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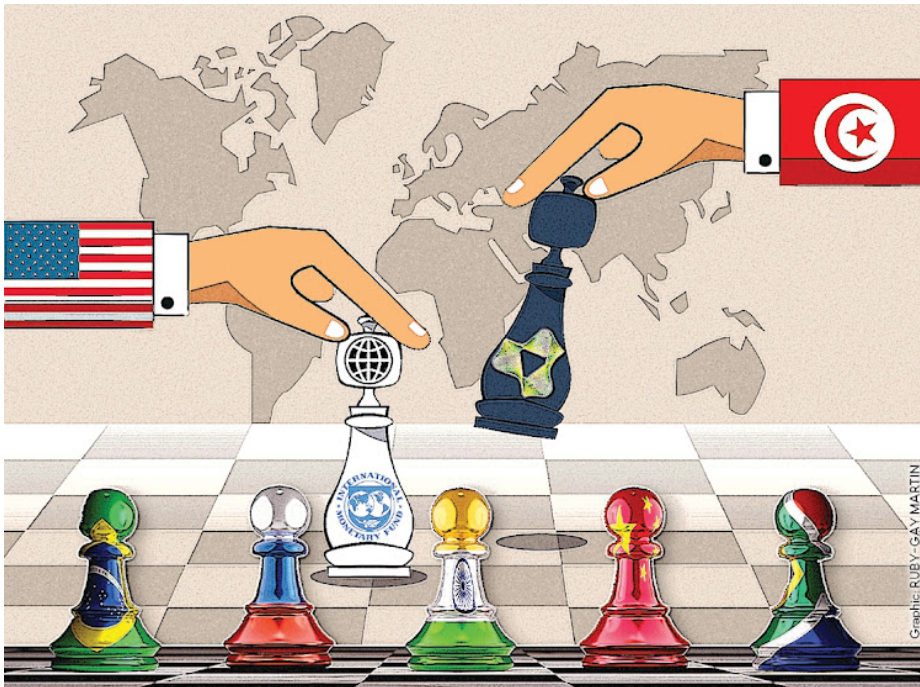
■ BUSINESS

# South Africa could be 'graduated' out of Agoa

SA could be booted out of Agoa because the country has already benefitted enough

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No decision has been made on moving the Agoa Summit to another country. Picture: RUBY-GAY MARTIN

If South Africa does not lose preferential access to US markets because of its relations with Russia, the country could be booted out because it has benefited enough from this deal.

Trade, industry & competition minister Ebrahim Patel admitted in parliament this week that in terms of the establishment of the Africa Growth & Opportunity Act (Agoa) and its objectives, the US could conclude that South Africa has gained enough from the trade arrangement and can be “graduated” out of it.

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He said a large number of South African exports and those from other African countries go through Agoa and it was in the best interests of this country to remain in the trade agreement.

Patel said an African country can be “graduated” out of Agoa if it has developed and grown to a point where it no longer needs preferential access to US markets. He said South Africa would continue to engage US representatives to hear their concerns as it puts forward a case on why it should remain.

The minister will lead a high-level delegation to the US where he is expected to make a presentation to the office of trade representative Katherine Tai on why South Africa should continue being part of Agoa, Business Day reported.

US congressmen Christopher Coons, James Risch, Michael McCaul and Gregory Meeks have written to Tai and secretary of state Antony Blinken asking that an Agoa summit, set for November, be removed from South Africa as it could lose its status in the trade agreement because of its stance on Russia.

They cited South Africa's neutral stance on the invasion of Ukraine; the docking of a Russian vessel in December amid accusations that arms were loaded on to it; joint military exercises conducted with Russia and China; and the Brics (Brazil, Russia, India, China and South Africa) head of state summit in August which Russian President Vladimir Putin could attend despite an outstanding warrant of arrest issued by the International Criminal Court.

“These actions by South Africa call into question its eligibility for trade benefits under Agoa due to the statutory requirement that beneficiary countries 'not engage in activities that undermine United States national security or foreign policy interests;” the lawmakers wrote.

International relations spokesperson Clayson Monyela said while the letter by US Congress members to Blinken was noted, there was no official decision by the US state department or the White House to move the Agoa forum away from South Africa.

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“President Cyril Ramaphosa’s special envoys recently visited the US to meet and explain South Africa's active non-aligned position on the Russia/Ukraine conflict to key stakeholders and decision-makers,” said Monyela.

Executive director of the Trade and Industrial Policies Strategies (Tips) Saul Levin said an “out of cycle review” means South Africa could be removed from Agoa even before it expires in 2025. He said Congress could take into account that South Africa is an upper-middle-income country when Agoa support measures are targeted at lower-income countries. As a unilateral trade agreement, it was up to the US to decide on its future inclusion or exclusion.


“Regardless of the issues with Russia, there has always been a strong likelihood that South Africa would not be included in future extensions of Agoa for reasons other than our non-aligned diplomatic approach,” Levin said.

According to Tips, in the fourth quarter of 2022, the US surpassed China to become South Africa's top export market, accounting for 9.9% of total export value, amounting to R47.4bn. Earlier research showed 38% of South Africa’s exports to the US went through Agoa.

“The top five export products to the US comprised precious stones at 46%, vehicles at 13.9%, iron and steel at 5.5%, industrial machinery at 5.5% and aluminium at 4.5%. Falling out of Agoa would mean an increase in the applicable tariffs for products going into the US; it does not mean that the products would no longer be exported to the US.

“However, an increase in price due to higher applicable tariffs would undoubtedly have a negative impact on those South African export industries. Staying in Agoa is therefore preferable,” Levin added.

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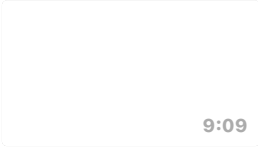
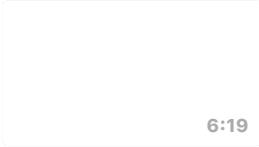
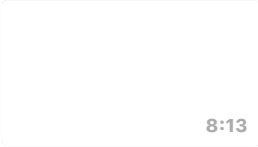
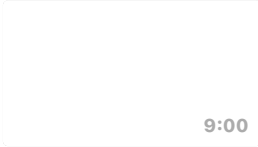







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