

AGOA AND EXPORT PROMOTION POLICIES

TIPS DEVELOPMENT DIALOGUE
19 JANUARY 2017

Deep Uncertainty

“Most of AGOA imports are petroleum products, with the benefits going to national oil companies, why do we support that massive benefit to corrupt regimes?”



Positive Factors

1. Strong Bipartisan support
 - 97-1 in the Senate, 397-32-4 in the House
2. Low volume of manufactured exports (while concerning for Africa), mean that AGOA exports not as politically charged
3. Very little indication that AGOA is on the new administration's agenda
4. Anti-trade disruptions, while very risky, could create and/or protect opportunities
 - Reduced risk from TPP, TTIP
 - Perhaps new opportunities from changes to NAFTA

Concerns

1. New provisions that allow industry groups to lobby could put AGOA on the agenda
2. AGOA much easier to cancel than NAFTA, WTO-commitments
 - Easy symbolic target for a protectionist regime
3. Risk of general slowdown in global trading system, global economy
4. Weakening of supplementary support (TradeHubs, etc)
5. Threat that uncertainty is enough to undermine AGOA

Global Factors

1. The future of the WTO
2. Compressing of Value Chains
 - In the event of a closed US, do traditional value chain models still make sense?
3. National Responses
 - China: Redoubling of shift to domestic consumption?
 - EU: deepening existing strain?
 - UK: New trade route to the US?

Concerns Beyond New Administration

1. Large gap between the AGOA we want and status quo
 - Manufacturing exports
 - Overcoming restrictions on trade in agriculture goods
 - Grappling with structural barriers
2. Ten year renewal
 - Mayor success story
 - But short by the standards of large-scale investments
 - Limiting for firms with high sunk costs
3. Very little prospect for extension in current form after ten years, particular for South Africa
4. Difficult negotiations if they start before 2020 (2024?)

Policymaking with a 10-year horizon

DIRECT INTERVENTIONS

Lots of potential interventions

1. Technical Regulations, Sanitary and Phytosanitary
2. Improving Transport linkages/reducing NTBs
3. Deepening Regional Value Chains
4. Assisting access for SMMEs
5. Utilizing Special Economic Zones
6. Diversified product basket

But all long-term changes

Addressing Technical Barriers to Trade

1. Long-term Considerations

- Commitment by the US to front-load RSA concerns
- But very complex: only 44 countries able to export meat to the US
- Only Canada is able to access all categories of meat
- Plus requires developing export capacity, during period of domestic strain

2. Short-term Option

- Address consignment problems
- Support for labelling compliance



INTERVENTIONS

Product	Reason	Origin	Rejections
Raisins	Pesticide Contamination, Decomposing Food	South Africa	37
Confectionaries	Labelling, Unsafe Colorant	South Africa	22
Patent Medicines	Unapproved Drug, Labelling	South Africa	20
Personal Care Products	Unapproved Drug	South Africa, DRC	17
Vitamins	Unapproved Drug, Labelling	South Africa	16
Tableware	Unsafe Additive	South Africa	16
Vegetables	Labelling, Pesticide Contamination	South Africa, Madagascar	13
Pharmaceuticals	Unapproved Drug	South Africa	12
Tea & Herbal Products	Unapproved Drug, Salmonella, Labelling	South Africa	12
Non-alcoholic Beverages	Labelling, Unsafe Colorant	South Africa	11
Nuts (Cashews)	Pesticide Contamination	Tanzania	9
Other Processed Food	Labelling	South Africa	8

Improving Transport Linkages

1. Long-term Considerations

- Consistently cited as among largest obstacles
- Few exit ports, few landing ports, not enough two-way traffic
- Red-tape and complexity
- Large infrastructure projects, but very long-term

2. Short-term Option

- Developing intermediaries
- 22%-30% for China, 80% peak for Japan
- More useful when barriers are higher

Deepening Regional Value Chains

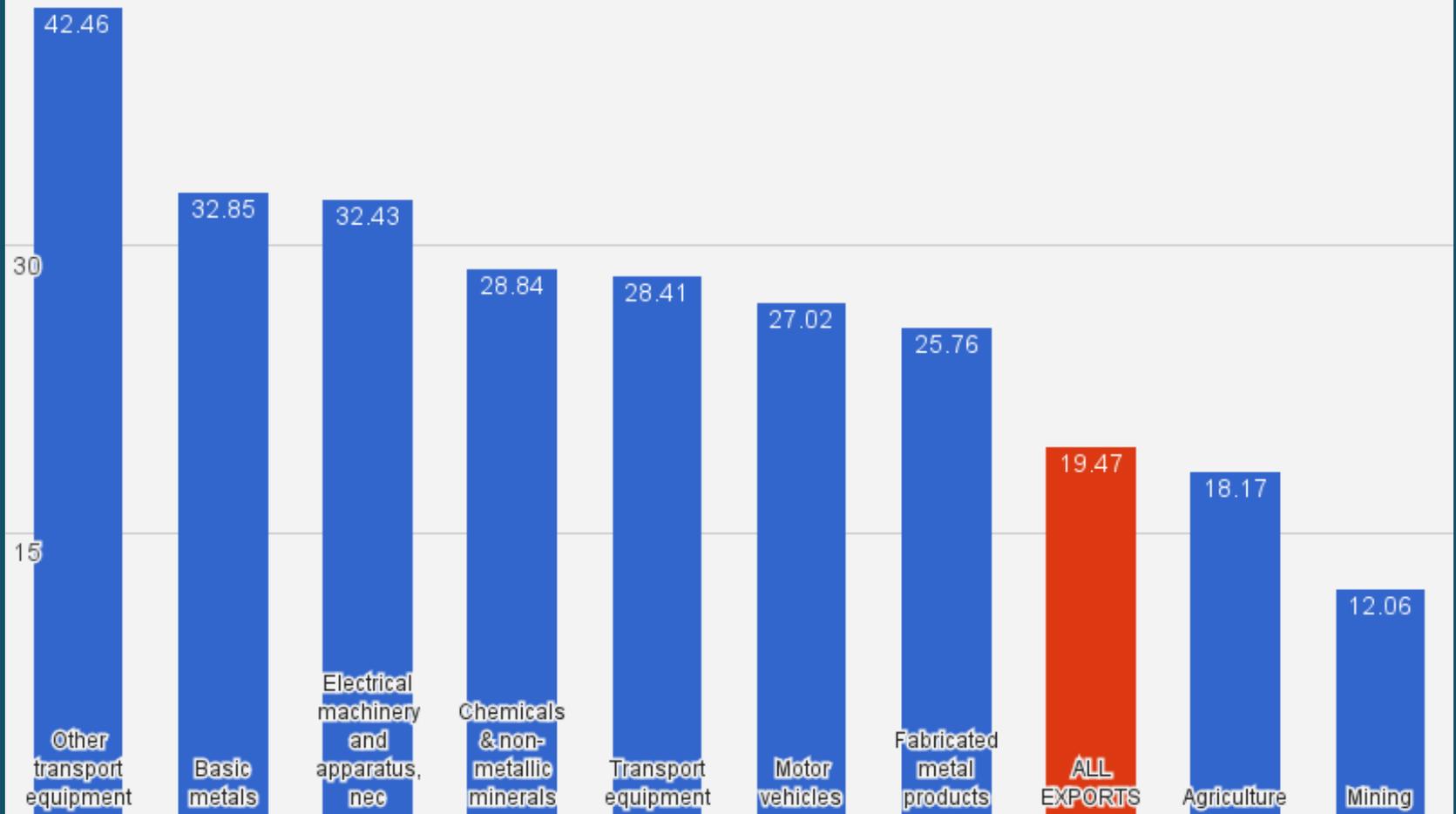
1. Long-term Considerations

- Limited scope for large-scale exports from very small economics to a complex, competitive market like the US
- South Africa as a linkage between region and the US
- Regional value chains for exports to the US
- Rules of Origin for VCs in new AGOA

2. Short-term Option

- Low hanging fruit in the region: transit bonds, etc
- Targeting pre-existing exporters

Foreign Value Added Share of Gross Exports



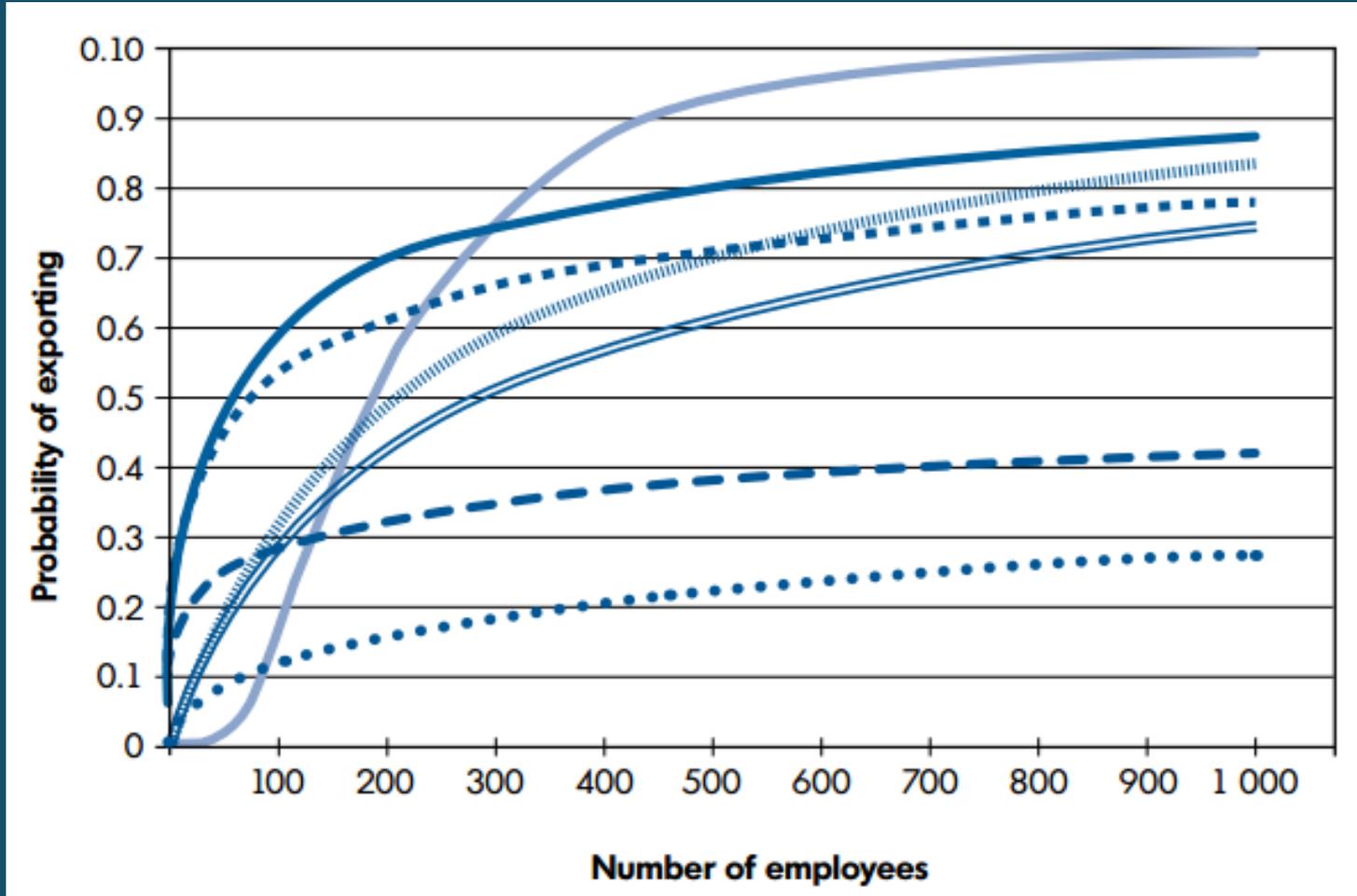
Assisting access for SMMEs

1. Long-term Considerations

- 1% of exporters account for 80% of exports
- Few manufacturing SMEs
- Even fewer with enough capacity to overcome export hurdles
- Difficult to establish marketing, distribution

2. Short-term Option

- Assistance with small scale export channels
- New digital distribution routes



Source: Rankin, 2013. "Exporting and Export Dynamics Among South African Firms"

Utilizing Special Economic Zones

1. Long-term Considerations

- Substantial opportunity to overcome barriers through the creation of spaces of support in SEZs
- Support for export, bespoke infrastructure.
- But still a long way to go in rolling out SEZs

2. Short-term Option

- Similar initiatives through Industrial Parks, etc
- Packaging of investment opportunities

SEZ	Designated	Focus Sector
Mthatha SEZ	No	Agro-processing
Maluti-A-Phofung SEZ	No	Automotive logistics, agro-processing, pharmaceutical
Nasrec SEZ	No	ICT and electronics
Dube Trade Port	Yes	Agro-processing and electronics
Tubatse SEZ	No	Platinum Group Metals
Musina SEZ	No	Logistics, petrochemicals and trade hub
Nkomazi SEZ	No	General Logistics
Upington SEZ	No	Solar Corridor
Platinum Valley SEZ	No	PGMs
Atlantis Greentech SEZ	No	Renewable Energy
Coega IDZ	Yes	Automotives
East London IDZ	Yes	Automotives
OR Tambo IDZ	Yes	Air transport
Richards Bay IDZ	Yes	Beneficiation of natural resources
Saldanha Bay IDZ	Yes	Marine Engineering, with a focus on oil and gas

CONCLUSION

AGOA and Policy

1. AGOA is important
2. But it's a complex proposition for policy
 - 10 year time horizon
 - Deep uncertainty
 - Traditional levers not well suited to rapid roll out
 - Need to maintain benefits beyond the life of AGOA
3. Do we focus on US-Africa Trade or AGOA?

VISION BEYOND 2025

Thank you

Read More:

“Making the best of AGOA through Export-Promotion policies”
(AfDB)

“Making AGOA work for Africa” (SAIIA)