US-South Africa trade: what does the future hold?

The recent decision of the US to remove certain countries from its developing country exemption list, coupled with other developments that may have an impact on the trade relationship between the US and South Africa, could have serious ramifications for South Africa's competitiveness as an exporter to the US. Dr Moses H Lubinga, a senior economist for trade research at the National Agricultural Marketing Council, looks at how this scenario may play out for South Africa.

The views expressed in our weekly opinion piece do not necessarily reflect those of *Farmer's Weekly*.

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The US, led by President Donald Trump's administration, recently updated the list of developing countries benefitting from its trade remedy laws. South Africa, China and India, among other countries, were removed from the exemption list. In addition, South Africa's preferential market access to the US is under review after the United States Trade Representative accepted a complaint from the International Intellectual Property Alliance that alleges South Africa's Copyright Amendment Bill and Performers' Protection Amendment Bill fail to "provide adequate and effective protection" of US copyrights. A negative outcome may result in South Africa losing its preferential market access under the African Trade and Opportunities Act (AGOA) and the Generalized System of Preferences (GSP).

South African exports to the US may then be subject to the same general duties as products from other countries.

WHAT IS AT STAKE?

The US is a key export market for South Africa, worth over R84,2 billion in total. With South Africa no longer a beneficiary of AGOA and GSP, it is imperative to understand how this country has been utilising the preferential treatment, particularly for agricultural products, and to measure the extent to which South Africa has been using the preferences when exporting agricultural products to the US. This will provide a direct indication of the negative implications for the country's agriculture sector as a result of the Trump administration's decision.

South Africa's agricultural exports to the US were worth US$297,2 million (R4,45 billion) and US$318,4 million (R4,73 billion) in 2018 and 2019 respectively. Analysing the trade data between South Africa and the US, it is evident that South Africa's utilisation of preferential benefits under AGOA was 85% in 2018, slightly better than the 84% recorded in 2019.

One hundred and four tariff lines were eligible for the AGOA regime, but some tariff lines did not use the preferential regime. An example was 'juice of any single fruit or vegetable'. While juice to the value of US$120 898 (R1,8 million) was imported under the GSP regime in 2019, eight times more juice in value terms was imported without exporters claiming the AGOA or GSP benefits.

It is probable that exporters might not have been aware of this preferential treatment, hence did not claim it.

AGRICULTURAL PRODUCTS

Only 7% of the GSP regime was utilised in 2018 and 2019 respectively. Sixty-one tariff lines were eligible, and, on average, 83% of these used the regime during the two years.

About 10 tariff lines did not use the regime each year, despite being eligible. For instance, 'Tea or Mate extracts' were eligible for both regimes, but tea worth US$2 161 (about R32 000) was not imported under either regime. At product level, macadamia, wine or fresh grapes and oranges were, in that order, the top three agricultural products South Africa exported under AGOA, while sauces and preparations, vegetable seeds for sowing, and mixtures of two or more spices were the top three products exported under the GSP.

Amongst the top South African agricultural exports that claimed neither AGOA nor GSP preferential treatment, despite being eligible, were peaches and certain types of nuts (excluding groundnuts).

WITH SOUTH AFRICA'S EXPORTS TO THE UNITED STATES NO LONGER RECEIVING PREFERENTIAL TREATMENT, OUR FARMERS FACE STIFFER COMPETITION

Given the overlapping nature of the AGOA and GSP regimes, and the fact that an exporter is at liberty to choose the most preferred regime, an overall utilisation rate was also computed, and found to be 92%.

This high utilisation rate may be due to the primary nature of South Africa's agricultural products destined for the US. A larger proportion of the products are not highly processed, implying that the costly and tedious process of meeting the strict rules of origin emphasised by the preferential regimes may not necessarily be a deterrent for exporters of South Africa's agricultural products seeking to gain access to the US market.

With the country at risk of no longer being eligible for this special treatment, the agriculture sector stands to lose out on the few but rewarding tariff lines that have been benefitting from these preferential regimes. ■ FW