateral trade and planning of investments in the sector.
- (c) The commencement of discussions for our mutually beneficial trade under the banner of a bilateral investment treaty.

As the South African economy recovers, the ambition for the sector is for both the United States and South Africa to continue building and pursuing mutually bilateral trade arrangements. We hope to sustain trade and investment networks and continue building on bilateral commercial and diplomatic relations between our countries. With that said, at the present juncture, the South African economy is still fragile and would benefit enormously from the extension of AGOA. There are also unique factors (such as our ties to neighbouring countries via SACU) that will require time before a bilateral trade agreement can replace AGOA. A hard stop would be disruptive to our bilateral trade. As such, we recommend extension in the medium term, but subject to commencing discussions on the future of our bilateral trade.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'TB', is written over a light blue horizontal line.

Theo Boshoff
CEO: Agbiz