

AGOA, Africa and Agriculture South Africa's Experience

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Matthew Stern and Nnzeni Netshitomboni¹

Introduction

It is generally agreed that African exports of agricultural goods are well below potential and that the continent would gain significantly from the liberalisation of world agricultural markets.² But tariffs on the exports of agricultural goods from Sub-Saharan Africa, to industrialised countries, are generally very low. This is largely because most African countries already benefit from preferential trade agreements with the EU, US and Japan. What more, if anything, can be achieved through new preferences, such as AGOA?

South Africa accounts for about 18% of Africa's total agriculture exports to the US. It is also a beneficiary of the African Growth and Opportunity Act (AGOA), a unilateral measure which extends the duration and coverage of preferential access to the US market for qualifying African countries. Much has been said about the new export opportunities and jobs that will be created out of AGOA, but closer examination suggests that some scepticism is warranted.

For example, within South Africa, the media has focused on the improved access for South African wine resulting from the

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² See 'Can Africa Claim the 21st Century?', World Bank 2000, for more on the constraints and prospects facing African trade in agriculture.

implementation of AGOA.⁴ It is true that bottled wine benefits from AGOA preferences. But prior to AGOA, the import tariff on South African bottled wine was just 1.7%, or 17-cents (US) on a \$10 bottle of wine. The elimination of this tariff is unlikely to have much effect on the preferences of US consumers.

This paper aims to uncover some of the truths and untruths about AGOA and what it can do for the agricultural sector in South Africa. It follows the same general structure as a previous paper on this subject by the same authors,⁵ but the data has been updated and the focus is somewhat different. Sections 2 and 3 describe current trade between Africa, South Africa and the US and highlight possible export opportunities that may arise out of AGOA. Section 4 identifies some of the missed opportunities and section 5 provides a review of the performance of South African exports under AGOA. Finally, section 5 evaluates the implications of this analysis for trade negotiations between the Southern African Customs Union (SACU) and the US.

US imports of agriculture

Just 1.5% of total US agricultural and food imports come from sub-Saharan Africa (SSA). Moreover, US agricultural imports from SSA are dominated by a small number of primary commodities and a select group of countries. Cocoa and vanilla beans alone account for 45% of the total, and exports of these products are largely confined to just two countries. SSA countries are also important suppliers of leather, tobacco, tea and sugar to the US market.

⁴ See *Business Day*, 21 October 2001 or the *Mail&Guardian*, 17 April 2002.

⁵ Stern M & N Netshitomboni, 'AGOA: Hot Air or Hot Stuff?' *TIPS Occasional Paper*. Johannesburg: TIPS, 2002.

Table 1: Main US Agricultural Imports from sub-Saharan Africa (SSA), 2002					
<i>HS4</i>	<i>Product</i>	<i>Value (\$ m)</i>	<i>Share of total US imports, by product (%)</i>	<i>Leading African exporter</i>	
				<i>Country</i>	<i>Share of total US imports from SSA, by product (%)</i>
1801	Cocoa beans	265.7	52.3	Cote d'Ivoire	92.7
0905	Vanilla beans	125.5	77.2	Madagascar	91.3
2401	Tobacco	62.4	8.7	Malawi	66.4
1701	Sugar	54.3	9.8	South Africa	37.9
0304	Fish fillets	40.7	2.1	Seychelles	39.9
0901	Coffee	34.6	2.3	Kenya	36.7
4407	Wood	33.0	0.5	Ghana	29.8
4113	Leather	22.0	45.7	South Africa	83.8
0902	Tea	21.5	13.4	Malawi	48.3
0805	Citrus fruit	21.3	9.6	South Africa	100.0
	Sub total	680.9	28.7		
	Total	950.8	1.5		
Source: US International Trade Commission (USITC)					

US agricultural imports from South Africa are more diversified and include some processed goods (wine and fruit juices). But the overall level of trade is very low, and with the exception of citrus fruits and leather, South Africa is not a major supplier of agricultural produce to the US market. In 2002, agricultural exports constituted just 3.9% of South Africa's total exports to the US.

Table 2: Main US Agricultural Imports from South Africa, 2002			
<i>HS4</i>	<i>Product</i>	<i>Value (US\$ m)</i>	<i>Share of total US imports, by product (%)</i>
0805	Citrus fruit	21.3	9.6
1701	Sugar	20.6	3.7
4113	Leather	18.4	3.4
2009	Fruit juices	16.9	2.5
2008	Fruit and nuts	15.7	2.1
2204	Wine	15.3	0.6
0306	Crustaceans	11.6	0.3
0802	Nuts	9.8	6.4
0806	Grapes	8.5	1.2
0304	Fish fillets	8.4	0.4
0302	Fish	5.5	0.7
	Sub-total	152.0	1.1
	Total	166.5	0.3
Source: USITC			

Thus, despite the apparent potential of the African agricultural sector, few countries export significant agricultural produce to the US and trade is dominated by basic commodities. Do US tariffs constitute a barrier to African agricultural exports? Is this likely to change under AGOA? The following analysis of South African trade with the US identifies agricultural and other products that may benefit from AGOA and highlights some of the remaining obstacles to South African exports.

AGOA: What it is

The African Growth and Opportunity Act, which was promulgated in October 2000, claims to ‘move Africans from poverty to prosperity by increasing their economic opportunities.’ The Act extends generalised system of preferences (GSP) status for qualifying African

countries to September 2008⁶ and expands the existing list of 4,650 GSP products by 1,835. It also provides duty free access to certain clothing exports. In 2003 36 sub-Saharan African countries, including South Africa, qualified for AGOA.

There are three groups of products that may benefit from AGOA: currently traded goods, under-traded goods and non-traded goods. Each of these is explored separately below. Almost all of the opportunities that emerge in these three categories are in the clothing sector, with few new opportunities for other manufactured exports. This is largely because pre-AGOA tariffs on most South African exports were very low. But some agricultural products are likely to benefit.

US currently-traded imports from South Africa

The first group of products that is likely to benefit from AGOA includes those goods that were exported to the US prior to AGOA and previously faced some form of tariff protection. A list of the most important (more than R100 million) 4-digit HS products traded between South Africa and the US in 1999 (prior to AGOA) is included in the appendix. South Africa's exports were dominated by minerals and metals, with no agricultural products exceeding the R100 million threshold. Imports from the US were largely high value-added manufactured goods, but also included significant amounts of rice, maize and wood. South Africa also imported tractors from the US.

Table 3 shows a shortlist of all of the main US imports from South Africa that faced significant tariff barriers (greater than 10%) prior to AGOA. It is these exports for which AGOA trade preferences might provide a boost. Almost all of these products are in the clothing

⁶ In November 2003 the US Congress was requested to consider an AGOA 3 Bill that will, amongst other things, extend AGOA preferences beyond 2008.

sector and therefore qualify for AGOA, under certain conditions. Only three non-clothing exports are included in this table (typed in bold) – and all now qualify for AGOA (unwrought manganese was not included in the initial AGOA list).

Table 3: US imports from South Africa facing high tariffs prior to AGOA				
<i>HS8 tariff code[#]</i>	<i>Brief description</i>	<i>Ave. MFN 2000</i>	<i>Imports 1999</i>	
			<i>\$ mn</i>	<i>Share of total</i>
61102020	Sweaters and pullovers, of cotton	18.2%	27.3	0.9%
81110045	Unwrought manganese	14.0%	14.1	0.4%
62034240	Men's or boys' trousers and shorts, of cotton	17.0%	14.0	0.4%
62046240	Women's or girls' trousers, of cotton	17.0%	9.9	0.3%
61051000	Men's or boys' shirts, knitted or crocheted, of cotton	20.2%	7.1	0.2%
62052020	Men's or boys' shirts, of cotton	20.2%	6.8	0.2%
61091000	T-shirts, knitted or crocheted, of cotton	18.3%	6.1	0.2%
61061000	Women's or girls' blouses and shirts, knitted or crocheted, of cotton	20.2%	3.8	0.1%
29242145	Aromatic ureines and their derivatives	11.3%	3.7	0.1%
29343023	Antidepressants and tranquilisers	10.5%	2.8	0.1%
Some tariff descriptions have been shortened and simplified in this table. Source: USITC				

Table 3: US imports from South Africa facing high tariffs prior to AGOA (continued)

<i>HS8 tariff code[#]</i>	<i>Brief description</i>	<i>Ave. MFN 2000</i>	<i>Imports 1999</i>	
			<i>\$ mn</i>	<i>Share of total</i>
62031120	Men's or boys' suits, of wool	19.2%	2.8	0.1%
62033100	Men's or boys' jackets and blazers, of wool	19.3%	2.0	0.1%
61103030	Sweaters and pullovers, knitted or crocheted, of manmade fibers	32.9%	1.4	0.0%
61046220	Women's or girls' trousers, knitted or crocheted, of cotton	15.6%	1.1	0.0%
62034115	Men's or boys' trousers, weighing under 9 kg/doz, of wool	19.1%	1.1	0.0%
Some tariff descriptions have been shortened and simplified in this table. Source: USITC				

US under-traded imports from South Africa

Table 3 shows the main products that South Africa exported to the US, prior to AGOA, which might benefit from AGOA preferences. No agricultural products are included in this group, because exports of agricultural goods to the US were very low in 1999. One possible explanation for low levels of agricultural trade, is that Most Favoured Nation (MFN) tariff barriers in the US were sufficiently high to suffocate imports from South Africa.

To test this assumption, it is possible to identify products for which South Africa has a supply capacity and exports worldwide, but under-trades in the US.

Table 4 shows those products for which the share of South African exports to the rest of the world exceeded the share of South African exports to the US by at least 1%. For example, unwrought aluminium constituted 3% of South Africa's total exports, but just 0.8% of South Africa's exports to the US. To assess whether this difference might be explained by US tariffs, the minimum and maximum MFN tariffs applicable to each six-digit tariff code are also presented in the table.

Table 4: Under-traded South African exports to the US prior to AGOA, 1999						
<i>HS6 Tariff Code</i>	<i>Brief Description</i>	<i>Share of exports to world (%)</i>	<i>Share of exports to US (%)</i>	<i>Difference (%)</i>	<i>Min MFN tariff rate (%)</i>	<i>Max MFN tariff rate (%)</i>
271000	Petroleum oils	3.58	0.69	2.89	0.30	7.00
870323	Motor cars	3.09	0.53	2.56	2.50	2.50
760110	Unwrought aluminium.	2.11	0.83	1.28	0.00	2.60
Some tariff descriptions have been shortened and simplified in this table Source: <i>USITC, Trade and Industrial Policy Strategies (TIPS)</i>						

Only three South African products appeared significantly under-traded in the US in 1999. But in all three cases the MFN tariff was less than 5% and was unlikely to be the predominant cause of under-trading. Again, no agricultural products were included. This suggests that South African exports of agricultural goods are generally low, not just to the US, and that tariffs were not much of an obstacle to agricultural exports to the US. The only under-traded product that may have attracted a tariff in excess of 5% was oil. South Africa exports a finite quantity of this commodity and would not expect to gain from a reduction in the US tariff.

US non-traded imports from South Africa

Perhaps the greatest opportunity for South African exports lies in those niche sectors where tariffs were prohibitively high for all exporters, but as a result of AGOA, may now be open to African imports. There are 77 non-clothing products (at the 8-digit Harmonised System (HS) code level) with MFN import tariffs greater than 20% that qualify for AGOA. Not surprisingly, US imports of these products are currently very low.

A complete list of highly-protected products that qualify for AGOA is included in the appendix. These 77 non-clothing products are encapsulated by just 19 4-digit HS codes, all of which are listed in Table 5 below. South Africa's global exports of these products and US global imports are provided as an indication of South Africa's supply capacity and potential demand in the US market.

Table 5: Non-traded US imports from South Africa facing high tariffs prior to AGOA				
<i>HS4 tariff code</i>	<i>Brief description</i>	<i>Ave. MFN 2000 (%)</i>	<i>UA imports from the world 1999 (\$ 000)</i>	<i>SA exports to the world 1999 (\$ 000)</i>
9603	Brooms	34.0	13,988	2,498
9108	Watch movements	32.0	2	15
8704	Motor vehicles for transport of goods	25.0	12,709,510	168,153
8215	Base metal forks	22.0	142	1,263
6912 and 7013	Glass-ceramic ware	29.0	233,932	4,695
6911	Porcelain or china	26.0	60,408	1,755
6401 to 6406	Footwear	39.0	2,071,403	3,302
2208	Rum and tafia	57.0	792	26,108
2009	Citrus juice	46.0	270,529	80,142
Some tariff descriptions have been shortened and simplified in this table Source: <i>USITC, TIPS</i>				

Table 5: Non-traded US imports from South Africa facing high tariffs prior to AGOA (continued)

<i>HS4 tariff code</i>	<i>Brief description</i>	<i>Ave. MFN 2000 (%)</i>	<i>UA imports from the world 1999 (\$ 000)</i>	<i>SA exports to the world 1999 (\$ 000)</i>
0804 and 2008	Dates, nuts & seeds	25.0	717	162,071
1604	Tunas and skipjack	35.0	2,510	9,044
1302	Saps and extracts of hops	28.0	266	3,532
0807	Melons	28.0	10,032	1,457
0805	Grapefruit	23.0	935	305,376
0712	Dried onion	26.0	749	1,376
0709	Sweet corn, mushrooms & asparagus	22.0	134,055	5,602
0408	Birds' eggs, not in shell	32.0	117	625
0406	Goya cheese not from cow's milk	21.0	25,036	3,747
0207	Cuts and offal of turkeys	29.0	168	6,873
Some tariff descriptions have been shortened and simplified in this table Source: <i>USITC, TIPS</i>				

A number of highly protected and non-traded imports are in the agricultural sector. Moreover, South Africa already exports sizeable amounts of some of these products to other countries, but not yet to the USA. This data suggests that the fruit industry in particular, stands to gain significantly from a reduction in high US tariffs in this sector. There are also some opportunities for select nut, cheese, vegetable and fish products.

AGOA: What it is not

From the above analysis it would seem that with the exception of clothing and some agricultural products, there are not many new

export opportunities arising from AGOA. But are there any major exclusions? This section identifies major traded products which do incur some tariff protection, and are not covered by AGOA. These same products would be the most obvious candidates for incorporation in AGOA 3, a follow-up reciprocal trade agreement or multilateral negotiations.

US imports from South Africa excluded from AGOA

The total value of US imports from South Africa that faced tariff protection in 2002, was \$307 million, only 7% of South Africa's total US exports. Moreover, about half of these exports attracted modest protection, with just \$162 million facing tariffs of 5% or higher.

Table 6: US imports from SA not covered by AGOA, 2002			
<i>HS8 tariff code</i>	<i>Description</i>	<i>Value (\$ m)</i>	<i>MFN tariff (%)</i>
81110045	Unwrought manganese	15.1	14.0
28046950	Silicon	10.1	5.5
54022030	Single high tenacity yarn of polyesters	4.6	9.0
20087020	Peaches	4.1	17.0
54021030	Single high tenacity yarn of nylon	3.4	9.0
29224926	Aromatic amino-acids drugs and their esters	1.6	6.5
	Sub total	38.9	
	Total (excluded from AGOA and tariffs 5% or higher)	162.0	
<p>Only items facing a tariff of 5% or higher have been included. Only imports of \$1 million or more included. Some tariff descriptions have been shortened and simplified in this table. Source: <i>USITC</i></p>			

Table 6 above shows the main US imports from South Africa that faced tariffs of 5% or higher in 2002. With the exception of prepared peaches and unwrought manganese, which faced MFN tariffs higher than 10%, extending AGOA to these seven products would not

significantly enhance the current agreement. Moreover, unwrought Manganese was added to the AGOA list in January 2003.

Non-tariff barriers

As tariff barriers are eliminated, other forms of protection emerge or become more important. This is certainly true of AGOA and the US. Although the focus of this paper is on tariff protection, it is important to recognise the existence and possible effect of some of these non-tariff barriers on South African exports to the US.

In the clothing sector, AGOA quota and rules of origin restrictions severely curtail the benefits of 'free trade'. Mattoo et al⁷ estimate that AGOA exports would be five times larger if the US imposed the less stringent multifiber agreement (MFA) rules of origin on African clothing. Moreover, preferential access for African clothing exports will be short-lived and overtaken by the eradication of MFA quotas on other developing countries in 2005.

In agriculture, the US continues to provide significant financial assistance to farmers. Historically, the US grain, sugar and dairy industries have received particularly high subsidies (around half of total production value). The 2002 Farm Bill provides for up to \$180 billion in agricultural support over the next 10 years (roughly equivalent to South Africa's GDP). According to the EU, this represents a 70% to 80% increase in expected expenditure.⁸ Such subsidies, in the US and other OECD countries, distort prices and deter production in the rest of the world. African countries, which cannot offer comparable support, are amongst the biggest losers.

⁷ Mattoo A, Daves R & A Subramanian, 'The Africa Growth and Opportunity Act and its rules of origin: Generosity undermined?', *IMF Working Paper WP/02/158*. Washington DC: IMF, 2002.

⁸ See <http://europa.eu.int/comm/agriculture/external/wto/usfarmbill/qa2.htm>.

Table 7: Producer subsidy equivalent (PSE)[#] in the US, 2000	
<i>Commodity</i>	<i>PSE US</i>
Wheat	49
Maize	33
Other grains	41
Rice	41
Oilseeds	23
Sugar (refined equivalent)	47
Milk	50
Beef and Veal	4
Pork	4
[#] PSE: Total value of subsidy/total production value. Source: OECD, 2001.	

Similarly, agricultural regulations and standards in the US raise the cost of exports and can inhibit trade. For example, South African fruit infected with citrus black spot (CBS) is banned in the US. Jooste et al⁹ argue that CBS is a harmless fungus that merely detracts from the appearance of the fruit. Moreover, there is no reason to believe that CBS can be transferred to orchards in the US or Europe. Nevertheless, South African citrus exporters spend around 4% of total revenues to comply with US-imposed CBS standards.

The threat, and in some cases implementation, of anti-dumping duties against South African exports has in some cases undone the benefits of AGOA. South African steel exports have been subjected to numerous anti-dumping, countervailing and safeguard actions over the last few years. Most recently, in November 2002, a 113% duty was imposed on South African vanadium exports to the US.

Finally, because AGOA is a unilateral agreement, the US President may suspend duty-free treatment for any product at any stage. He may also deem any country ineligible for AGOA benefits. This may

⁹ Jooste A, Kruger E & F Kotze, 'Standards and Trade in South Africa' in Wilson JS & VO Abiola (eds), *Standards and Global Trade: A Voice for Africa*. Washington DC: World Bank, 2003.

create sufficient uncertainty to deter new investment in some prospective export industries.

The first two years of AGOA

In 2002, about 17% of South Africa's total exports to the US qualified for AGOA. Motor vehicle exports (almost entirely from one company) accounted for around 60% of these exports and have grown extremely strongly over the last few years. But how much of this performance can be attributed to AGOA? Tariffs on motor vehicles were already very low prior to AGOA and the change in tariff is relatively insignificant compared to the amount of subsidy provided by the South African Government through the MIDP (Motor Industry Development Programme)¹⁰ and the depreciation of the rand against the dollar over this period.

Table 8 provides an indication of the main AGOA beneficiaries. It shows the performance of South African exports that qualify for AGOA and previously faced a 'MFN' tariff of 10% or higher. South African exports under AGOA ('AGOA exports') are compared to South Africa's total exports of each product to the US ('Total exports'). The ratio of AGOA exports to total exports ('AGOA Share') provides an indication of the share of total exports that qualified for duty free access under AGOA. The average annual export growth rate for 2001 and 2002 is calculated in the final column.

Although a large number of clothing products are included in the table, three products predominate (typed in bold). More than 80% of these three products do not seem to qualify for AGOA preferences, which suggests that the rules of origin are an important obstacle to South African clothing producers in accessing AGOA benefits.

¹⁰ For an economic analysis of the MIDP see Flatters F, 'From Import Substitutions to Export Promotion: Driving the South African Motor Industry', 2002, <http://qed.econ.queensu.ca/faculty/flatters>.

Table 8: South African Exports under AGOA, 2002 (continued)						
<i>HS8 tariff code</i>	<i>Description</i>	<i>MFN</i>	<i>AGOA exports</i>	<i>Total exports</i>	<i>AGOA share</i>	<i>Average growth rate</i>
		<i>(%)</i>	<i>(\$ 000)</i>	<i>(\$ 000)</i>	<i>(%)</i>	<i>(%)</i>
62033190	Men's or boys' suit-type jackets blazers	18.4	9,360	10,100	92.7	?
62033310	Men's or boys' suit-type jackets	22.0	1,887	1,904	99.1	?
62034118	Men's or boys' trousers	18.2	5,341	5,440	98.2	?
62034240	Men's or boys' trousers and shorts	16.8	11,399	18,960	60.1	-5
62034340	Men's or boys' trousers	28.3	1,239	1,365	90.8	101
62046240	Women's or girls' trousers	16.8	10,075	16,965	59.4	97
62046335	Women's or girls' trousers	29.0	3,832	5,513	69.5	195
Sub-total			83,510	146,620		
Only those items facing an MFN tariff of 10% or higher are included. A minimum of \$1,000,000 in total exports is set. Some tariff descriptions have been shortened and simplified in this table. Source: <i>USITC</i>						

Table 9 looks specifically at the performance of South African agricultural products and includes all exports of more than \$100,000 that faced a tariff higher than 5% prior to AGOA. Again, a number of products have achieved phenomenal growth, though total export values remain small. Given the newness of the agreement, most of these products are likely to achieve further export growth as long as AGOA preferences remain in place. On the other hand, it is unlikely that South Africa has increased its fruit production over such a short period of time, and a significant proportion of this trade has probably been diverted from other export markets.

The extent to which AGOA has created new trade, rather than diverted existing exports to the US, is difficult to assess. But a cursory look at South African pear exports over the last few years indicates that this deserves further product-specific analysis. In 1999, the year prior to AGOA, South Africa exported \$18.1 million¹¹ of prepared pears worldwide. By 2002, total exports of prepared pears had fallen marginally to \$18.0 million. The rise in South African exports to the US over this period was fully accounted for by an even larger decline in exports of prepared pears to the EU.

Table 9: South African Agricultural Exports under AGOA, 2002

<i>HTS</i>	<i>Description</i>	<i>MFN AVE (%)</i>	<i>AGOA exports (\$ 000)</i>	<i>Total exports (\$ 000)</i>	<i>AGOA Share (%)</i>	<i>Annual Growth Rate (%)</i>
07095900	Mushrooms	23.6	723	723	100.0	?
07102240	Beans	11.2	628	645	97.4	?
15162090	Vegetable fats and oils	10.6	241	241	100.0	?
20059050	Pimientos	8.1	270	305	88.5	?
20084000	Pears	15.3	3,180	3,382	94.0	239
20089210	Mixtures of fruit	5.6	379	391	96.8	259
20089910	Avocados	5.7	535	916	58.4	122
20091100	Orange juice	42.9	1,488	1,488	100.0	?
20093160	Citrus juice	34.6	136	136	100.0	?
20093960	Citrus juice	34.6	693	693	100.0	?
20096100	Grape juice	15.4	2,452	2,452	100.0	?
20096900	Grape juice	15.4	497	497	100.0	?
20099040	Mixtures of fruit juices	12.6	2,248	2,263	99.3	784

Only those items facing an MFN tariff of 5% or higher are included. A minimum of \$100 000 in total exports is set. Some tariff descriptions have been shortened and simplified in this table.

Source: *USITC*

¹¹ According to South African trade data available from TIPS (www.tips.org.za).

A reciprocal SACU–US free trade agreement

The Southern African Customs Union (SACU)¹² and the US expect to conclude negotiations for a free trade agreement in 2005. The above analysis suggests that South Africa has little to gain from further tariff reductions in the US. Instead, the most obvious barriers to South African exports lie in existing rules of origin on clothing imports and select subsidies and regulations in the US agricultural sector. To appreciate the leverage of the SACU negotiating team, it is important to assess what the US might seek to gain from such an agreement.¹³

South African currently traded imports from the US

Table 10 shows the main traded US exports to South Africa that currently face significant tariff protection. These items constitute around 7% of total US exports to South Africa and are likely to receive priority attention from US negotiators. Most of these products are in the automotive sector, but tariffs on maize, wheat and some food preparations are also high. The US is a major exporter of maize and wheat and would certainly have an interest in reducing tariffs on these products.

¹² SACU is considered the world's oldest customs union. First established in 1910, its current members include South Africa, Botswana, Lesotho, Namibia and Swaziland.

¹³ The negotiations will include services, procurement, investment, environment and labour standards issues, and it is in these areas that the US may have a greater interest and SACU most leverage. This analysis is restricted to the goods sector.

Table 10: South African imports from the US, 2000

<i>HS8 tariff code</i>	<i>Description</i>	<i>Value (Rm)</i>	<i>Tariff (%)</i>
98010015	Tractor components	235	35
87032490	Motor vehicles (>3000cc)	163	47
87012020	Tractors	152	20
87032390	Motor vehicles (>1500 cc and <3000cc)	117	47
10059000	Maize (corn)	110	27
10019000	Wheat and meslin	91	34
21069090	Food preparations not elsewhere specified or included	84	20
33049900	Beauty or make-up preparations	69	20
98010030	Passenger vehicle components	67	35
39209100	Other plates, sheets, film, foil and strip, of plastics	55	15
87089990	Parts and accessories of motor vehicles	43	20
64041190	Footwear with outer soles of rubber, plastics or leather	40	20
49070090	Unused postage, revenue or similar stamps	36	15
28151200	Sodium and potassium hydroxides and peroxides	32	20
39269090	Other articles of plastics	31	20
54023300	Synthetic filament yarn	31	15
33059000	Preparations for use on the hair	25	20
52094290	Woven fabrics of cotton	23	22
87033390	Diesel motor vehicles (>2500 cc)	22	47
98010045	Transport vehicle components	22	35
40169390	Other articles of vulcanised rubber	21	15
90011000	Optical fibres and optical fibre bundles	20	15
Only exports of more than R20 million facing tariffs of 10 per cent or higher are included. Some tariff descriptions have been shortened and simplified in this table. Data Source: TIPS			

It is also necessary to identify products that the US exports to other countries, but because of tariff barriers, exports to South Africa of these same products are significantly less. For example, US exports of vacuum cleaners comprise 1.1% of their total exports, but only 0.3% of their exports to South Africa. Part of this difference may be explained by high tariffs on exports to South Africa (tariffs on this six-digit tariff category range between 0% and 10%).

Table 11 lists US exports to the world that are under-traded in South Africa, and which may face tariff barriers of 10% or higher. Although just five major products appear under-traded, it is once again evident that the US has most to gain from the liberalisation of the South African motor sector. No agricultural products appear under-traded.

<i>HS6 tariff code</i>	<i>Description</i>	<i>Share of US Exports (%)</i>	<i>Share of SA Imports from US (%)</i>	<i>Difference (%)</i>	<i>Min Tariff (%)^f</i>	<i>Max Tariff (%)</i>
870899	Other parts and accessories of motor vehicles 8701 to 8705	1.41	0.30	1.11	0.0	20.0
870829	Other parts and accessories of motor vehicles 8701 to 8705	1.16	0.07	1.09	20.0	20.0
847989	Vacuum cleaners	1.10	0.32	0.78	0.0	10.0
851790	Parts of electrical apparatus for telephony or line telegraphy	0.86	0.16	0.70	0.0	12.5
870431	Motor vehicles not exceeding 5T	0.54	0.00	0.54	0.0	47.0

Difference of 0.5 or higher facing tariffs of 10% or higher. Some tariff descriptions have been shortened and simplified in this table.
Source: *USITC and TIPS*

Table 12: South African imports from the EU and US, 2000 (continued)						
<i>HS8 tariff code</i>	<i>Description</i>	<i>Tariff (%)</i>			<i>Share of total Imports</i>	
		<i>MFN 2000</i>	<i>EU Year 6</i>	<i>EU Year 12</i>	<i>EU (%)</i>	<i>US (%)</i>
39235000	Plastics for the conveyance or packing of goods	15	12	0	0.03	0.8
49070090	Unused postage, revenue or similar stamps	15	11	0	0.03	0.8
87085090	Parts and accessories of motor vehicles	20	6	6	0.08	0.8
23091000	Dog or cat food	20	15	0	0.05	0.6
85393145	Electric filament or discharge lamps	20	0	0	0.02	0.5
29336990	Heterocyclic compounds	10	0	0	0.02	0.2
32061100	Pigments and Preparations	10	8	0	0.03	0.2
39011000	Polymers of ethylene	10	8	0	0.05	0.1
49119990	Printed pictures and photographs	15	11	0	0.02	0.1
73181590	Screws, bolts, nuts and rivets	10	8	0	0.07	0.1
90041000	Sunglasses and goggles	10	8	0	0.05	0.1
Total Value (Rm)					1,497.4	805.8
Some tariff descriptions have been shortened and simplified in this table Source: TIPS						

Once again, it would appear that the US stands to lose most in the automotive sector, where tariff differentials will widen to around 20% if South Africa does not undertake further multilateral liberalisation. Because South Africa has excluded much of the agricultural sector from its agreement with the EU, the US is unlikely to lose much trade to the EU in this sector. But some food preparations and pet food will face significant discrimination relative to EU imports.

Conclusion

The simple tariff analysis presented in this paper suggests that AGOA has opened few new opportunities for South African exports. This is largely because prior to AGOA, US tariffs on South African exports were already very low. The greatest prospect for trade creation is in the clothing sector, but rules of origin are complex and favour least developed African countries, not South Africa. Nevertheless, some South African clothing firms have benefited and will continue to do so until the MFA elapses in 2005.

AGOA has also opened new markets for some agricultural products, particularly fruit and fruit juices. This is confirmed by the trade data. South African exports of pears, avocados, pimientos, citrus juice and grape juice have realised phenomenal growth over the last few years, from a very low base. Mushroom and bean exports have also grown strongly. What is less clear, is whether AGOA has generated any new trade in these products or merely diverted exports away from other markets. This deserves further study.

It is these fast-growing agricultural exports that might benefit most from a reciprocal trade agreement with the US. Because AGOA is a unilateral accord, the US can reduce or eliminate preferences on any product. Already, the success of South African canned pear exports has lead to vociferous lobbying from within the US for its removal from the AGOA list.¹⁴ To the extent that a reciprocal agreement can lock-in AGOA preferences, it will help to secure South African agricultural interests in the US market.

If AGOA preferences can be secured, then tariffs will no longer present an obstacle to South African agricultural exports to the US. Instead, the greatest remaining barrier to agricultural trade, within the US and in other OECD countries, is the very high level of

¹⁴ *Sunday Times*, 18 August 2002.

subsidy to producers in these countries and restrictive standards on imports from developing countries. It is unlikely that these obstacles will be reduced, sufficiently, through unilateral or bilateral negotiations. This raises the importance of successful multilateral negotiations in these areas.

Appendix

Table A1. South Africa's major exports to the US, 1999				
<i>HS4</i>	<i>Brief description</i>	<i>Min Tariff</i>	<i>Max Tariff</i>	<i>R million</i>
7110	Platinum	0%	0%	5,335
2614	Titanium ores and concentrates	0%	0%	1,162
7202	Ferro-alloys	0%	10%	1,119
7102	Diamonds	0%	11%	634
8421	Catalytic converters	0%	3%	421
8708	Parts and accessories of motor vehicles.	0%	0%	305
2823	Titanium oxides	6%	6%	271
2901	Acyclic hydrocarbons	0%	0%	258
8802	Aircraft	0%	0%	248
7208	Flat-rolled products of iron or non-alloy steel (hot-rolled)	2%	2%	237
8704	Motor vehicles for the transport of goods	0%	25%	199
4702	Chemical wood pulp, dissolving grades	0%	0%	198
7201	Pig iron	0%	0%	189
7219	Flat-rolled products of stainless steel	2%	4%	186
6109	T-shirts, singlets and other vests, knitted or crocheted	6%	33%	182
8609	Transport containers	0%	0%	179
7210	Flat-rolled products of iron or non-alloy steel (clad, plated or coated)	1%	3%	161
8474	Mining machinery	0%	0%	160
2804	Hydrogen, rare gases and other non-metals	0%	6%	151
7209	Flat-rolled products of iron or non-alloy steel (cold rolled)	1%	2%	120
7216	Angles, shapes and sections of iron or non-alloy steel.	0%	2%	116
2820	Manganese oxides	5%	5%	103
Sub-total				11,934
Total				17,215
Source: <i>TIPS</i>				

Table A2. South Africa's major imports from the US, 1999				
<i>HS4</i>	<i>Brief description</i>	<i>Min Tariff</i>	<i>Max Tariff</i>	<i>R million</i>
8802	Aircraft	0%	0%	2,865
8517	Electrical telephone apparatus	0%	0%	765
8471	Automatic data processing machines	0%	0%	580
8411	Turbo-jets, turbo-propellers and other gas turbines	0%	0%	514
2713	Residues of petroleum oils	0%	10%	500
8803	Parts of goods of heading no. 88.01 or - 88.02.	0%	0%	442
9018	Medical instruments	0%	20%	390
8473	Parts of goods of heading nos. 84.69 to - 84.72.	0%	0%	386
8524	Records, tapes and other recorded media	0%	10%	303
8704	Motor vehicles for the transport of goods.	20%	47%	286
8525	Radio and TV transmission apparatus	0%	15%	265
9801	Original equipment components	35%	35%	248
8429	Earth moving equipment	0%	10%	238
8703	Motor cars	0%	47%	233
8483	Transmission shafts and cranks	0%	20%	222
3004	Medicaments	0%	0%	213
8431	Parts of goods of heading nos. 84.25 to 84.30.	0%	10%	186
2701	Coal	0%	0%	184
1006	Rice	0%	0%	170
8708	Parts of goods of heading nos 87.01 to 87.05.	0%	30%	163
4901	Books, brochures, leaflets and similar printed matter	0%	0%	163
8482	Ball or roller bearings	20%	20%	162
9027	Instruments and apparatus for physical or chemical analysis	0%	0%	160
8470	Calculating machines	0%	0%	154
8421	Centrifuges	0%	19%	152
1005	Maize (corn)	1%	27%	151
4811	Paper and paperboard	5%	20%	140
8481	Taps, cocks, valves and similar appliances	0%	15%	139
Source: <i>TIPS</i>				

Table A2. South Africa's major imports from the US, 1999 (continued)

<i>HS4</i>	<i>Brief description</i>	<i>Min Tariff</i>	<i>Max Tariff</i>	<i>R million</i>
8443	Printing machinery	0%	0%	137
9021	Orthopaedic appliances	0%	0%	134
3811	Anti-corrosive preparations	0%	0%	133
8413	Pumps for liquids	0%	0%	132
8701	Tractors (excluding tractors of heading no. 87.09)	0%	47%	129
8409	Parts of goods of heading no. 84.07 or 84.08.	0%	20%	118
8536	Switches, relays and fuses	0%	15%	113
9032	Automatic regulating or controlling instruments and apparatus.	0%	10%	111
2710	Petroleum oils	0%	15%	110
4810	Paper and paperboard (coated with inorganic material)	0%	10%	108
4407	Wood	0%	0%	107
8414	Air or vacuum pumps and fans	0%	15%	105
3808	Insecticides, fungicides, herbicides and disinfectants	0%	10%	101
Sub-total				9,047
Total				20,424
Source: <i>TIPS</i>				

Table A3. US highly protected imports qualifying for AGOA, 1999

<i>HTS8</i>	<i>Brief description</i>	<i>US—World imports \$ 000</i>	<i>US—SA imports \$ 000</i>	<i>MFN</i>
02072700	Cuts and offal of turkeys, frozen	168.2		29%
04069033	Goya cheese not from cow's milk, nesoi, not subject to gen. note 15 or to add. US note 21 to Ch. 4	25,036.3		21%
04089100	Birds' eggs, not in shell, dried, whether or not containing added sweeteners	116.6		32%
07092090	Asparagus, nesi, fresh or chilled	93,845.5	7.7	21%
07095100	Mushrooms, fresh or chilled	28,473.4	46.0	23%
07099045	Sweet corn, fresh or chilled	11,736.0		21%
07122020	Dried onion powder or flour	143.7		30%
Source: <i>USITC</i>				

Table A3. US highly protected imports qualifying for AGOA, 1999 (continued)				
<i>HTS8</i>	<i>Brief description</i>	<i>US—World imports \$ 000</i>	<i>US—SA imports \$ 000</i>	<i>MFN</i>
07122040	Dried onions whole, cut, sliced or broken, but not further prepared	605.6		21%
08041080	Dates, fresh or dried, other than whole	80.4		30%
08054080	Grapefruit, fresh or dried, if entered during the period November 1 through the following July 31, inclusive	934.7		23%
08071980	Other melons neso, fresh, if entered during the period from June 1 through November 30, inclusive	10,032.0		28%
13021300	Saps and extracts of hops	266.2		28%
16041410	Tunas and skipjack, whole or in pieces, but not minced, in oil, in airtight containers	1,254.9		35%
20081985	Mixtures of nuts or other seeds otherwise prepared or preserved, nesi	475.4		22%
20089925	Dates, otherwise prepared or preserved, nesi	160.6		22%
20091100	Orange juice, frozen, unfermented and not containing added spirit	261,901.3		40%
20092040	Grapefruit juice, nesi, frozen or not frozen, concentrated or not concentrated, nesi	1,238.8		43%
20093060	Citrus juice of any single citrus fruit, nesi, (including lemon), concentrated	7,389.2		57%
22084060	Rum and tafia, in containers each holding over 4 litres, valued not over \$0.69/proof litre	791.5		57%
64011000	Waterproof footwear, not mechanically assembled, w/outer soles & uppers of rubber or plastics, w/metal toecap	3,971.5		38%
Source: <i>USITC</i>				

**Table A3. US highly protected imports qualifying for AGOA, 1999
(continued)**

<i>HTS8</i>	<i>Brief description</i>	<i>US—World imports \$ 000</i>	<i>US—SA imports \$ 000</i>	<i>MFN</i>
64019100	Waterproof footwear, not mechanically assembled, w/outer soles & uppers of rubber or plastics, covering the knee	4,153.1		38%
64019290	Waterproof footwear, not mechanically asmbld., w/outer soles and upper of rubber or plastics, nesoi, covering ankle but not knee	15,756.7		38%
64019930	Waterproof protect. footwear, not mechanically asmbld., w/outer soles and uppers of rubber or plastics, not cover ankle, w/o closures	5,261.4		25%
64019960	Waterproof protect. footwear, not mechanically asmbld., w/outer soles and uppers of rubber or plastics, not cover ankle, w/closures	3,964.6		38%
64019990	Waterproof footwear, not mechanically asmbld, w/outer soles and uppers of rubber or plastics, nesoi, not cover ankle	362.9		38%
64021950	Sports footwear w/outer soles and uppers of rubber or plastics, nesi, valued over \$3 but not over \$6.50/pair	697.6		45%
64021970	Sports footwear w/outer soles and uppers of rubber or plastics, nesi, valued over \$6.50 but not over \$12/pair	3,852.7		25%
64023050	Footwear w/outer soles & uppers of rubber or plastics, nesoi, w/metal toe-cap, designed as a protection against liquids, chemicals, weather	69.4		38%
64023060	Footwear w/outer soles & uppers of rubber or plastics, nesoi, w/metal toe-cap, not protective, valued n/o \$3/pair	0.9		24%

Source: *USITC*

**Table A3. US highly protected imports qualifying for AGOA, 1999
(continued)**

<i>HTS8</i>	<i>Brief description</i>	<i>US—World imports \$ 000</i>	<i>US—SA imports \$ 000</i>	<i>MFN</i>
64023070	Footwear w/outer soles & uppers of rubber or plastics, nesoi, w/metal toe-cap, not protective, valued over \$3 but n/o \$6.50/pair	1.0		55%
64023080	Footwear w/outer soles & uppers of rubber or plastics, nesoi, w/metal toe-cap, not protective, valued o/\$6.50 but n/o \$12/pair	57.6		32%
64029150	Footwear w/outer soles & uppers of rubber or plastics, nesoi, covering ankle, designed as protection against liquids, chemicals, weather	5,742.4		38%
64029160	Footwear w/outer soles & uppers of rubber or plastics, nesoi, covering ankle, nesoi, valued n/o \$3/pair	30.2		48%
64029170	Footwear w/outer soles & uppers of rubber or plastics, nesoi, covering ankle, nesoi, valued over \$3 but n/o \$6.50/pair	1,011.0		54%
64029180	Footwear w/outer soles & uppers of rubber or plastics, nesoi, covering ankle, nesoi, valued o/\$6.50 but n/o \$12/pair	3,758.9		29%
64029920	Footwear w/outer soles & uppers of rubber or plastics, nesoi, n/cov. ankle, nesoi, design. as protection against liquids/chemicals/weather	2,353.2		38%
64029930	Footwear w/outer soles & uppers of rubber or plastics, nesoi, n/cov. ankle, w/open toes or heels or of the slip-on type	23,968.0		38%
64029960	Footwear w/outer soles & uppers of rubber or plastics, nesoi, n/cov. ankle, nesoi, valued n/o \$3/pair	2,436.8		48%
Source: <i>USITC</i>				

**Table A3. US highly protected imports qualifying for AGOA, 1999
(continued)**

<i>HTS8</i>	<i>Brief description</i>	<i>US—World imports \$ 000</i>	<i>US—SA imports \$ 000</i>	<i>MFN</i>
64029970	Footwear w/outer soles & uppers of rubber or plastics, nesoi, n/cov. ankle, nesoi, valued o/\$3 but n/o \$6.50/pair	3,796.8		56%
64029980	Footwear w/outer soles & uppers of rubber or plastics, nesoi, n/cov. ankle, nesoi, valued o/\$6.50 but n/o \$12/pair	101,396.7		30%
64041140	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, val. n/o \$3/pair, w/soles fixed w/adhesives w/o foxing	740.4		38%
64041150	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, valued n/o \$3/pair, nesoi	45,119.0		48%
64041160	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, val. o/\$3 but n/o \$6.50/pr, w/soles fixed w/adhesives	1,396.0		38%
64041170	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, valued o/\$3 but n/o \$6.50/pr, nesoi	21,966.7		58%
64041180	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, valued o/\$6.50 but n/o \$12/pair	66,942.2		31%
64041920	Footwear w/outer soles of rubber/plastics & uppers of textile, nesoi, designed as a protection against liquids, chemicals & weather	21,406.6		38%
64041935	Footwear w/outer soles of rub./plast. & upp. of textile, nesoi, w/open toes/heels or slip-on type, 10% or more by wt. of rubb./plastic	451,619.6	54.8	38%
64041940	Footwear w/outer soles of rub./plast. & upp. of textile, nesoi, val. n/o \$3/pr, w/soles affixed to upp. w/adhesives & w/o foxing	5,928.4		38%

Source: *USITC*

**Table A3. US highly protected imports qualifying for AGOA, 1999
(continued)**

<i>HTS8</i>	<i>Brief description</i>	<i>US—World imports \$ 000</i>	<i>US—SA imports \$ 000</i>	<i>MFN</i>
64041950	Footwear w/outer soles of rub./plast. & upp. of textile, nesoi, val. n/o \$3/pr, nesoi	102,935.8		48%
64041960	Footwear w/outer soles of rub./plast. & upp. of textile, nesoi, val. o/\$3 but n/o \$6.50/pr, w/soles affixed to upp. w/adhesives & w/o foxing	28,053.8		38%
64041970	Footwear w/outer soles of rub./plast. & upp. of textile, nesoi, val. o/\$3 but n/o \$6.50/pr, nesoi	26,449.4		59%
64041980	Footwear w/outer soles of rub./plast. & upp. of textile, nesoi, val. o/\$6.50 but n/o \$12/pr	66,628.9		32%
64042060	Footwear w/outer soles of leather/comp. leather & uppers of textile, nesoi	15,709.8		38%
64061025	Formed uppers for footwear, of textile materials, nesoi, valued n/o \$3/pr	53.4		34%
64061035	Formed uppers for footwear, of textile materials, nesoi, valued o/\$6.50 but n/o \$12/pr	3.0		21%
64061050	Formed uppers for footwear, of materials other than leather/comp.leather or textile materials, nesoi	30.8		26%
69111010	Porcelain or china hotel, restaurant & nonhousehold table and kitchenware	40,780.3		29%
69111080	Porcelain or china (o/than bone china) household tableware & kitchenware, not in specified sets, nesoi	19,627.7		23%
69120020	Ceramic (o/than porcelain or china) hotel, restaurant or nonhousehold tableware and kitchenware	15,433.7		31%
70131050	Glass-ceramic ware of a kind used for household, office, indoor decoration or similar purposes, nesoi	2,988.7		26%

Source: *USITC*

**Table A3. US highly protected imports qualifying for AGOA, 1999
(continued)**

<i>HTS8</i>	<i>Brief description</i>	<i>US—World imports \$ 000</i>	<i>US—SA imports \$ 000</i>	<i>MFN</i>
70132910	Drinking glasses of glass (o/than Pb crystal), nesoi, valued n/over \$0.30 each	13,501.8		32%
70132920	Drinking glasses of glass (o/than Pb crystal), nesoi, valued over \$0.30 but n/over \$3 each	88,994.2	3618	26%
70133220	Glassware for table or kitchen purposes (o/than drinking glasses), of low coefficient of heat expansion glass, n/o \$3 each	633.2		26%
70133920	Glassware for table or kitchen purposes (o/than drinking glasses), nesoi, valued n/over \$3 each	52,647.4		26%
70139940	Glassware for toilet/office/indoor décor. or similar purposes, nesoi, valued n/over \$0.30 each	2,470.6		38%
70139950	Glassware for toilet/office/indoor décor. or similar purposes, nesoi, valued over \$0.30 but n/over \$3 each	57,261.9		30%
82159901	Base metal forks, w/stainless steel handles cont. Ni or o/10% by wt of Mn, w/overall length n/o 25.9cm, valued under 25cents ea	142.0		22%
87042100	Mtr. vehicles for transport of goods, w/compress.-ign. int. combust. recip. piston engine, w/G.V.W. not over 5 metric tons	824,980.0		25%
87042250	Mtr. vehicl. for transport of goods (o/than cab chassis), w/compress.-ign. int. combust. recip. piston engine, w/G.V.W. o/5 but n/o 20 mtons	81,509.8		25%
87042300	Mtr. vehicles for transport of goods, w/compress.-ign. int. combust. recip. piston engine, w/G.V.W. over 20 metric tons	632,107.9		25%

Source: *USITC*

Table A3. US highly protected imports qualifying for AGOA, 1999 (continued)				
<i>HTS8</i>	<i>Brief description</i>	<i>US—World imports \$ 000</i>	<i>US—SA imports \$ 000</i>	<i>MFN</i>
87043100	Mtr. vehicles for transport of goods, w/spark.-ign. int. combust. recip. piston engine, w/G.V.W. not over 5 metric tons	11,144,112.6		25%
87043200	Mtr. vehicles for transport of goods, w/spark.-ign. int. combust. recip. piston engine, w/G.V.W. over 5 metric tons	25,584.0		25%
87049000	Mtr. vehicles for transport of goods, o/than w/compress. ign. or spark ign. recip. piston engine, nesoi	1,215.5		25%
91089940	Watch movements, complete and assembled, nesi, measuring over 33.8 mm, 8–17 jewels, valued not over \$15 each	2.3		32%
91101100	Complete watch movements, unassembled or partly assembled (movement sets)	1,380.3		27%
96031050	Brooms (o/than whiskbrooms), wholly or in part broom corn, val. n/o 96 cents ea, in excess of 121478 dz in calendar yr., class in 9603.10	3,196.4		36%
96031060	Brooms (o/than whiskbrooms), wholly or in part broom corn, val. ov 96 cents each	10,791.5		32%
Source: <i>USITC</i>				