

OUTCOMES OF THE AFRICAN GROWTH AND OPPORTUNITY ACT FORUM

Select Committee of the NCOP
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the dtic

Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

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20th AGOA Forum and Outcomes

Introduction

- On 26 September 2023, **the dtic** briefed the Joint Select and Portfolio Committees on the planned AGOA-Forum, with participation by a provincial representatives
- The presentation provided detailed information on inter alia the economic relationship between the US and SA, the legal regimes applicable to trade, AGOA as one of 3 trade mechanisms for access to the US market and its expiry in September 2025, SA's efforts to secure an extension of AGOA and the forthcoming AGOA Forum, scheduled for early November 2023.
- This presentation provides a brief summary of the AGOA Forum and its outcomes.

20th African Growth and Opportunity Act Forum

- South Africa hosted the 20th AGOA Forum in Johannesburg on 2- 4 November 2023, the largest such Forum to date, drawing in US and Africa government, private sector, civil society and organised labour representatives as well as exhibitors, procurers, investors, observers and visitors to the exhibition. A delegation of SA MPs attended plenary sessions.
- The Forum comprised of 16 distinct platforms or Forums, with over 5 000 participants
- Members of Congress provided video messages of support for AGOA, from both Democrats and Republicans and this included the Chairs and Ranking Members of Senate Finance Committee and the House Ways and Means Committee. At the Forum, members of Congress were represented by their chief trade councils and advisors.
- The AGOA Forum was officially opened by President Cyril Ramaphosa, who emphasised the importance of early and longer renewal of AGOA and the programme being critical to the development of regional value chains with South Africa playing a key role in these value chains.

20th African Growth and Opportunity Act Forum

The Forum comprised of 16 distinct platforms or Forums, as follows:

1. **African Trade Ministers Forum**, which considered African challenges and trade opportunities
2. **AGOA US-Africa Government-to-Government Forum**, stretching over two days, with participants from the US Administration, Congressional advisors, African Ministers and observers from business and labour
3. **Private Sector Forum**, drawing together investors and business people to consider trade and investment opportunities
4. **Labour Forum**, providing a first such platform for worker voices from the US and Africa
5. **Civil Society Forum**, including women and youth
6. **Trade officials' meetings** to identify key trade concerns and opportunities
7. **Competition and Trade Focus** session
8. **SMMEs and women in Trade Focus** session
9. **Workshop on technical standards** and trade

20th African Growth and Opportunity Act Forum

The Forum comprised of 16 distinct platforms or Forums, as follows:

10. **Made in Africa Exhibition**, showcasing products from 538 firms drawn from 19 different African countries, with cross-border value-chains highlighted and featuring both small businesses and large advanced manufacturing facilities
11. **African food market**, with African cuisine from west and east Africa as well as southern Africa
12. **African Heritage and Culture Walk**, highlighting the origin of humanity, African civilisations, the impact of slavery and colonialism, struggles for freedom and the reconstruction of African societies in the post-colonial period
13. **African fashion show**, bringing fabrics and clothing together to showcase potential exports
14. **African film, music and art** focus highlighting a growing export to global audiences, with locally-made films, the art of Esther Mahlangu and music of Gugu Ndzendze and Ladysmith Black Mambazo
15. **Bilateral networks** with government and private sector meetings
16. **Procurement network** in parallel with the Forum, with supply-chain managers and procurement specialists from the US and African countries

Africa's Common Position going into 20th AGOA Forum

- African Trade Ministers met in 2021 and 2022 to develop a common position on the future of AGOA. They further met on 2 November 2023 to reflect on recommendations from Senior Officials and Ambassadors
- African countries agreed:
 1. to advocate for early extension of AGOA for at least 10-years from 2025 to 2035, with existing beneficiaries retained
 2. Make proposals to enhance AGOA, including the removal of US trade restrictions on African products that limit the use of AGOA, as well as product coverage expansion and reduction of red-tape

Strategic thrust

- The Forum was held following the USITC study of 17 April 2023 that highlighted among others that
 - While some countries leverage AGOA for exports, particularly SA, utilisation rates remain low for many countries.
 - While exports of agricultural products like cotton and cocoa are important sectors for a number of African economies, they not sufficiently provide a pathway for poverty reduction.
 - competitive infrastructure weaknesses hamper substantial development and industry potential and competitiveness
- The Forum was an opportunity to reflect on the emerging global context and engage in strategic discussions with the US on potential areas of cooperation, including
 - scope to partner with the US on green industrialisation;
 - African manufacturing including through reconfiguration of supply-chains, and use of critical raw materials;
 - Mechanisms to complement AGOA to achieve its intended objectives of economic development

Outcomes: 20th AGOA Forum

- Broad Support for continuation of AGOA beyond 2025: by both African countries and the US.
- Strong message on the role of AGOA in fostering regional value chains - examples include clothing and textile value chains between Mauritius and Madagascar, and the automotive value chain of SA, Botswana, Zambia, Lesotho, Nigeria, Cote D'Ivoire and Malawi
- Improving AGOA utilization rates to spread and deepen the impact, including through consideration to expand product coverage; eliminating restrictions that affect market access for products such as steel and aluminium and beef; simplification of rules of origin that hamper market access
- Address SPS measures that act as a barrier, especially for agriculture products.
- Support capacity building to allow member countries to access the US market
- Recognition that AGOA is mutually beneficial for the Africa-US economic relationship, thus there is a compelling argument to renew and extend the AGOA

Outcomes: 20th AGOA Forum, CONT

- Consideration for two stage approach, with first stage being early extension of AGOA and the second stage on further improvements to the provisions
- Complement AGOA with additional measures, including investment into Africa's productive sector and services
- Nexus between AGOA and the AfCFTA through among others, enabling cumulation with all AfCFTA signatories
- Address the issue of graduation and not penalize countries for making positive progress
- Ensure that AGOA benefits more micro, small and medium enterprises, women and youth.
- African Ministers called for AGOA to have a development dimension including in relation to infrastructure, industrial development as well as technology transfer and explore the opportunities to upscale investment, infrastructure and digital development

Post Forum

- The decision on extension of AGOA is in the hands of the US Congress
- Congressional advisors will brief senators and representatives on the outcomes of the Forum
- Two Bills on AGOA extension have been prepared by individual legislators and additional legislators are expected to make their positions known in the next few months
- Following the resolution of the deadlock on election of the Speaker of the House of Representatives, the Congressional calendar will be finalised and will reflect the likely timeframe within which US legislators expect to consider and finalise a decision on AGOA
- SA and other African countries will engage each other, their private sectors and their US counterparts to consider the outcome of the AGOA Forum, step up efforts to utilize benefits, make the case for early extension and enable the widest participation of countries in AGOA.

Next steps

The following areas of work are being undertaken post the AGOA-Forum

1. Briefing of Cabinet on key developments relating to trade and AGOA
2. Engagements in SA with business/labour stakeholders to prepare for a scale-up in use of AGOA, prepare for AfCFTA and to strengthen common messaging
3. Engagements with provincial and local stakeholders to identify opportunities in the use of AGOA and AfCFTA as well as synergies
4. Meetings of African trade ministers to consider further lobbying efforts
5. SA Investment Conference to highlight trade opportunities for SA and other AGOA beneficiaries
6. Research on regional value-chain opportunities and identifying additional value-chains for AGOA
7. Joint African meetings with US Administration counterparts, covering potential refinements to AGOA and possible dates for Congressional decision
8. Bilateral meetings with members of Congress
9. Next AGOA Forum to be held in US in 2024, with lobbying for clarity on AGOA timeframes

SA – US Trade Framework and Trade under African Growth and Opportunity Act - background information

Trade under African Growth and Opportunity Act

- Two-way trade (goods and services) between the two countries amounted to \$25,5 billion (2022). Last year, the US was SA's second largest national export market, after China. In 2021, SA total goods exports to the US amounted to \$15.4 billion. Of this:
 - 82% was under MFN terms, with an export value of US\$12.7 billion (R240 bn at current exchange rates)
 - 18% was under AGOA and the GSP programme, with an export value of US\$2.7 billion (roughly R51bn at current exchange rate).
- In 2022, exports of goods dropped by 4% to \$14,4bn, though exports under AGOA and GSP together grew to about 25% of total exports.
- Between 2018 and 2022, total exports to the US accounted for 8% of all SA exports; and exports under AGOA in turn accounted for 1,7% of SA's global exports. Exports under AGOA and GSP together accounted in 2022 for about 2.4% of total SA global exports.
- Of total SA exports to US, 74% of the products are exported under AGOA in the agricultural sector. For manufacturing sector, the share was 63%

The SA-US relationship

- SA and the US have a long history of economic relations – some US companies have been in SA for over 100 years
- SA values the economic relationship and it continues to be an important one, capable of being scaled-up further
- The US is a significant market for SA goods and a key source of investment. The US is SA's second largest *national* trading partner, after China. SA is the largest exporter to the US on the African continent, exporting three times more than the next largest supplier (Nigeria) in 2022.
- SA in turn is
 - the largest sub-Saharan African importer of goods from the US; and
 - the biggest source of foreign direct investment to the US from the African continent
 - a crucial supplier of raw materials to many US supply-chains

The SA-US relationship

- There are more than 600 US firms in SA, many using SA as a gateway to other African countries
- Total two-way investment stocks in 2021 totaled just more than US\$ 11,9 billion. This was made up of US\$ 7,4 billion in US investment stocks in South Africa while South African firms invested US\$ 4,5 billion in the US.
- Dividend flows to the US resulted in income for US companies of over US\$1 billion in 2021
- In nine out of a list of 12 critical minerals studied, SA provided more than 25% of all imports to the US, ranging from manganese to platinum

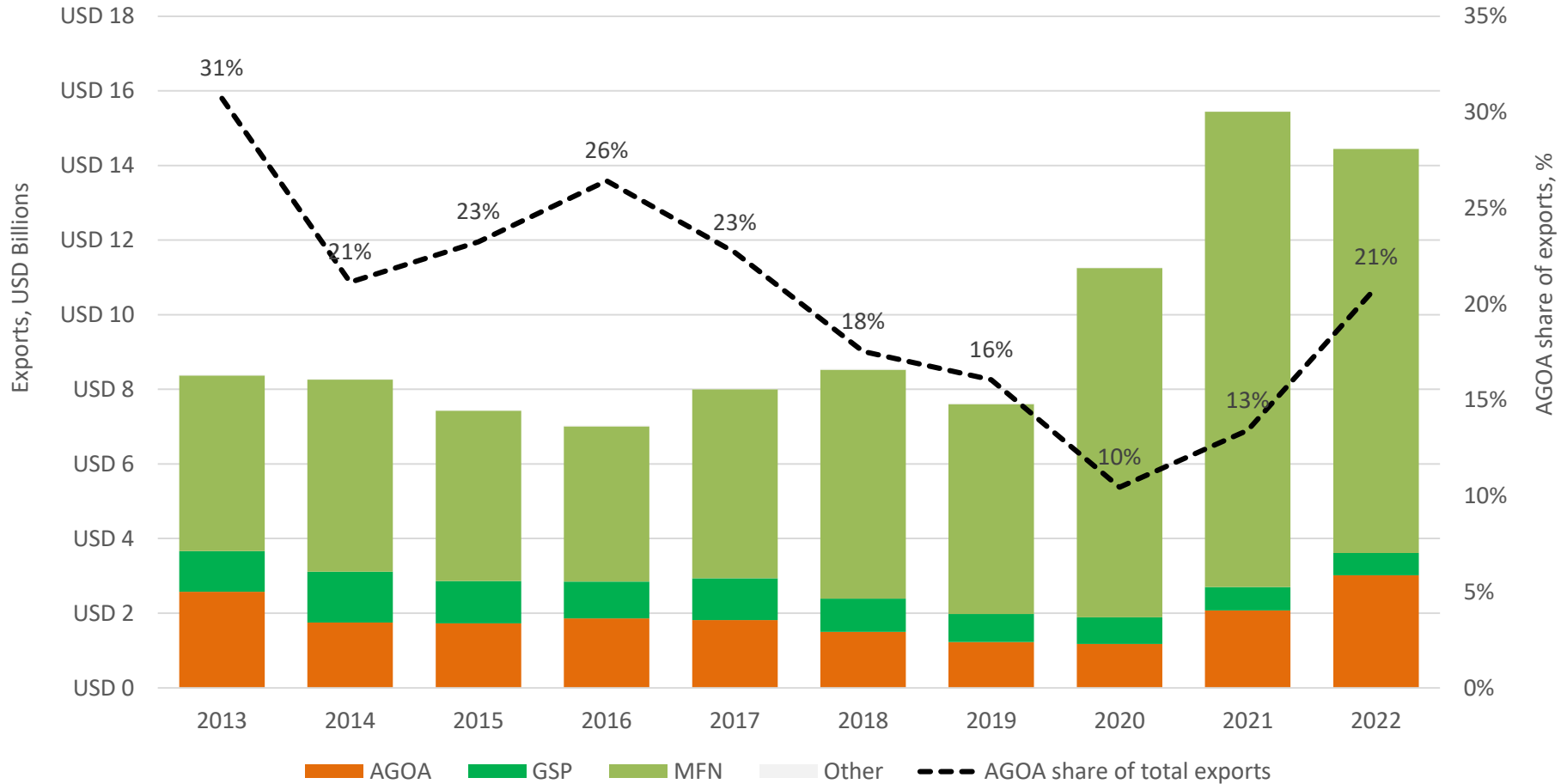
The SA-US trade framework

- South Africa exports products to the US under three trade regimes:
 - the reciprocal 'Most-Favoured Nation' terms (MFN) of the World Trade Organisation (WTO)
 - unilateral (or 'non-reciprocal') preferential market access under the African Growth and Opportunities Act (AGOA), and
 - unilateral preferential market access under the Generalised System of Preferences (GSP) programme.
- AGOA was
 - Introduced in May 2000 for a time-bound period to 2008
 - Extended in 2004 to expire on 30 September 2015
 - Extended in 2015 to expire in 2025

The SA-US trade framework

- AGOA's extension requires a decision of the US Congress and is thereafter signed into law by the US President
- GSP expired in December 2020 and has to date not yet been renewed by the US Congress.
- In terms of current US legislation however, access to AGOA continues to provide access to GSP for sub-Saharan African countries
- SA and 34 other Sub-Saharan African countries are currently eligible for preferential access for specified goods to the US market under the terms of AGOA

Benefits of AGOA





Thank you



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20