AGOA in 2020

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Economic cooperation is the linchpin of the bilateral relationship and with over 600 American firms operating in South Africa., it is America's largest trade and investment partner in Africa. In 2017 direct US investment to South Africa was $7.3 billion, while the latter's outward investment to the US amounted to $4.1 billion.[1] Under AGOA, trade between the two countries has thrived and in 2018, total two way trade was $18.9 billion, with South Africa recording a trade surplus of $2.1 billion. Before its implementation, South African exports to the US consisted mainly of minerals and metals. Under AGOA exports have become diversified, including platinum, aluminium, steel, vehicles, wine and beer, fresh and processed fruit and vegetables, and essential oils.

AGOA has had important successes. The legislation, which removed all tariffs on 6,400 products available for export to the U.S., helped to move the U.S.-African relationship from aid to trade, from donor-recipient to one of mutual benefit and gain.[2] Some countries, such as South Africa, have benefitted enormously. South Africa's auto exports to the U.S. under Agoa have created tens of thousands of jobs in that country and in the auto supply chain in neighboring countries. Apparel exports from other countries, such as Lesotho, Ethiopia, Mauritius, eSwatini and Kenya have similarly created large numbers of jobs.

Despite Agoa being the cornerstone of the U.S.-African relationship, its principal shortcoming is that not enough African countries have benefitted when it comes to job creation, exports of apparel and how Americans perceive the continent. The call by Congress in 2015 for all AGOA beneficiaries to develop export strategies to take advantage of the program has not worked as barely half of Agoa countries have established such strategies.

Since Agoa's inception, much has changed on the African continent. The region has become home to half of the world's twenty fastest growing economies and a middle class that numbers in the tens of millions. The African Continental Free Trade Agreement (AfCTA) is poised to significantly increase intra-regional trade. Furthermore, China has overtaken the U.S. as the

[1] https://theconversation.com/south-africa-must-get-ready-for-an-inevitable-loosening-of-trade-ties-with-the-us-139770

[2] https://Agoa.info/news/article/15678-blog-it-s-time-for-Agoa-2-0.html

continent's leading trade partner, while the European Union is implementing Economic Partnership Agreements (EPAs) across the continent. Finally, countries such as Turkey, India and Russia have become significant commercial stakeholders in Africa.

If Agoa's benefits are extended past 2025 there would need to be agreement on the phase-in of mutually reciprocal trade benefits. The phase-in periods should be different for Africa's low income, lower-middle income and upper-middle income countries. In particular, reciprocity needs to replace the non-reciprocal structure of the current trade relationship and a new look Agoa has to be developed in a manner consistent with the implementation of the AfCFTA.

Given the EPAs, for example, a refrigerator or tractor being exported from an EU country will enter the South African market with a 4.5 percent tariff. However, this same refrigerator or tractor coming from the U.S. will face a 18.4 percent tariff. This restricts the U.S.-African commercial relationship and also discriminates against African consumers and companies for whom American products will automatically become more expensive.

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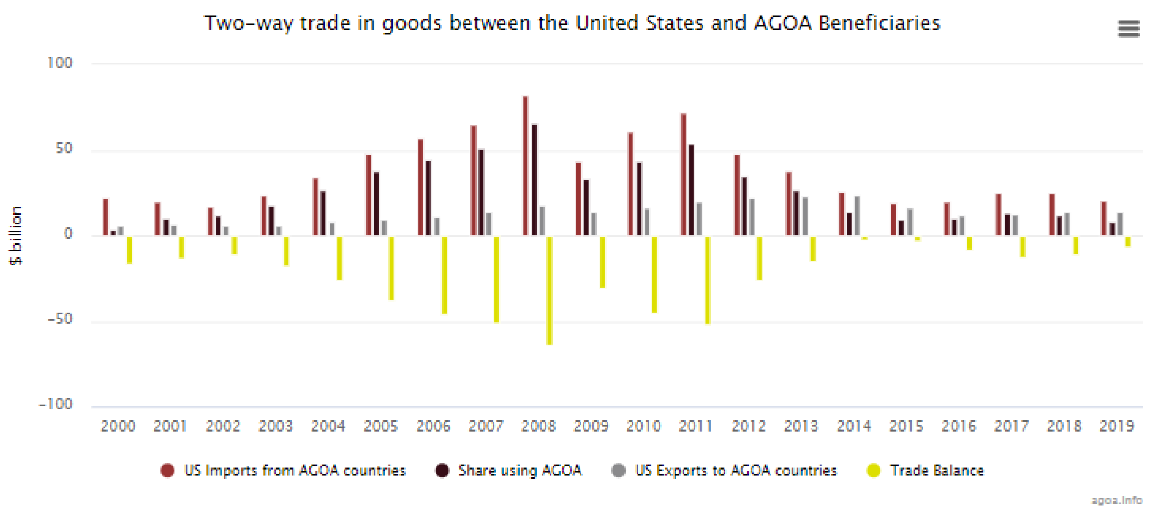

According to the US Assistant Secretary of State for African Affairs the Trump administration favours bilateral trade agreements with African nations while the AU wants Agoa to be replaced by an agreement between the whole of Africa and the US.[3]

The US and AU have agreed that they share a goal to enhance the AU's effort to increase continental trade and investment under the African Continental Free Trade Area. The US currently only has one free-trade agreement on the African continent with Morocco and this would be used as a model for others when Agoa expires. The value of trade between the US and sub-Saharan Africa was $41.2-billion last year, making the US the region's third-largest trading partner. However, trade with China was worth 3.5 times more.

South African exports to the United States were worth some R35 billion in 2018 and this was at stake when the Office of the United States Trade Representative launched a review of SA's eligibility for duty-free imports under the US system known as the Generalized System of Preferences, or GSP. This threatened exports to the US under the African Growth and Opportunity Act (Agoa) since exports are predicated on participating African countries being eligible under GSP rules. What this means is that if a review results in South Africa being ejected from the GSP, it will automatically be expelled from Agoa as well. US imports from South Africa under GSP and Agoa equalled a combined total of $2.379 billion in 2018 which is the equivalent of R34.8 billion.[4] While these exports will not necessarily halt if they can no longer be sold in the USA duty-free, they will however become price-uncompetitive particularly if any other countries can sell the same items while still benefiting from Agoa, or the broader GSP. It should be remembered that the DTi regards AGOA as so crucial to the local economy that in 2016, SA it submitted US demands to allow the importation of 65 000 tonnes of US chicken into SA and in exchange the US senate approved a bill extending AGOA for 10 years, with South Africa included.

[3] https://Agoa.info/news/article/15641-africa-wants-one-trade-deal-with-the-us-the-us-wants-many.html
[4] https://www.businessinsider.co.za/Agoa-and-more-south-african-exports-threatened-by-us-gsp-review-2019-10

This GSP review threatens South Africa's access to the entirety of American systems set up to encourage growth through trade. The review was triggered by a complaint from US movie, music, software, and book publishing companies that SA is not doing enough to protect intellectual property. Washington's attitude is also reflected in the array of demands it had made in its trade talks with Pretoria. Besides the row over chicken exports, the US pushed strongly for the withdrawal of the Private Security industry regulations Amendment Bill which required foreign-owned security companies to sell at least 51% of their domestic businesses to South Africans. It should also be noted that the Trump administration revoked South Africa's "developing country" status and this means that it, together with India and China, will no longer enjoy the preferential trade treatment extended to poor nations. Should Biden emerge victorious in November, this will not change. South Africa can no longer rely on AGOA as the centrepiece of its economic partnership with the US. AGOA is not a negotiated, reciprocal agreement: it is an American initiative that provides non-reciprocal trade preferences to African countries and this can be withdrawn arbitrarily.