

SA access to the United States market and the Africa Growth and Opportunity Act (AGOA)

Presentation to the Joint Meeting of the Select Committee
and Portfolio Committee

26 September 2023

Presentation

- This presentation covers the status of AGOA renewal/extension
- It follows interest expressed by representatives of a number of Provinces and Members of Parliament
- Value in developing a common position as a country
- Presentation will cover
 - SA – as seen by trade and other partners, with strengths and challenges
 - Our trade policy approach in a fractured and polarizing world
 - The US-SA economic relationship and its significance
 - The trade framework and the role of AGOA
 - Eligibility under AGOA: criteria and countries
 - Key trade and other statistics
 - The future of AGOA and the benefits of renewal/extension
 - An African common position on AGOA
 - The next AGOA Forum to be hosted in SA
 - Next steps in the goal of AGOA renewal/extension

SA in the context of global economic relations – Opportunities

- South Africa
 - is Africa's most diversified and developed market economy, with a large industrial base
 - is a vibrant democracy, with free and fair elections and a force for promoting democratic values and practices in the region
 - has a strong and robust legal system with rule of law, a free press and strong property rights protections
 - has a growing skills and technology base that can be utilised to address African challenges including in production of critical medical and other products
 - has significant deposits of natural resources, including critical minerals that will be vital to the global transition to a greener economy
 - has functioning capital markets and modern infrastructure, and
 - is part of a continent that is growing, with enormous untapped potential.

SA in the context of global economic relations – Challenges

- South Africa
 - has a young and rapidly urbanising population, whose growth has outstripped the expansion of the economy
 - faces the challenge of extraordinary levels of unemployment - higher for many decades than the unemployment rates of Europe and the US during the Great Depression. Some 33% of the labour force is unemployed, and including discouraged job-seekers, the numbers rise to 42%. Using the same measure, youth unemployment for those aged 15-34 stands at 55%
 - has high poverty levels, in both urban and rural areas and one of the world's highest levels of inequality,
 - needs to step up economic growth levels, diversify its economy, promote economic inclusion and address the pressing energy shortage.

SA in the context of global economic relations – Focus

Seeks to

- maintain and expand economic relations with all large economies globally, including the US, EU/UK, BRICS, ASEAN, Japan, Latin America and the Middle East
- expand exports, with a shift to value-added products, particularly manufactured products and services
- Promote greater African integration through the African Continental Free Trade Area (AfCFTA) as the most important growth driver in future
- attract foreign direct investment, particularly in sectors with export potential, as well as in value-chains where greater localisation is possible, or where technology needs and market access benefits from such investment
- support a multilateral, rules-based system whilst focusing on ensuring the rules promote African industrial development

The SA-US relationship

- SA and the US have a long history of economic relations – some US companies have been in SA for over 100 years
- SA values the economic relationship and it continues to be an important one, capable of being scaled-up further
- The US is a significant market for SA goods and a key source of investment. The US is SA's second largest *national* trading partner, after China. SA is the largest exporter to the US on the African continent, exporting three times more than the next largest supplier (Nigeria) in 2022.
- SA in turn is
 - the largest sub-Saharan African importer of goods from the US; and
 - the biggest source of foreign direct investment to the US from the African continent
 - a crucial supplier of raw materials to many US supply-chains

The SA-US relationship

- There are more than 600 US firms in SA, many using SA as a gateway to other African countries
- Total two-way investment stocks in 2021 totaled just more than US\$ 11,9 billion. This was made up of US\$ 7,4 billion in US investment stocks in South Africa while South African firms invested US\$ 4,5 billion in the US.
- Dividend flows to the US resulted in income for US companies of over US\$1 billion in 2021
- In nine out of a list of 12 critical minerals studied, SA provided more than 25% of all imports to the US, ranging from manganese to platinum

The SA-US relationship

- The relationship between SA and the US is significant beyond solely trade and investment and embraces several other dimensions, including:
 - Political relations
 - Tourism
 - Cultural and educational ties
 - Technological partnerships
 - Joint efforts to combat terrorism and in peace-keeping efforts on the African continent, which is part of building a safer world.
- The growing geo-political polarization poses challenges to SA, a country that has strong economic relationships with both west and east, and whose economic challenges require it to maximise the trade and investment relationships with countries across the geo-political divides. SA trade strategy therefore argues against fragmentation and in favour of multilateralism.

The SA-US trade framework

- South Africa exports products to the US under three trade regimes:
 - the multilateral (and reciprocal) 'Most-Favoured Nation' terms (MFN) of the World Trade Organisation (WTO)
 - unilateral (or 'non-reciprocal') preferential market access under the African Growth and Opportunities Act (AGOA), and
 - unilateral preferential market access under the Generalised System of Preferences (GSP) programme.
- AGOA was
 - Introduced in May 2000 for a time-bound period to 2008
 - Extended in 2004 to expire on 30 September 2015
 - Extended in 2015 to expire in 2025

The AGOA trade framework

- AGOA's extension requires a decision of the US Congress and is thereafter signed into law by the US President
- GSP expired in December 2020 and has to date not yet been renewed by the US Congress. In terms of current US legislation however, access to AGOA continues to provide access to GSP for sub-Saharan African countries
- SA and 34 other Sub-Saharan African countries are currently eligible for preferential access for specified goods to the US market under the terms of AGOA
- AGOA provides duty-free product coverage for 1 835 products.
- GSP provides duty-free treatment for 3 400 products from designated beneficiary developing countries (DCs)
- Collectively, AGOA, including GSP, provides duty-free market access for 5 235 tariff lines from Sub-Sahara African nations classified as developing countries

AGOA Eligibility Criteria

- To qualify, a country should meet the following criteria:
 - market-based economies, the rule of law and political pluralism,
 - elimination of barriers to US trade and investment,
 - protection of intellectual property,
 - may not have nationalised or expropriated property of US citizens or corporations without providing or taking steps to provide prompt, adequate, and effective compensation, or submitting such issues to a mutually agreed forum for arbitration.
- Also, an eligible country should also meet the following GSP eligibility criteria, among others:
 - The economic development status of a beneficiary country should not exceed a certain threshold. The GNI per capita for mandatory graduation is set at the lower bound of World Bank's definition of a "high-income country.
 - does not engage in activities that undermine United States national security or foreign policy interests
 - does not engage in gross violations of internationally recognized human rights or provide support for acts of international terrorism and cooperates in international efforts to eliminate human rights violations and terrorist activities.

AGOA Eligible countries

- 49 Sub-Saharan African countries can potentially qualify for AGOA.
- Sudan and Somalia have not applied to join AGOA
- Equatorial Guinea and Seychelles were graduated out of GSP due to being classified by the World Bank as 'high-income' countries
- Of the remaining 45 countries, 35 countries are AGOA-beneficiary countries. The following countries are currently not AGOA beneficiary countries due to US classification of alleged breaches of conditions relating to among others human rights, rule of law, forced labour or political pluralism:
 - Burundi
 - Burkina Faso
 - Cameroon
 - Guinea
 - Eritrea
 - Ethiopia
 - Mali
 - Mauritania
 - South Sudan and
 - Zimbabwe
- South Africa's status was raised in previous years by US interest groups, based on level of economic development criteria; and on disputes about market access for US poultry into SA

SA-US trade under AGOA

- Two-way trade (goods and services) between the two countries amounted to \$25,5 billion (2022). Last year, the US was SA's second largest national export market, after China.
- In 2021, SA total goods exports to the US amounted to \$15.4 billion. Of this:
 - 82% was under MFN terms, with an export value of US\$12.7 billion (R240 bn at current exchange rates)
 - 18% was under AGOA and the GSP programme, with an export value of US\$2.7 billion (roughly R51bn at current exchange rate).
- In 2022, exports of goods dropped by 4% to \$14,4bn, though exports under AGOA and GSP together grew to about 25% of total exports.
- Between 2018 and 2022, total exports to the US accounted for 8% of all SA exports; and exports under AGOA in turn accounted for 1,7% of SA's global exports. Exports under AGOA and GSP together accounted in 2022 for about 2.4% of total SA global exports.

AGOA preferences

- AGOA benefits measured by the level of preference, varies by product
- For vehicles which is the largest single export item under AGOA, it is 2,5%
- For fruit, vegetables and flowers it averages at 1,2%.
- However, AGOA benefits are significant for some products, with effective preference for certain agriculture and food products ranging from 9% to 42%.

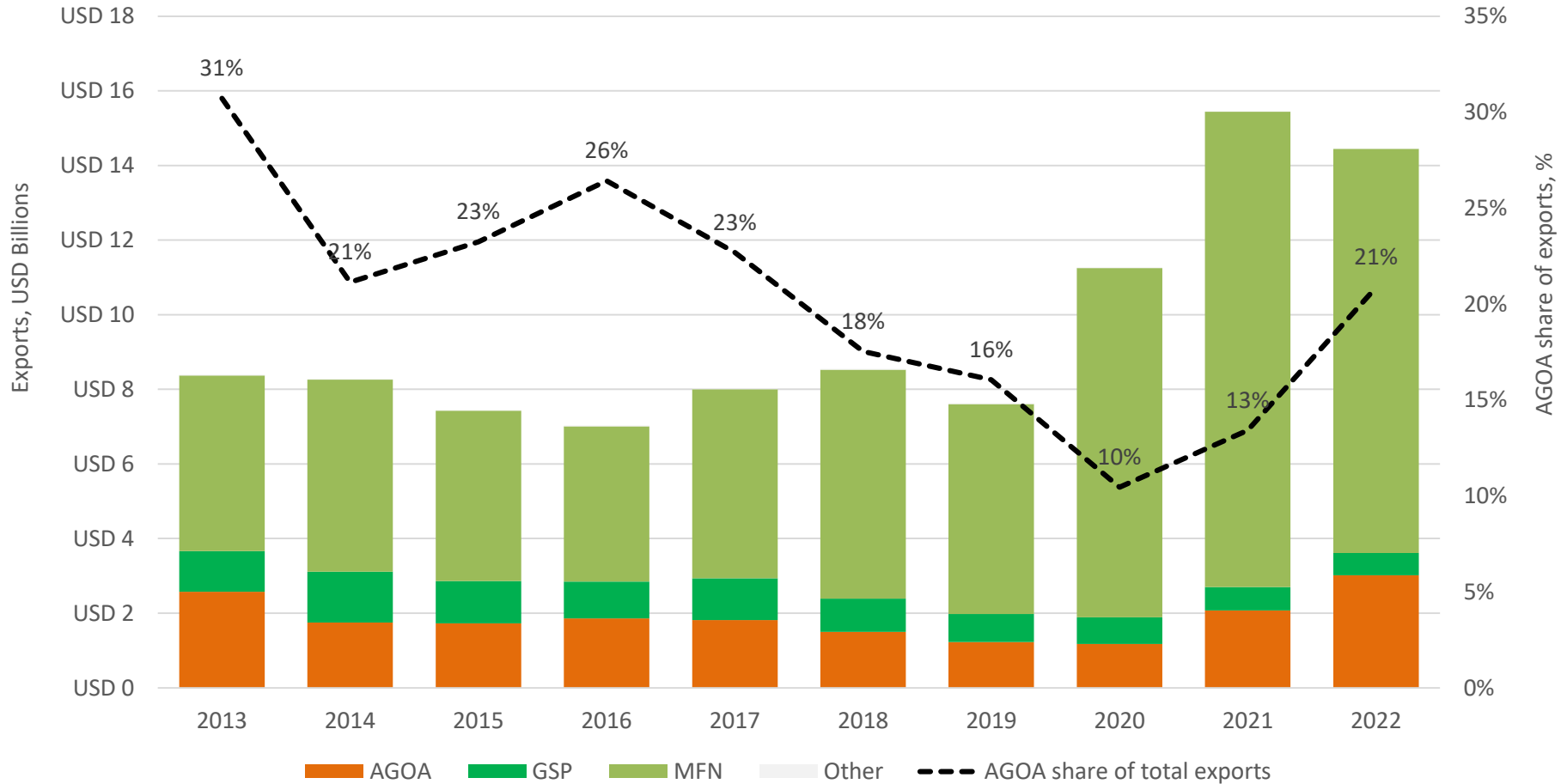
Our Top 10 Export Products under AGOA in 2022 were	AGOA export value
Automotives, cars	USD 1 482 221 468
Ferro-alloys	USD 368 328 274
Citrus	USD 132 637 459
Jewellery (and processed precious metals)	USD 110 072 288
Nuts	USD 73 604 700
Other chemicals	USD 73 445 387
Wine	USD 65 261 205
Engines & turbines	USD 57 727 516
Ketones/quinones	USD 57 362 372
Ships & boats	USD 54 813 829

Benefits of AGOA

Value of goods exports to the US qualifying for AGOA and GSP preferences, by sector, 2022, US dollars

Exports to US, 2022	Trade under the MFN	Trade under Preferences	Preferences share	Total
Agriculture	103 215 000	288 961 000	74%	392 176 000
Manufacturing	1 966 124 000	3 336 249 000	63%	5 302 373 000
Mining	8 338 864 000	446 776 000	5%	8 785 640 000
Other	390 403 000	1 053 000	0,3%	391 456 000
Total	10 798 606 000	4 073 039 000	27%	USD 14 871 645 000
Share of total	73%	27%		

Benefits of AGOA



Future of AGOA

- Future participation in AGOA is governed by two key processes:
 - Annual reviews of eligibility of SSA countries
 - Renewal of AGOA beyond 2025
- Annual reviews:
 - The Office of the US Trade Representative (USTR) is required by Congress to conduct annual reviews of the eligibility of SSA countries for AGOA trade preferences. Furthermore, there is provision for Out-of-Cycle Reviews that can be activated at any time by the Office of the USTR.
 - The USTR is currently conducting Annual Eligibility Review for countries to receive AGOA benefits for the year 2024. The report is expected in November 2023. The immediate challenges raised by US corporations relate to copyright laws and trade access involving agricultural products
- Renewal or extension of AGOA
 - The US Congress has not yet set a date for a decision on the future of AGOA. Given the political divisions in the US Congress, a bipartisan consensus is essential to secure the necessary backing
 - African countries seek a renewal of AGOA as a key means to promote African industrialisation and market access to the US

Benefits of extension of AGOA

For Sub-Saharan Africa

- Preferential access to the US market directly and via regional value-chains for products
- Opportunity for job creation and economic development
- Platform to move up the value-chain in manufactured products
- Signaling effect for US firms that assists with attracting foreign direct investment

For the US

- Geo-political and strategic factors
- Access to critical minerals, value-chains and investment opportunities
- Benefits to US consumers with cheaper products entering the market
- Contribution to African economic development as part of building a more inclusive global economy

SA participation under AGOA

Benefits for SA's participation in AGOA

- Benefits to SA are similar to that set out in the previous slide, including that SA benefits with
 - Jobs in both agriculture and manufacturing
 - Export earnings
 - Economic development, which is crucial given the need to expand growth and job creation
- In addition:
 - Regional development: SA's participation in AGOA supports and benefits economic development in the southern African region – neighbouring countries provide key inputs for finished products that are exported from SA to the US under AGOA, such as Botswana (wire harnesses), Lesotho (car seats) and Cote D'Ivoire (rubber)
 - Strategic goals: SA plays a key role in promoting peace and stability on the African continent, including in countries that the US relies on for raw materials
 - Critical minerals: the US sources a number of critical minerals from SA suppliers and from neighbouring countries via SA infrastructure
 - Market access: the US has a poultry quota available whilst SA is a beneficiary of AGOA
 - AGOA: SA is the biggest user of AGOA preferences and the program will be less effective without South African participation.

Promoting the economic relationship

To promote and expand SA-US economic relations, a number of steps have been taken, including the following:

- Direct discussions between the two heads of state on the strategic relationship, over several years
- Ministry engagements with the Office of the United States Trade Representative (USTR), the equivalent of the trade ministry in the US Cabinet, between 2019 and 2023, and with other key US Secretaries of Commerce, Agriculture and State
- SA government discussions with US Congressional representatives, from both the Senate and House of Representatives, including with both Democrats and Republicans
- A South African high-level delegation to the United States in July 2023, to address economic, geo-political and commercial matters
- Presidential and Ministry-level engagements with the US private sector, including a recent Business Roundtable with President Ramaphosa in September 2023
- Business-to-business partnerships and strong links between the labour unions of both countries

African common position on AGOA

- African Trade Ministers met in 2021 and 2022 to develop a common position on the future of AGOA
- The discussions considered the successes and challenges faced by exporters
- Specific value-chains were identified as critical
- African countries unanimously decided to advocate for extension of AGOA
- AGOA can complement African actions on the AfCFTA and must drive industrialisation
- SA was nominated to put forward the African case
 - This was done to a joint meeting with US Congressional representatives and US Administration officials, in December 2022 in Washington DC

African common position on AGOA

Consolidation – 4 key elements

1. Extension of AGOA for 10 years
2. Early renewal to boost investor confidence
3. Retention of all existing beneficiary countries
4. Removal of trade restrictions from African products

Expansion - 4 improvements

1. Product scope to be extended and administrative rules to be reviewed
2. Beneficiary countries to be extended
3. Supportive measures: with deeper private sector investment
4. Economic inclusion: focused efforts to bring in more SMEs, women and youth-led enterprises

20th AGOA Forum in South Africa

- An annual AGOA Forum is held, alternating between the US and the African continent. The last physical meeting held on the African continent was in 2019, in Cote D'Ivoire
- Virtual meetings were held subsequently due to Covid-19 and a short physical meeting was held in Washington DC, in December 2022
- South Africa was nominated by African countries to host the next AGOA Forum, scheduled for 2023
- On 20 September 2023, following a meeting in Washington DC, Minister Ebrahim Patel together with USTR Ambassador Katherine Tai, released a joint statement to launch the hosting the 20th AGOA Forum in South Africa.
- The AGOA Forum will take place from 2-4 November 2023, in Johannesburg.

20th AGOA Forum in South Africa

Joint Statement by U.S. Trade Representative Katherine Tai and Minister of Trade, Industry and Competition of South Africa Ebrahim Patel

September 20, 2023

Ambassador Tai and Minister Patel Announce the 20th AGOA Forum to be held in Johannesburg, November 2-4, 2023

WASHINGTON – United States Trade Representative Katherine Tai and South African Minister of Trade, Industry and Competition Ebrahim Patel today announced that the Government of South Africa will host the 20th U.S.-sub-Saharan Africa Trade and Economic Cooperation Forum ([AGOA](#) Forum) in Johannesburg, South Africa from November 2-4, 2023.

The Forum will bring together the governments of the United States and AGOA-eligible countries, as well as representatives from key regional economic organizations, the private sector, civil society, and labor. Over the course of the event, participants will engage in discussions on how to strengthen trade and investment ties between the United States and sub-Saharan Africa and how to promote resilient, sustainable, and inclusive economic growth and development. The Forum will also feature the ‘Made in Africa Exhibition’ which will showcase regional value chains on the continent.

“The AGOA Forum is an opportunity for the United States to build upon the success of the Africa Leaders Summit and further our economic partnership with AGOA countries,” **said Ambassador Katherine Tai**. “As President Biden has said, the future is Africa. I look forward to visiting South Africa in November to discuss our shared priorities, reaffirm the Administration’s commitment to the continent, and discuss opportunities to make AGOA more transformative as we deepen our trade and investment relations with the sub-Saharan African countries.”

“We look forward to welcoming a senior delegation from the United States and a number of countries in sub-Saharan Africa,” **said Minister Ebrahim Patel**. “AGOA has helped to promote the export of African goods to the United States, and we believe there is scope to deepen its impact on African industrialisation. An extension of AGOA beyond 2025 will promote inward investment in Africa and provide benefits to both the United States and African countries. It will also support our efforts to increase growth through the African Continental Free Trade Area (AfCFTA) that will cover 54 countries and 1.4 billion people.”

Background

Since its enactment in 2000, [the African Growth and Opportunity Act \(AGOA\)](#) has been at the core of United States economic policy and commercial engagement with Africa. AGOA provides eligible sub-Saharan African countries with duty-free access to the U.S. market for over 1,800 products, in addition to the more than 5,000 products that are eligible for duty-free access under the Generalized System of Preferences program.

To meet AGOA's rigorous eligibility requirements, countries must establish or make continual progress toward establishing a market-based economy, the rule of law, political pluralism, and the right to due process. Additionally, countries must eliminate barriers to U.S. trade and investment, enact policies to reduce poverty, combat corruption, and protect human rights.

By providing new market opportunities, AGOA has helped bolster economic growth, promoted economic and political reform, and improved U.S. economic relations in the region.

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Ambassador Katherine Tai @Amb... · 13m

As @POTUS has said, the future is Africa.

The AGOA Forum is an opportunity for the U.S. to build upon the success of the Africa Leaders Summit and further our economic partnership with AGOA countries. I look forward to visiting South Africa in November.



United States Trade Repres... · 17m

The 20th AGOA Forum in November will focus on strengthening trade and investment ties between the United States and sub-Saharan Africa and how to pro...



Towards the 20th AGOA Forum in South Africa

- Developing a common South African position, uniting all of society around the call for an extension and showcasing the SA value-proposition
- The DTIC hosted a Technical MINMEC to consult with Provincial Heads of Department on the AGOA Forum.
- The DTIC hosted Provincial AGOA Beneficiary Dialogues to engage existing and potential SA exporters on AGOA, in
 - Gauteng
 - KZN
 - Limpopo and
 - Western Cape
- Discussions have been held with Nedlac partners on AGOA. Both business and labour delegates have taken part in engagements with US counterparts

Next steps

- September 2023: review of AGOA by African Ambassadors in the US
- October 2023: engagement with SA business community on AGOA opportunities
- November 2023: Hosting of 20th AGOA Forum and engagement with US Administration, Congress and other African countries
- Post-November 2023 and during 2024
 - Following the AGOA Forum, further engagements with provincial and business/labour stakeholders will prepare for a scale-up in use of AGOA and to strengthen common messaging
 - AGOA Beneficiary dialogues with remaining 5 provinces and specific meetings on request
 - Meetings of African trade ministers to consider further lobbying efforts
 - Joint African meetings with US Administration counterparts, covering potential refinements to AGOA and possible dates for Congressional decision
 - Bilateral meetings with members of Congress
 - next AGOA Forum to be held in US in 2024, with expectation of clarity on AGOA timeframes



Thank You



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