

AGOA: WHERE TO FROM HERE

Subtitle:

The Impact of Africa Growth and Opportunity Act (AGOA) on the South African Automotive Sector

Presenter:

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Outline

- Context of study
- Objectives and Methodology
- Importance of Sector
- South Africa Automotive Export Performance
- Summary of Automotive Trade
- Key findings

Context of study

- AGOA enhances U.S. market access for 40 Sub-Saharan African (SSA) countries.
- Came into force in 2000 → Expiring in 2015.
- Threats:
 - expansion of the AGOA dispensation to non-African Least Developed Countries (LDCs);
 - non-extension of AGOA (expiration);
 - consideration of a new **reciprocal** dispensation with AGOA beneficiaries;
 - Graduation of certain countries, products or sectors

Objectives and Methodology

Objective

- Analysis of South Africa's Automotive exports and determine the impact of AGOA on SA automotive exports

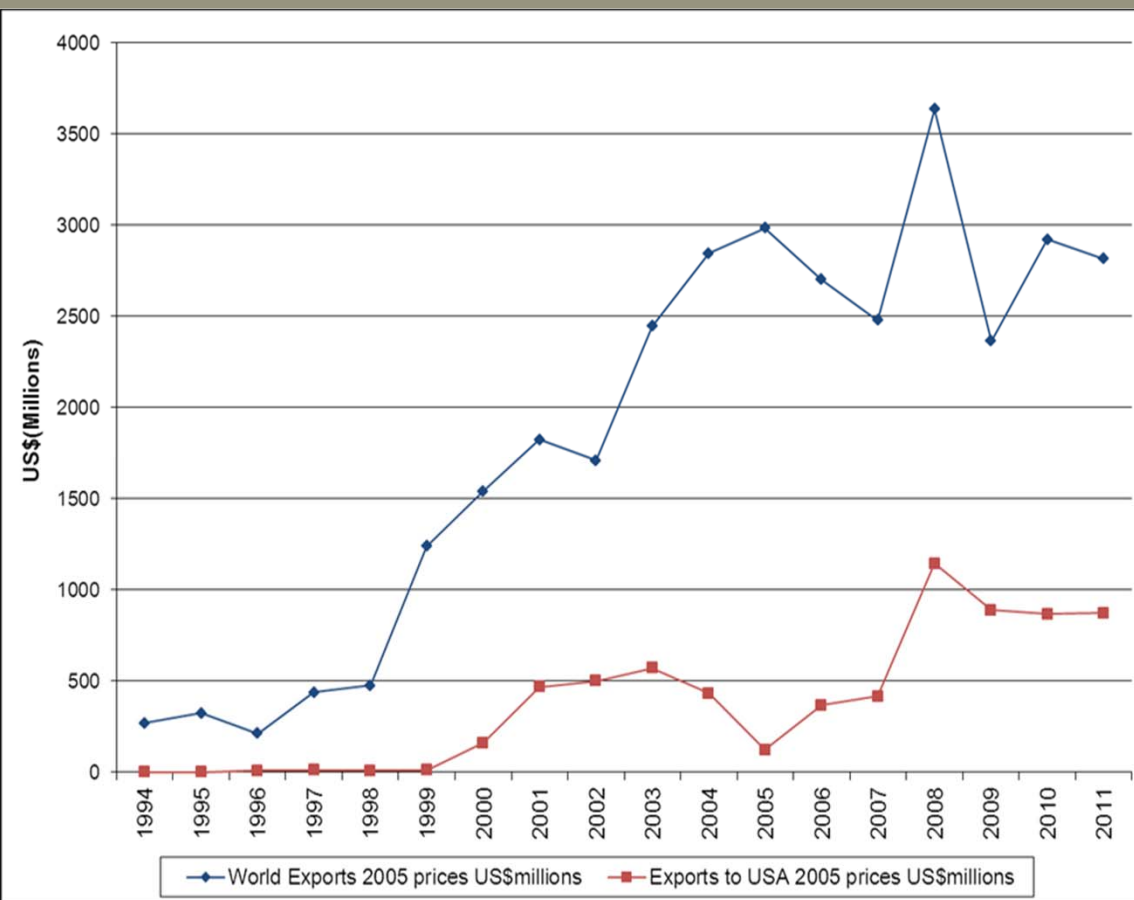
Methodology

- Stakeholder engagement: Interviews; Electronic questionnaire and on site visits
- Empirical analysis to estimate the impact of AGOA

Importance of Sector

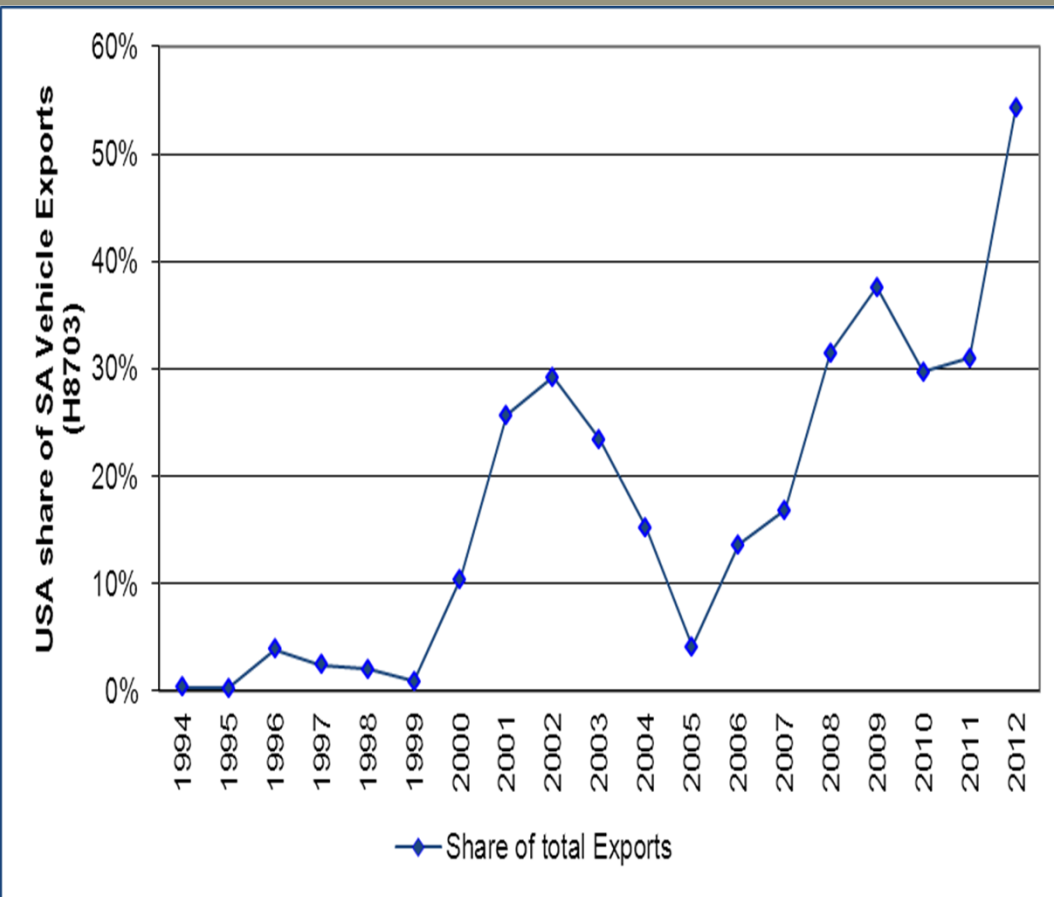
- Key points:
 - Automotive sector is a key sector→ 6.8% of GDP and approximately 8.6 % of total exports (2012)
 - Valued at R 60 billion in exports in 2012
 - Diverse industry vehicle component manufacturers, parts dealers, frame and vehicle equipment suppliers, vehicle body builders, etc.
 - The vehicle manufacturing directly employs 36 000 people (2011).

South Africa Automotive Export Performance



- Exports to the world grew from US\$271.2million (1994) to US\$2.8 billion (2011) → an AAG of **15.1%**
- Exports to US → AAG of **46%**.
- USA accounts for 54% of SA's light vehicle exports to the world
- Light vehicle exports account for 48% of

South Africa Autos Exports to the US



□ Light Vehicles (cars including station wagons) is most significant product traded (95%) of transport equipment to the United States

Summary of Automotive Trade

HS Code	Product	Annual % growth in value, 2001-12		
		SA exports to USA	USA imports from the world	South Africa's Exports to the world
H8703	Cars (incl. station wagon)	24.4	0.8	9.4
H8708	Parts and access of motor vehicles	1.7	4.9	7.9
H8704	Trucks, vehicles for transport of goods	(33.7)	(3.4)	26.7
H8707	Bodies for motor vehicles	(23.2)	5.4	17.5
H8702	Public-transport type vehicles	0.0	(4.2)	22.1

Summary of Automotive Trade (2)

Table 1: Automotive Trade Potential Summary Assessment

		US Market Growth	Relative Trade potential
H8703	Cars (incl. station wagon)	Positive	High
H8708	Parts and access of motor vehicles	Positive	High
H8704	Trucks, vehicles for transport of goods	Negative	High
H8707	Bodies for motor vehicles	Positive	Low
H8702	Public-transport type vehicles	Negative	Low

Source: Own Calculations based on ITC (2013) data

Key findings

- US exports mainly concentrated in exports of whole made vehicles (H8703)
- Export equation of South African exports to the USA shows the following results:
- **Target Market and Income Size:** has a positive and significant effect on export growth (United States Economy growth Critical)

Key findings

- **Preference Margins:** has a positive and significant effect on export growth (Role of Trade agreements critical)
 - Every unit increase in the preference margin will lead to a 2% increase in exports

- **The MIDP :** Had a positive and significant effect on exports (Role of APDP critical)

- **AGOA:** Had a positive and significant effect on exports (continued preferential access to United States market)

Key findings

- **Exchange rate:** has a positive effect BUT is not significant
 - Supports industry view that short term Exchange Rate fluctuations are not key driver of motor vehicle exports – due to significant sunk investments
- **Key point:** *AGOA was shown to have a very strong influence in motor vehicle exports to the USA. - But what is its impact?*

Key Findings

- What we know:
 - Employment in the motor vehicle manufacturing sector supports 10 other jobs in downstream autos industries
 - Auto's contribution to GDP grew by 0.6% between 2010-2012.
 - Key drivers were AGOA and the MIDP (now APDP)
- So what can we say about AGOA?

Impact of AGOA if it was removed

- The model reveals that exports to the US could drop by as much as 92% in the first year without AGOA.
- By 2019, exports will be 57% below what could be produced under AGOA
- Motor vehicle exports drop to pre-2001 (pre-AGOA) levels.
- Removing AGOA makes motor vehicle exports to the USA unviable
- AGOA is therefore crucial!
- The **ARPDP** is also going to be critical in augmenting exports

Recommendations

- ☐ Extension of AGOA
- ☐ Improve South Africa's competitiveness (IPAP):
 - ☐ Address productivity issues (MCISF)
 - ☐ Investment in training and up skilling (Supplier development)
 - ☐ Cost reduction
- ☐ Alternative trading arrangements with the US as a means of locking in the benefits of AGOA?

Thank you