Understanding the African Growth Opportunities Act (AGOA) and its impact on the economies of South Africa and the Western Cape

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1. Introduction

South Africa enjoys duty-free market access to the United States (US) under a US law called the Africa Growth and Opportunity Act (AGOA). This Act is set to expire in 2025. Renewal of AGOA is currently uncertain; South Africa's continued inclusion in the preference programme, should it be extended, is also uncertain.

This paper provides an overview of South Africa and the Western Cape's trade and investment relationship with the US and looks at the role that AGOA plays. The research provides an in-depth overview of AGOA and how it works. This includes an analysis of South Africa and the Western Cape's trade and investment relationship with the US, the Western Cape's exposure to the US market, and the importance of AGOA to the province's labour market. The paper then looks to the future, providing an analysis of the short-, medium- and long-term realistic export opportunities for the Western Cape in the US market. Finally, we consider the importance of South Africa's role in AGOA's support of regional integration and the African Continental Free Trade Area (AfCFTA).

The research shows that South Africa has benefitted greatly from AGOA, and that a significant proportion of Western Cape exports are closely tied to AGOA. Historically, the Western Cape has adopted an export-oriented approach to development, and this is strongly reflected in the province's current five-year plan. Further, the Western Cape's Growth for Jobs Strategy (G4J) identifies exports as a priority focus area, and the Western Cape's Export Strategy 2035 seeks to position exports as a principal means for creating jobs and achieving faster economic growth and development.

2. Overview of AGOA

AGOA is not a trade agreement. Rather, it is a unilateral preference programme established by US law. Through AGOA, the US unilaterally offers duty-free access to qualifying sub-Saharan African (SSA) countries for certain products.

AGOA was signed into law by former US President Bill Clinton in 2000 and was initially set to run for eight years. Over the years there have been several extensions and amendments to this Act. In 2015, President Barack Obama extended AGOA until 2025 through the AGOA Extension and Enhancement Act of 2015.[1]

AGOA establishes criteria that must be met for a country to be eligible to receive product benefits; delineates products covered by AGOA; and establishes rules of origin for products to be eligible for AGOA benefits, including specific rules of origin for textile and apparel products.[2]

AGOA builds upon the US Generalised System of Preferences (GSP) and cannot be understood in isolation of GSP. To be eligible for AGOA, a country needs to be eligible for GSP. Both GSP and AGOA provide eligibility criteria, with which beneficiary countries need to comply.

GSP is not unique to the US. Rather, it is a system established under the World Trade Organisation (WTO) which allows developed countries to offer non-reciprocal, preferential treatment to products originating in developing countries. Developed countries that give such preferences can unilaterally determine which countries and which products are included in their schemes.[3]

The US implemented a trade preference programme under GSP in 1974 (in the Trade Act of 1974). The US GSP programme was designed to "promote economic growth in the developing world." It provides preferential duty-free access for approximately 3 500 products from "beneficiary developing countries" (BDC) around the world. An additional 1 500 GSP products are also duty-free when imported

[1] United States International Trade Commission (USITC). African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights. March 2023.
[2] United States International Trade Commission (USITC). African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights. March 2023.
[3] WTO Website.

from a "least-developed beneficiary developing country" (LDBDC). South Africa is designated as a BDC, but not a LDBDC.[4] The latest GSP programme information showed that there were 119 GSP BDCs, of which 44 were LDBDCs (noting that GSP has currently lapsed).[5]

The vast majority of GSP products are also eligible for duty-free access under AGOA. However, AGOA builds on this by offering GSP beneficiary countries in SSA additional duty-free access for up to approximately 1 700 dutiable products that are not eligible to be imported duty-free under GSP. AGOA also provides South Africa with access to many products that would otherwise only be available to LDBDC countries under GSP (approximately 30% of GSP products are reserved for LDBDCs, which equates to roughly 1 500 items).[6] Notably, AGOA adds items such as apparel and footwear, wine, certain motor vehicle components, a variety of agricultural products, chemicals, steel and many others.[7]

About 38% of tariff lines in the Harmonised Tariff Schedule of the US (HTS) are already duty-free through normal trade relations (NTR). This means that 38% of products can be imported duty-free into the US from anywhere in the world. AGOA provides an additional 47% to 59% of duty-free tariff lines, depending on whether a country has full benefits applying to textile and apparel products. Thus, should a country qualify for AGOA with full textile and apparel benefits, about 97% of its products can enter the US market duty-free. South Africa qualifies for the textile and apparel product benefits, but not for the third-country fabric provision, which is discussed in more detail below.[8]

A big benefit of AGOA is that the programme is designated to run for longer periods and does not require constant re-authorisation like GSP. It is therefore more predictable than GSP, and even though individual country eligibility is up for review each year, the programme itself is not. For example, in 2015, the programme was renewed for a period of 10 years. GSP, on the other hand, has lapsed several times in recent years, including twice during 2017–2021. It last expired on 1 January 2021 and has not been re-authorised yet, which means that currently GSP beneficiary countries are not being afforded duty-free treatment. Although there is interest[9] and mounting pressure[10] to re-authorise GSP, which usually allows for retrospective application of duty-free treatment, presently none of this is certain. Although legal authorisation for benefits under GSP expired, tariff lines covered by GSP remain eligible for AGOA beneficiaries.[11]

AGOA also provides expanded access by eliminating certain quantitative limits on GSP benefits.

2.1 AGOA objectives

Among other things, AGOA aims to promote increased trade, investment, and economic development as well as enhanced access and opportunities between the US and SSA countries. It also promotes rule of law and market-oriented reforms in SSA countries. The legislation includes the objective of expanding and deepening investment and trade relations between the US and SSA to encourage economic growth and development. It also aims to facilitate regional integration, as well as the integration of SSA with the global economy. Through these objectives, it is hoped that AGOA will contribute to the development and strengthening of emerging industries on the continent, which will in turn contribute to the socio-economic development of the region.

AGOA does not only afford trade preferences, but also provides additional benefits to beneficiaries. For example, beneficiaries can participate in the US–SSA Trade and Economic Cooperation Forum (referred to as the AGOA Forum), which seeks to foster closer economic ties between the US and

[4] U.S. Generalized System of Preferences Guidebook.
[5] USTR. GSP Programme Information: GSP by the numbers. 2021.
[6] USITC. AGOA Program Usage, Trends, and Sectoral Highlights. March 2023
[7] AGOA.info
[8] USITC. AGOA Program Usage, Trends, and Sectoral Highlights. March 2023
[9] Congressional Research Service. *Generalized System of Preferences (GSP): Overview and Issues for Congress*. November 2023. Available here.
[10] Williams, R.K & Alghazali, S. *Possible revival of the Generalized System of Preferences and its effect on the trade industry*. Reuters. January 2024. Available here.
[11] USTR. 2024 Biennial Report on the Implementation of the African Growth and Opportunity Act. June 2024. Available here.

participating countries. Various iterations of AGOA have also provided for technical assistance and trade capacity support to SSA countries.[12]

According to the 2022 Biennial Report on the Implementation of the African Growth and Opportunity Act, AGOA provides beneficiary countries with an important comparative advantage in exporting to the US, which "has helped millions of people, supported increased investment across the continent, created hundreds of thousands of new jobs in eligible countries and sectors, and helped to alleviate poverty on the continent. Additionally, AGOA has helped create a more conducive environment for American investment and business interests as African markets continue to expand. The legislation has also enabled many American companies to get a foothold into key African markets and diversify their global sourcing chains."[13]

2.2 Eligibility

AGOA establishes country and product eligibility requirements. For the purpose of this report, use is made of the eligibility description as provided by the US International Trade Commission (USITC) in their report African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights. Points A and B refer to country eligibility, whereas point C sets out product eligibility requirements:

> A. **AGOA programme eligibility:** Countries are eligible for the AGOA programme if they are designated as an SSA country for purposes of AGOA, are eligible for GSP and request to join AGOA.
>
> B. **AGOA benefits eligibility**: Countries need to be eligible for the AGOA programme and meet the AGOA benefits eligibility requirements in order to receive benefits under AGOA.
>
> C. **AGOA product eligibility:** Products imported into the US from an AGOA beneficiary are eligible for duty-free entry under AGOA if they are products covered by AGOA, meet the applicable rules of origin, and claim the preference. Certain textile and apparel imports need to meet additional product-specific eligibility requirements.

As shown from the above, simply being eligible for the AGOA programme does not automatically mean that a country is eligible to receive the benefits provided by AGOA. The country needs to meet a host of eligibility criteria on an ongoing basis. This is set out in section 502 of the 1974 Trade Act (19 U.S.C. 2462) and section 104 of AGOA (19 U.S.C. 3703).

2.2.1 GSP eligibility criteria

To be eligible for AGOA, a country needs to be eligible for GSP. GSP eligibility criteria are set out in the Trade Act of 1974 and cover a range of issues, including workers' rights, arbitral awards, and intellectual property rights. In addition, GSP entails an income limit requiring a beneficiary developing country to ''graduate" from the programme if it becomes a high-income country. A country's income level is based on the World Bank's income groups, which are updated annually. The Seychelles and Equatorial Guinea, for example, have lost AGOA programme eligibility because of their income-based graduation from GSP.

Qualifying beneficiary countries are assessed triennially to determine if they continue to meet the GSP eligibility criteria. According to these assessments, or in response to a petition from an interested party, a beneficiary country may be subject to a formal GSP country practice review. During these reviews, beneficiary countries retain GSP benefits.

[12] USITC. AGOA Program Usage, Trends, and Sectoral Highlights. March 2023.
[13] USTR. 2022 Biennial Report on the Implementation of the African Growth and Opportunities Act. June 2022.

As of November 2022, three SSA countries were subject to ongoing GSP country practice reviews. These reviews assess whether the relevant governments are taking sufficient measures to satisfy the GSP statutory eligibility criteria on intellectual property rights (South Africa) and workers' rights (Zimbabwe and Eritrea). Due to GSP expiration, however, the United States Trade Representative (USTR) does not expect to move towards final determinations of these reviews while the programme is without authorisation.[14]

2.2.2 AGOA benefits eligibility

Eligibility for AGOA benefits cover a range of criteria, organised into five categories:

- **Economic**, which entails criteria regarding market economy, economic reform, and the elimination of barriers to US trade
- **Political**, which covers considerations in relation to rule of law, political pluralism, and anti-corruption
- **Poverty reduction**, which considers policies aimed at reducing poverty
- **Labour and human rights,** which stipulates certain criteria on worker rights, forced labour, child labour, and other human rights
- **Terrorism and security**, which requires that the country does not engage in activities that undermine US national security or foreign policy interests or engage in gross violations of internationally recognised human rights.

It is important to note that AGOA does not set a minimum threshold for meeting most eligibility requirements. Instead, it requires that countries "make continual progress toward establishing" them, which is a standard more demanding than the standard of "taking steps" encapsulated in GSP. This standard allows the President discretion to consider each country's circumstances and context when evaluating its eligibility.

AGOA requires the President to monitor and determine, annually, whether a country meets the AGOA eligibility requirements.[15] The process includes an annual public comment period and hearing, and as amended by the 2015 re-authorisation, allows for out-of-cycle reviews (outside the annual review period) in response to public petitions. The Administration may remove country eligibility entirely or for specific products but must notify Congress 60 days before any termination.[16] (The President has delegated authority for this review to the USTR, who leads the annual interagency eligibility review that provides recommendations to the President).

In October 2023, the Biden Administration announced the removal of beneficiary status from Gabon, Niger, Central African Republic and Uganda from 1 January 2024.[17] Furthermore, Mauritania was re-instated from the same date according to an announcement by the While House on 29 December 2023.[18] Thus, according to a list by the Office of the USTR, as of 2024 there are 32 AGOA-eligible countries.[19]

2.2.3 Product eligibility

Shifting the focus from the eligibility of the country to that of the products, the next consideration is that products being imported into the US from an AGOA beneficiary would only be eligible for duty-free entry under AGOA if they've met the law's product descriptions.

[14] USTR. GSP Expiration: Frequently Asked Questions. January 2021.
[15] USITC AGOA: Program Usage, Trends, and Sectoral Highlights. March 2023.
[16] Congressional Research Service. In Focus: African Growth and Opportunity Act. 5 May 2023.
[17] Tralac. Notice of intention to terminate AGOA preferences for Uganda, Gabon, Niger and the Central African Republic, reinstate Mauritania. 31 October 2023. Available here.
[18] Tralac. AGOA Country Eligibility. Available here.
[19] Office of the United States Trade Representative. List of eligible countries. 2024. Available here.

AGOA authorises the President to designate “import-sensitive” products for duty-free treatment. These can be divided into two groups: (1) benefits available to all AGOA beneficiaries and (2) textile and apparel benefits available to subsets of AGOA beneficiaries meeting certain additional provisions.[20]

The first group contains fewer than 275 non-textile and apparel products for which all AGOA beneficiaries are eligible for duty-free treatment.

The second, larger group is composed of textile and apparel benefits available to subsets of AGOA beneficiaries. This group contains most textile and apparel products and represents a significant expansion of benefits offered under AGOA, in comparison to those offered under GSP. In 2022, 24 out of the 36 AGOA beneficiaries (including South Africa) qualified for some, or all, of these textile and apparel benefits, and 23 countries qualified for the third-country fabric provision (excluding South Africa).[21]

All textile and apparel benefits are subject to requirements that the country has legal and administrative procedures for preventing transhipment.

In addition, only countries designated as lesser-developed beneficiaries are eligible for the third-country fabric provision (3CF). This allows them to export apparel made from fabric of any origin to the US duty-free. The 3CF provision is available only to AGOA-eligible countries that have satisfied the eligibility criteria for the textile and apparel provisions, and in addition have been designated as AGOA lesser-developed beneficiary countries. In 2022, South Africa was the only country eligible for textile and apparel benefits that did not qualify for the 3CF provision.[22]

In order to qualify for benefits, those products designated as eligible for AGOA also need to comply with the rules of origin. There are general rules of origin, and special rules of origin for textiles. In general, at least 35% of the value of a product must be grown, produced, or manufactured in the supplying AGOA beneficiary country or in another AGOA beneficiary country (referred to as cumulation, which supports regional integration). In addition, up to 15% of the 35% of “local content” can be US parts or materials.

Textiles and apparel have a host of additional rules of origin[23].

2.3 Additional considerations

2.3.1 AGOA utilisation

AGOA utilisation, according to the USITC, looks at the rate at which US imports of AGOA- or GSP-covered products from an AGOA beneficiary claim the AGOA preference.

Preferences can go unclaimed for a variety of reasons. Preferences might not be claimed if the cost of AGOA compliance outweighs the cost of the Normal Trade Relations duty (NTR, i.e. the general duty). This is particularly true when the US is a low-volume export destination for exporters. This was cited by a number of South African exporters as a reason for not claiming AGOA preferences (including in the wine industry).

Preferences will also not be claimed if a product does not meet the rules of origin, i.e., that 35% of the content is not local or sourced from an AGOA beneficiary country. An additional challenge here can be obtaining certification to prove that the rules of origin have been met.

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[20] USITC AGOA: Program Usage, Trends, and Sectoral Highlights. March 2023.

[21] USITC AGOA: Program Usage, Trends, and Sectoral Highlights. March 2023.

[22] USITC AGOA: Program Usage, Trends, and Sectoral Highlights. March 2023.

[23] USITC AGOA: Program Usage, Trends, and Sectoral Highlights. March 2023.

Sectors where the average NTR duty is higher show a more efficient usage of AGOA, with the highest utilisation rates found where products carry the highest NTR duties.[24] This is significant in the case of the Western Cape, where utilisation is high, and concentrated in products that carry high NTR duties; particularly agricultural products.

2.3.2 US Imports of AGOA products

According to the USITC AGOA: Program Usage, Trends, and Sectoral Highlights report, imports from AGOA beneficiaries claiming a preference programme have consistently represented less than 1% of total U.S. imports by value, in current dollars since the program's inception.

Crude petroleum has historically dominated trade under AGOA and is responsible for most of trade value. The largest value-added sector was textile and apparel, which accounted for 33% of non-crude petroleum imports in 2021.[25]

3. South Africa and the Western Capeꞌs Economic Relationship with the US

South Africa, and in particular the Western Cape province, share a strong economic relationship with the US. Over the past two decades, the US has been the top source of foreign direct investment (FDI) in the Western Cape measured in capex and is among the province's top four export markets. The US was also the second largest source market for tourism in the Western Cape in 2022, while ranking as the second largest source market for air arrivals to Cape Town through Cape Town International Airport.

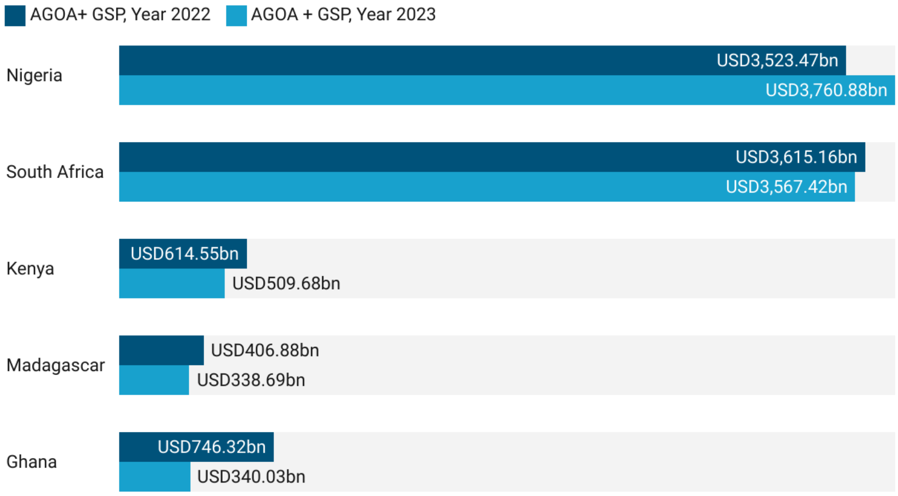
This section shows that South Africa is the second-largest user of AGOA, behind Nigeria whose AGOA/GSP exports are predominantly concentrated in oil exports; that South Africa has maintained a trade surplus with the US since the inception of AGOA; that AGOA plays a crucial role at sector level; and that a number of those sectors that benefit the most from AGOA are situated in the Western Cape.[26]

3.1 Trade

Although South Africa was the top AGOA (including GSP) exporter to the US in 2022, having exported goods valued at a total USD3,615.16 billion, Nigeria surpassed South Africa in this position in 2023, primarily due to increased crude oil exports to the US. This can be seen in Figure 1. Nigeria experienced a year-on-year growth rate of 6.74% in AGOA (including GSP) exports, rising from USD3,523.57 billion in 2022 to USD3,760.88 billion in 2023. On the other hand, South Africa's AGOA (including GSP) exports to the US contracted by 1.32% during the same period, declining from USD3,615.16 billion in 2022 to USD3,567.42 billion in 2023.

[24] USITC AGOA: Program Usage, Trends, and Sectoral Highlights. March 2023.
[25] USITC AGOA: Program Usage, Trends, and Sectoral Highlights. March 2023.
[26] **Important note regarding AGOA trade data**: Data showing trade under AGOA (and GSP) is sourced from the United States International Trade Commission (USITC) database. This data, showing trade for which AGOA preferences were claimed, is only available at a national level. Provincial- level trade data is sourced from Quantec and inferred to be traded under AGOA based on eligibility of specific HS Codes for AGOA /GSP. In some instances, the product qualifies for AGOA, however the NTR duty is zero or very low, making it unnecessary to claim benefits. Also note that available USITC data includes the period only up to 2023.

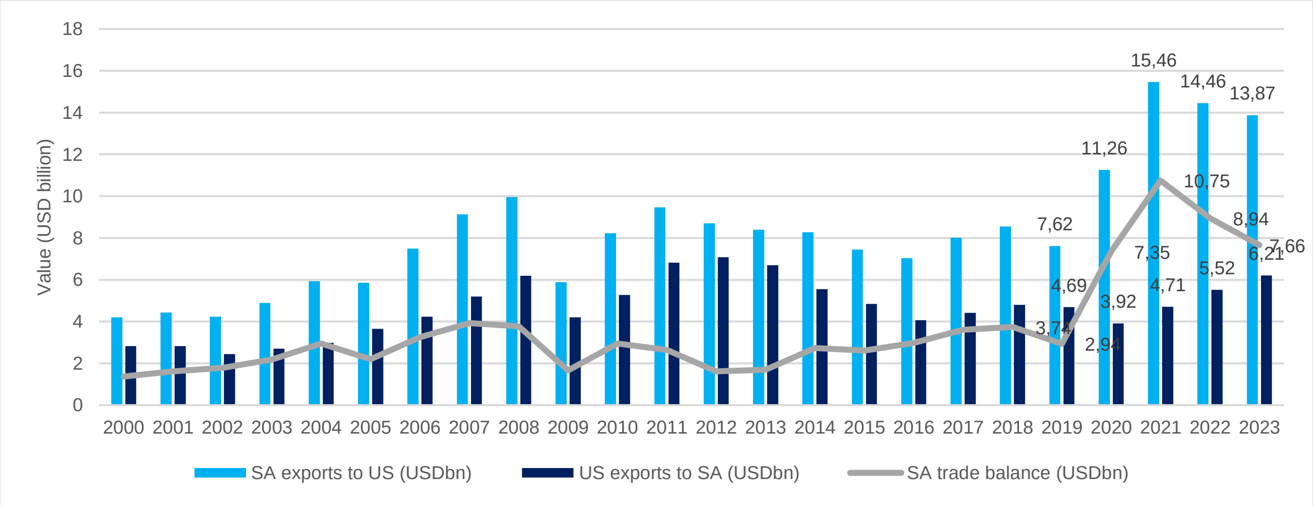
Figure 1: Top 5 Leading AGOA (including GSP) exporters, 2023 vs 2022



Source data: USITC Dataweb, 2024

Figure 2 shows that South Africa has consistently maintained a trade surplus with the US over the past two decades. This peaked at USD15.46 billion in 2021 after a robust recovery from the challenges posed by the Covid-19 pandemic in 2019–2020. However, South Africa's exports to the US have gradually declined since reaching this peak and settled at USD13.87 billion in 2023. On the other hand, US exports to South Africa have been on the rise since a low of USD3.92 billion in 2020, reaching USD6.21 billion in 2023. Consequently, the trade surplus decreased from USD10.75 billion in 2021 to USD7.66 billion in 2023. The decline in South Africa's exports to the US can primarily be attributed to a weaker performance in platinum exports, which decreased from USD7.68 billion in 2021 to USD3.59 billion in 2023, largely due to suppressed platinum group metal prices in 2023.

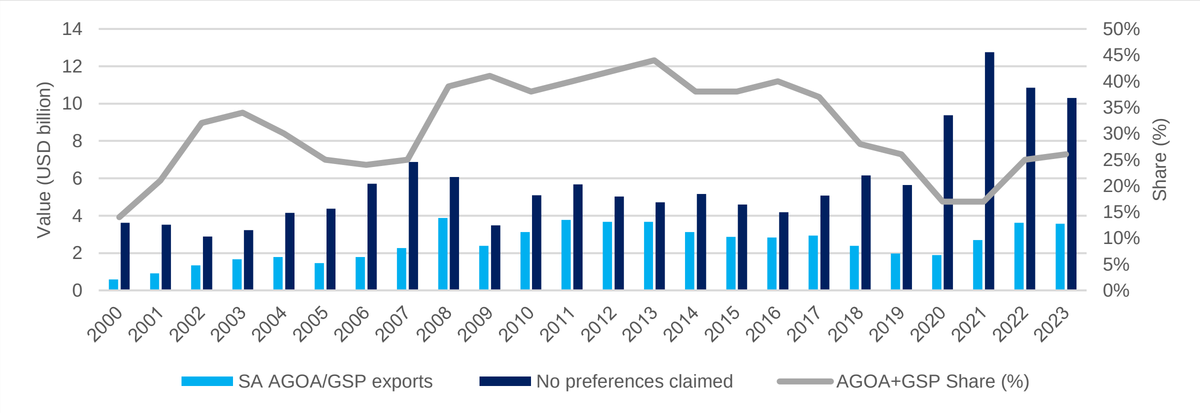
Figure 2: South Africa's total bilateral trade with the US, 2000–2023



Source data: USITC Dataweb, 2024

In 2022, South Africa experienced a notable increase in its AGOA (including GSP) exports to the US, having risen by 34% from USD2.7 billion in 2021 to USD3.62 billion, as shown in Figure 3. Despite an overall decline in exports of USD991 million, the proportion of AGOA-related exports surged, elevating AGOA's share of South Africa's exports to the US from 17% in 2021 to 25% in 2022. However, this upward trend has since moderated, with both overall exports to the US and AGOA-related exports showing a decline, albeit at different rates. AGOA (including GSP) exports accounted for 26% of South Africa's overall exports to the US in 2023, slightly higher than the 25% recorded in 2022, while the value of exports in which no preferences were claimed decreased from USD10.85 billion in 2022 to USD10.30 billion in 2023. Overall, AGOA (including GSP) exports accounted for an annual average of 31% of South Africa's exports to the US from 2000–2023.

Figure 3: South Africa's exports to the US by programme, 2000–2023



Source: USITC Dataweb, 2024

As depicted in Figure 4, in 2023 approximately 26% of South Africa's total exports were designated under the AGOA/GSP preference programmes for entry into the US. The total value of these exports amounted to USD3.57 billion, marking a slight increase of 1% from the 25% utilisation rate in 2022. Furthermore, utilisation rates varied notably across different product sectors, with the leather and allied products sector showing a utilisation rate of 91%, followed by agricultural products at 87% in 2023. Similarly, sectors such as transportation equipment, beverages and tobacco products, and plastics and rubber products demonstrated high utilisation rates at 87%, 85%, and 72%, respectively.

Figure 4: Top 10 AGOA-utilising sectors in South Africa, 2023

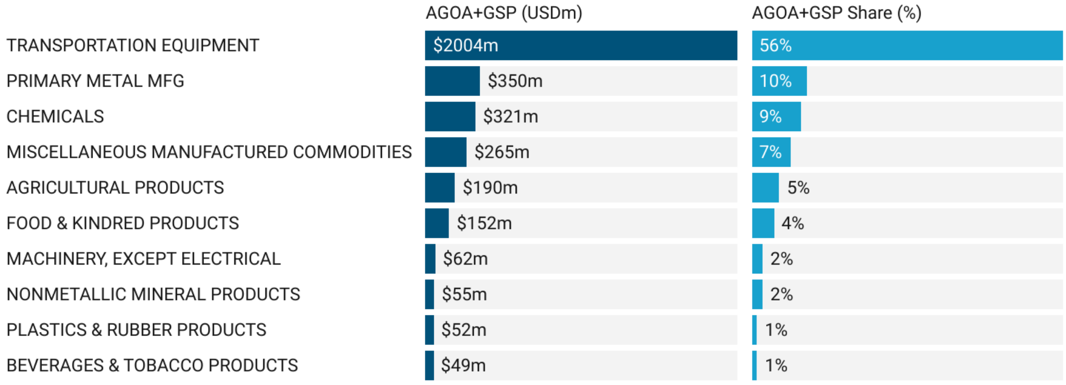
Description	Total SA exports to US (USDm)	AGOA+GSP (USDm)	AGOA+GSP (%)	No program claimed (%)
LEATHER & ALLIED PRODUCTS	$15.44m	$14.12m	91%	9%
AGRICULTURAL PRODUCTS	$219.17m	$190.25m	87%	13%
TRANSPORTATION EQUIPMENT	$2310.49m	$2003.95m	87%	13%
BEVERAGES & TOBACCO PRODUCTS	$58.08m	$49.22m	85%	15%
PLASTICS & RUBBER PRODUCTS	$71.68m	$51.70m	72%	28%
FOOD & KINDRED PRODUCTS	$212.63m	$152.16m	72%	28%
WOOD PRODUCTS	$7.14m	$5.07m	71%	29%
NONMETALLIC MINERAL PRODUCTS	$92.98m	$55.26m	59%	41%
CHEMICALS	$717.49m	$321.17m	45%	55%
FABRICATED METAL PRODUCTS, NESOI	$58.87m	$23.25m	39%	61%
Total	**$13861.74m**	**$3566.49m**	**26%**	**74%**

Source: USITC Dataweb, 2024

Just over a quarter of South Africa's exports to the US were attributed to AGOA/GSP trade in 2023. Most of this trade was concentrated in the transportation equipment sector, which exported USD2 billion worth of AGOA/GSP goods, representing more than half of total AGOA exports to the US in 2023. This can be seen in Figure 5. Primary metal MFG ranked second, contributing 10% of total AGOA/GSP exports valued at USD350 million in 2023, followed by the chemicals industry, which accounted for 9%

of total AGOA/GSP exports from South Africa in the same year. The remainder of the top 10 AGOA/GSP exporting sectors are displayed in Figure 5.

Figure 5: Top 10 AGOA-exporting sectors in South Africa, 2023



Source: USITC Dataweb, 2024

Figure 6 demonstrates that at the category level, motor vehicles designed to transport people emerged as the primary AGOA export from South Africa. This sector exported goods valued at a total of USD1.86 billion, constituting 52.43% of the country's AGOA exports in 2023. Furthermore, there was a notable expansion in this sector's exports from South Africa to the US during the same year, as the sector experienced a remarkable growth rate of 26.04%. Ferroalloys; and citrus fruit, fresh or dried, ranked second and third in the top three AGOA exports to the US, having collectively attained a value of USD429.28 million and contributing 12% to AGOA trade in 2023.

Figure 6: Top 10 AGOA export product categories (HS4) in South Africa, 2023

HS Code	Description	AGOA+GSP, 2023 (USDm)	Share (%), 2023	Growth (%), 2022-2023	Western Cape Share (%)
8703	MOTOR VEHICLES DESIGNED TO TRANSPORT PEOPLE	$1868.16m	52.43%	26.04%	0%
7202	FERROALLOYS	$298.26m	8.37%	-37.25%	0%
805	CITRUS FRUIT, FRESH OR DRIED	$131.02m	3.68%	-1.22%	98%
7113	ARTICLES OF JEWELRY AND PARTS THEREOF	$253.55m	7.12%	-37.82%	95%
8903	YACHTS, ROW BOATS AND CANOES	$84.07m	2.36%	39.85%	2%
3823	INDUSTRIAL MONOCARBOXYLIC FATTY ACIDS	$59.33m	1.67%	-19.02%	0%
8409	ENGINES PARTS	$56.77m	1.59%	-5.59%	89%
2204	WINE OF FRESH GRAPES	$45.42m	1.27%	-31.04%	98%
802	NUTS NESOI, FRESH OR DRIED	$39.74m	1.12%	-46.47%	1%
2843	COLLOIDAL PRECIOUS METALS	$47.11m	1.32%	154.66%	0%

Data source: USITC Dataweb and Quantec, 2024

Looking at exports listed under the HS6 product code, passenger vehicles featuring an engine capacity exceeding 1,500cc but less than 3,000cc emerged as the foremost AGOA export from South Africa. As Figure 7 indicates, this category experienced a year-on-year growth of 25.99% in 2023, equivalent to 52.28% of AGOA exports to the US during the same period. Jewellery and parts thereof, of precious metal other than silver secured the second position, contributing 7.12% to AGOA exports (at an export value of USD252.55 million), while ferrosilicon manganese ranked third, commanding a share of 2.61% in 2023. As per the USITC AGOA Programme Usage Report, transportation equipment dominated as the primary AGOA import sector from 2008 to 2017, until the production of specific luxury passenger vehicles relocated from South Africa to Tuscaloosa, Alabama.[27]

Figure 7: South Africa's top 10 exports (HS6) under AGOA (incl GSP), 2023

HS code	Description	AGOA+GSP (USDm), 2023	Share (%), 2023	Growth (%), 2022-2023	Western Cape Share (%)
8703.23	PASSENGER VEHICLES WITH CAPACITY >1,500 CC &<3,000 CC	$1861.22m	52.28%	25.99%	0%
7113.19	JEWELRY AND PARTS THEREOF, OF PRECIOUS METAL OTHER THAN SILVER	$253.55m	7.12%	-37.75%	95%
7202.30	FERROSILICON MANGANESE	$93.03m	2.61%	-5.89%	0%
7202.41	FERROCHROMIUM	$143.47m	4.03%	-44.75%	0%
8903.32	MOTORBOATS: LENGTH >7.5m but <24m	$66.16m	1.86%	42.31%	0%
805.10	ORANGES, FRESH	$59.77m	1.68%	2.34%	100%
3823.70	INDUSTRIAL FATTY ALCOHOLS	$59.33m	1.67%	-19.02%	0%
8409.99	NESOI ENGINE PARTS	$56.67m	1.59%	-5.70%	90%
805.21	MANDARINS (INCLUDING TANGERINES AND SATSUMAS)	$47.92m	1.35%	-19.70%	99%
2843.90	INORGANIC OR ORGANIC COMPOUNDS OF PRECIOUS METALS	$47.11m	1.32%	154.66%	0%

Data source: USITC Dataweb and Quantec, 2024

Figure 8 shows the top 10 Western Cape exports to the US in 2023. Some 50% of the province's top 10 products, at an HS4 level, are AGOA eligible. And looking at the products from the perspective of an HS6 level, six out of the top 10 are eligible to enter the US under AGOA preference. Given that AGOA product eligibility is set at HS 8 level, further analysis at HS 8 level appears to show that this trend holds insofar as Western Cape exports fall under those HS 8 tariff lines that qualify for AGOA. From industry interaction and a tariff analysis, it is known that AGOA preferences make a significant difference when it comes to yachts, certain engine parts, citrus, wine and fruit juice.

Figure 8: Western Cape's top export products (HS4) to the US, 2023

HS code	Product (HS4)	Export value (USDm), 2023	Share (%), 2023	Growth (%), 2022-2023
7113	ARTICLES OF JEWELRY AND PARTS THEREOF	$140.95m	16.46%	3.66%
805	CITRUS FRUIT, FRESH OR DRIED	$117.60m	13.73%	26.34%
7210	IRON AND STEEL (FLAT-ROLLED), WIDTH>600mm	$76.89m	8.98%	-35.19%
8409	ENGINES PARTS	$62.92m	7.35%	2.62%
2204	WINE OF FRESH GRAPES	$38.59m	4.51%	-15.53%
8529	ELECTRICAL MACHINERY AND EQUIPMENT PARTS	$30.86m	3.60%	39.36%
302	FISH	$27.58m	3.22%	39.33%
2513	PUMICE STONE	$24.99m	2.92%	2.98%
306	CRUSTACEANS	$22.37m	2.61%	20.13%
2008	PROCESSED/PREPARED FRUIT AND NUT	$21.48m	2.51%	-4.85%
	Total	**$856.39m**		**3.55%**

Data source: Quantec, 2024

[27] USITC AGOA: Program Usage, Trends, and Sectoral Highlights. March 2023.

3.2 Investment

South Africa hosts over 600 companies from the US.[28] Over the past 21 years (2003–2023), the US has been South Africa's primary source market for FDI projects, having been responsible for a total of 517 projects which is equivalent to a share of 20% of the total number of global projects invested in South Africa during this period. Figure 9 shows that the software and IT services sector was in top position for FDI projects in South Africa, with 125 projects having been established, representing 25% of the total number of projects. Business services (78 projects) and communications (63 projects) followed, together having accounted for just over half of the total projects invested in South Africa from the US over the past 21 years.

While historically ranking as the second-largest source of FDI capital expenditure, the US was surpassed by significant investments from the United Arab Emirates (UAE) in South Africa's real estate and renewable energy sectors in 2022 and 2023, thereby dropping to third position. Overall, US investments in South Africa over the past two decades amounted to a total capital expenditure of ZAR313.85 billion from 2003 to 2023. Most of the capex was directed at the communications, software and IT services, and automotive OEM sectors. Together, these comprised a cumulative FDI capex value of ZAR163.78 billion and accounted for 52% of FDI capex flows from the US into South Africa over the past two decades.

Figure 9: FDI from the US in South Africa, 2003–2023

Top 10 Sectors, by projects	Projects	Share of US projects (%)	Top 10 Sectors, by capex	Capex (ZARbn)	Share of US Capex (%)
Software & IT services	125	24%	Communications	R87.66bn	28%
Business services	78	15%	Software & IT services	R40.96bn	13%
Communications	63	12%	Automotive OEM	R35.17bn	11%
Industrial equipment	24	5%	Business services	R26.97bn	9%
Automotive OEM	22	4%	Renewable energy	R23.90bn	8%
Food & Beverages	22	4%	Coal, oil & gas	R20.66bn	7%
Financial services	21	4%	Real estate	R14.19bn	5%
Consumer products	20	4%	Food & Beverages	R11.13bn	4%
Chemicals	18	3%	Transportation & Warehousing	R9.82bn	3%
Transportation & Warehousing	16	3%	Consumer products	R8.88bn	3%
Total	**517**		**Total**	**R313.85bn**	

Data source: fDi Markets, a service from The Financial Times, 2024

Regarding the Western Cape, the US emerged as the primary source market for FDI capex during the past 21 years, having contributed a total of ZAR56.78 billion, representing slightly over 21% of the province's total capital inflows. Figure 10 shows that most of these capital investments were allocated to the Western Cape's communications sector: ZAR17.5 billion in capex was invested in this sector, which was nearly one-third of the FDI from the US. In addition, significant investments were directed towards these other sectors: real estate (ZAR13.29 billion), software and IT services (ZAR10.47 billion), business services (ZAR7.01 billion), and coal, oil, and gas (ZAR2.06 billion). Collectively, these sectors accounted for approximately 90% of the total US investment in the Western Cape over the past two decades.

During the past 21 years, the US has played a significant role as a source market for FDI projects in the Western Cape, trailing the United Kingdom by a margin of 14 projects. In total, the US has invested in 119 projects in the Western Cape, representing a share of 22% of the total number of projects invested in the region globally. Close on one-third (33) of these projects were directed towards the software and IT services sector, followed by business services (23 projects), communications (15

[28] According to the American Chamber of Commerce South Africa.

projects), food and beverages (six projects), and consumer products (five projects). Collectively, projects in these sectors constituted more than two-thirds of the investment projects from the US in the Western Cape.

Figure 10: FDI from the US in the Western Cape, 2003–2023

Top 10 Sectors, by projects	Projects	Share of US projects (%)	Top 10 Sectors, by capex	Capex (ZARbn)	Share of US Capex (%)
Software & IT services	33	28%	Communications	R17.51bn	31%
Business services	23	19%	Real estate	R13.30bn	23%
Communications	15	13%	Software & IT services	R10.47bn	18%
Food & Beverages	6	5%	Business services	R7.01bn	12%
Consumer products	5	4%	Coal, oil & gas	R2.06bn	4%
Chemicals	4	3%	Consumer products	R1.44bn	3%
Coal, oil & gas	4	3%	Food & Beverages	R1.00bn	2%
Financial services	4	3%	Financial services	R0.81bn	1%
Textiles	4	3%	Pharmaceuticals	R0.80bn	1%
Automotive OEM	3	3%	Chemicals	R0.59bn	1%
Total	**119**		**Total**	**R56.77bn**	

Data source: fDi Markets, a service from The Financial Times, 2024

In recent years, key sectors in the Western Cape attracting US FDI (in terms of capex) include software technology, business services, communications, food and beverages, and pharmaceuticals. Together, these sectors accounted for 98.67% of capital expenditure inflow from the US into the Western Cape from 2019 to 2023 In addition, the leisure & entertainment and industrial equipment sectors in the Western Cape have also attracted FDI from the US. Many sectors in which the US has investments in South Africa significantly benefit from AGOA.

4. AGOA's Impact on the Western Cape

4.1 Trade

4.1.1 Exports

The main AGOA-related sectors analysed in this section are those that have been identified to be the most significant by Tralac (The Trade Law Centre) and include:

- Primary agriculture
- Wood products
- Mining and quarrying: primary metals
- Food processing: Food, beverages, and tobacco
- Textiles, Clothing and Leather Goods
- Basic chemicals
- Metals, metal products, machinery, and equipment
- Non-metallic mineral products
- Petroleum products, chemicals, rubber, and plastic
- Transport equipment
- Other manufacturing groups

An examination of these sectors provides a relatively complete picture of the importance of AGOA to the exporting capacity of the Western Cape, and more importantly, an insight into AGOA's effect on employment levels in the Western Cape.

Figure 11 illustrates a notable surge in the top 10 AGOA-related exports from the Western Cape to global markets, which increased by a substantial 10.60% increase in 2023. This growth trajectory placed the share of the top 10 AGOA-related exports from the province at an impressive 80.2% (up from 79% in 2022), while the share of these same exports to the US stood at 6% of Western Cape's exports in 2022, declining slightly from 6.53% in 2023. These figures underscore the importance of AGOA-related exports to the economy of the Western Cape. Looking at sectors in Figure 11, the agricultural sector emerged as the dominant player, commanding a substantial 40% share of total AGOA-related exports from the province to the world in 2023, followed by food manufacturing with a lesser share of 14.5%. In addition, the metals and oil sectors experienced remarkable growth in exports to the world, registering increases of 59.10% and 44.10% respectively from 2022 to 2023.

The data presented in Figure 11 highlights the pivotal role of the AGOA-related sector trade in bolstering the Western Cape's export activity and serving as a catalyst for economic growth in the region. However, to provide a comprehensive evaluation of the potential impact of any changes in AGOA preferences on these exports, a thorough analysis of their relationship with the US market is essential. This aspect will be explored in the following section, which aims to provide insights into the implications of adjustments in AGOA policy on the Western Cape's export dynamics.

Figure 11: Western Cape's top 10 AGOA-related exporting sectors to the world, 2023

Sector	Value, 2023 (ZARbn)	Growth (%), 2022-2023	Share of WC exports, 2023 (%)	Share of AGOA-related sectors (%)
Agriculture	R64.97bn	12.20%	32.1%	40.0%
Food	R23.49bn	7.90%	11.6%	14.5%
Coke, petroleum products and nuclear fuel	R20.45bn	44.10%	10.1%	12.6%
Beverages and tobacco	R13.18bn	-5.90%	6.5%	8.1%
Metals	R9.44bn	59.10%	4.7%	5.8%
Other manufacturing groups	R8.44bn	-15.20%	4.2%	5.2%
Machinery and equipment	R7.88bn	17.60%	3.9%	4.9%
Other chemical products	R6.60bn	0.00%	3.3%	4.1%
Motor vehicles, parts and accessories	R4.92bn	8.70%	2.4%	3.0%
Basic iron and steel products; casting of metal	R3.06bn	-41.80%	1.5%	1.9%
Total AGOA-related exports	R162.42bn	10.60%	80.2%	100.0%
WC total exports	R202.58bn			

Source: Quantec and own calculations, 2024

Figure 12 offers a comprehensive overview of the Western Cape's top 10 exporting sectors which benefit from AGOA and sheds light on their susceptibility to potential changes in AGOA preferences. Among these sectors, the basic iron and steel products; casting of metal industry emerges as particularly sensitive to alterations in AGOA's status, with a significant portion of its exports – amounting to 46.54% – targeted for the US market. Although the overall volume of exports from the Western Cape's basic iron and steel industry to the global market may be modest, a substantial proportion of these exports is directed towards the US and would like to be subject to the duty-free import provisions facilitated by AGOA. It is worth noting that while not all products in this sector are eligible for AGOA benefits, nor do all products carry tariffs,[29] this sector appears to be the most susceptible to any shifts

[29] Noting also the US's Section 232 tariffs on certain steel products.

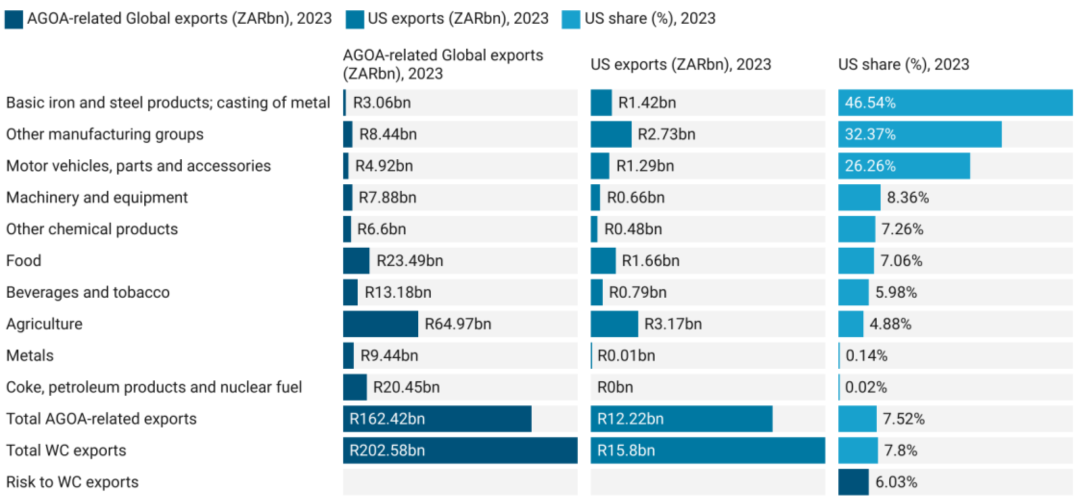
in AGOA's framework when looking at the issue from a broader perspective. Sectors like motor vehicles, parts and accessories; as well as other manufacturing groups follow a similar trajectory.

On the other hand, while the agricultural sector maintained its supremacy in the Western Cape's export landscape, with a substantial value of ZAR64.97 billion exported to global markets in 2023, the specific portion of agricultural produce earmarked for export to the US stood at a comparatively modest ZAR3.17 billion. Consequently, the agricultural sector exhibits a lower susceptibility to potential changes in AGOA status compared to the previously mentioned sectors. This diminished exposure stems from the fact that only a fraction of the Western Cape's extensive agricultural export base is designated for the US market. However, the agricultural sector is the most susceptible regarding the employment repercussions stemming from alterations in AGOA status, as will now be demonstrated.

The agricultural sector emerges as highly susceptible to shifts in AGOA policy. Steel exports from the Western Cape, primarily categorised as HS7210, are largely duty-free. Conversely, agricultural exports face significant vulnerability due to their high concentration and the imposition of substantial duties on corresponding tariff lines. AGOA preferences in the agricultural sector thus provide significant competitive advantage. Exporters conveying goods to the US market report fetching notably higher premiums for their products, a demand that cannot be swiftly redirected to alternative markets.

Taking into consideration the assumption that all products falling within these AGOA-related exporting sectors maintain AGOA eligibility, and with the GSP preference system not being re-authorised, it can be projected that in a worst-case scenario, approximately 6% of the Western Cape’s total exports face potential vulnerability.

Figure 12: Western Cape’s risk to exports among the top 10 AGOA-related exporting sectors to the US, 2023



Source: Quantec and own calculations, 2024

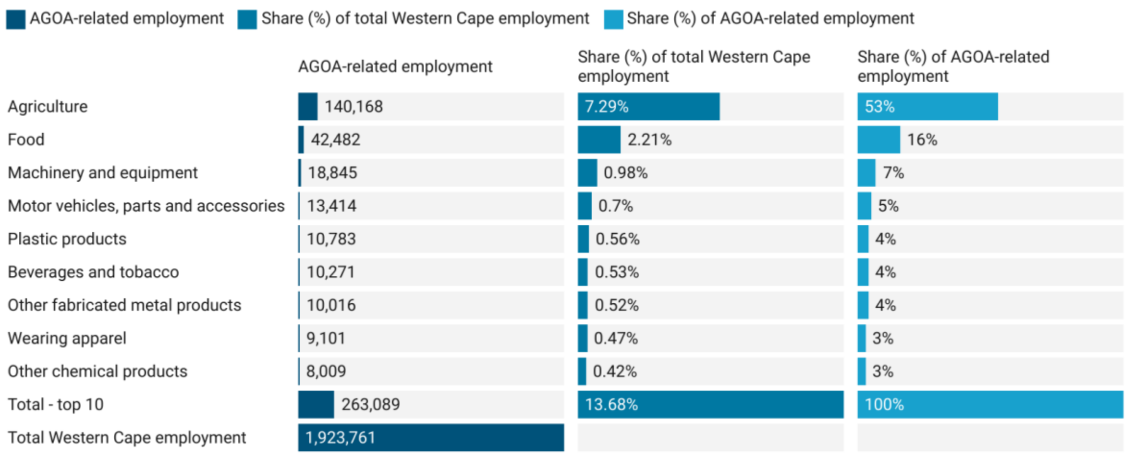
4.2 Importance of AGOA to the Western Cape labour market

The labour market plays a crucial role in the development of any economy. Workers supply labour in exchange for wages, and firms demand labour as an input into production. Basic labour theory suggests that the level of labour demand is determined by the output of a firm, among other factors. That is, an increase in a firm’s output would result in an increase in labour demand. An extension of this would be to say that as a firm’s exports increase, so would the labour demand increase to meet the additional production requirements. Conversely, as workers’ productivity increases, the demand for labour should decrease as less labour is required per unit of output. In turn, as the level of employment in an economy increases (labour supply), so does employment in other related sectors increase through growth in spending in the economy – generally through a multiplier effect. This section analyses the labour market in the Western Cape, particularly in regard to the relationship between labour and the considered AGOA-related exporting sectors in the Western Cape.

Total formal employment in the Western Cape's top 10 AGOA-related export sectors reached 263,089 in 2022, accounting for 13.68% of the total figure of 1,923,761 formally employed persons in the province in that year. Agriculture was the largest contributor to employment among AGOA-related exporting sectors in the Western Cape, having accounted for 7.29% of the total labour stock in 2022, as shown in Figure 24. However, when considering only the top 10 AGOA-related sectors, 53% of AGOA-related labour was concentrated in the agricultural sector. This is expected since the largest AGOA-related exporting sector is agriculture, which indicates the importance of agricultural exports to labour demand, not only within the agricultural sector, but also for the Western Cape economy.

The food sector followed a similar trajectory, ranking as the second-largest employer of the Western Cape's labour pool in AGOA-related exporting sectors and accounting for 2.21% of the total formal labour stock in the Western Cape in 2022. Again, when considering only AGOA-related exporting sectors, the employment share in the food industry increased to 16%. In contrast, sectors such as motor vehicles, parts and accessories; plastic products; and beverages and tobacco all accounted for less than 1% of the formal labour stock in the AGOA-related exporting sectors in the Western Cape in 2022.

Figure 13: Top 10 employers in AGOA-related exporting sectors, 2022



Source: Quantec and own calculations, 2024

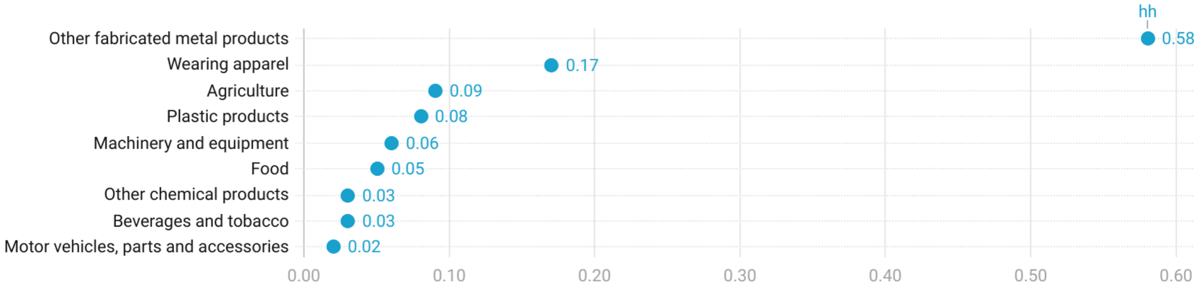
As noted, the level of exports is a fundamental theoretical determinant of the level of employment. That is, if the level of exports increases, so would employment in an industry. Conversely, if the level of exports were diminished, one would expect a fall in employment levels. Consequently, the effects of export changes on employment are even more important when considering industries that rely more on labour to produce exports, i.e., those industries that are more labour intensive than others.

Figure 25 shows the top 10 AGOA-related employers and their relative labour intensity by sector. Evidently, labour intensity was high in the other fabricated metal product sector, with 0.58 labour hours[30] needed to produce one rand's worth of other fabricated metal exports to the US. Wearing apparel and agricultural products were also highly labour intensive, requiring 0.17 and 0.09 hours of labour respectively to produce one rand's value of exports to the US. It can thus be inferred that if a shock to

[30] Labour hours was calculated by multiplying the level of employment in a respective sector by an employee's required working hours per annum (2,080)

the economy were to cause the level of exports to drop across all AGOA-related sectors (such as AGOA expiring), then the relative effects of this shock on labour hours would be concentrated, ceteris paribus, in these top labour-intensive sectors.

Figure 14: Labour intensity (hours) of top 10 AGOA-related exporting employers, 2022



Source: Quantec and own calculations, 2023

This paper now considers the economy-wide effects on employment of AGOA-related exports from the Western Cape to the US. In doing so, the importance of AGOA-related exports on employment creation can be assessed, not only directly, but also through looking at indirect and induced employment creation from a R1 million increase in exports. To achieve this, use is made of industry multipliers, sourced from Quantec. The results are displayed in Figure 26. It is apparent that the agricultural sector gained the most in employment resulting from exports to the US in AGOA-related exporting sectors. In 2021, the value of the Western Cape's agricultural exports to the US reached ZAR2.42bn. This created 6,554 direct jobs, 547 indirect jobs and 1,489 induced jobs – a total of 8,591 economy-wide jobs in 2021.

Figure 15: Multiplier effect on employment in relation to Western Cape exports to the US, 2021

	WC exports to the US (ZARm)	Direct	Indirect	Induced	Economy-wide
Agriculture	2421	6554	547	1489	8591
Basic iron and steel products; casting of metal	2536	2867	1119	1414	5400
Food	1319	2303	350	812	3465
Other transport equipment	1021	1305	181	611	2097
Other manufacturing groups	2465	703	150	1126	1979
Other chemical products	994	1034	218	564	1817
Beverages and tobacco	976	890	262	626	1778
Motor vehicles, parts and accessories	1124	955	263	501	1719
Leather and leather and fur products	177	419	57	110	586
Machinery and equipment	305	361	37	174	572

Source: Quantec and own calculations, 2023

5. Opportunities: Short-, Medium- and Long-term Opportunities under AGOA

5.1 Introduction and objective

A large body of literature supports the hypothesis of export-led growth (ELG). Moreover, the literature also proves the existence of bi-direction causality – economic growth and development can lead to an increase in exports by raising the production of the quality and variety of goods. It can therefore be postulated that exporting, together with policies and strategies that inform exporting patterns, is a critical factor in the health of an economy. Further, exporting plays a crucial role in the outcomes of economic development indicators, such as employment, trade balance, economic growth and overall social wellness.

More recently, international trade research has increasingly suggested that "what" and "how" a country produces goods for exporting, matters – as opposed to just focusing on how much a country exports. The Product Space and Economic Complexity approach puts out that a country can achieve faster economic growth through export diversification into new products within its Product Space.

Therefore, it would be intuitive to assume that if the US were to expand its list of products which are eligible for benefitting from AGOA, and if these products were a realistic export opportunity within the Product Space of the Western Cape's current exports, exponential economic growth could be achieved. To identify these export opportunities, this paper utilises the Product Space approach, combined with Decision Support Model (DSM)[31] to identify current opportunities for exports from the Western Cape to the US, in the short, medium and long term.

5.2 About the Product Space and Decision Support Model

The Product Space and Economic Complexity approach has gained relevance among policy makers in recent years. The Product Space suggests that a country can increase its wealth through diversification into new products, as opposed to deeper specialisation into products that they already export. This can occur through two mechanisms:

1) By developing and producing new but related products within the Product Space (close distance between products) of a country's current export basket

2) By acquiring new capabilities to produce more products at a higher degree of complexity, thereby moving up in the value chain.

The Product Space analysis therefore provides circumstantial evidence that more developed countries generally export more complex goods, while less developed countries generally export less complex products. Exports of complex goods share three distinct characteristics. These include: 1) more embedded capabilities, 2) higher export monetary value per unit and 3) greater diversification capabilities. In light of this, it can be argued that for developing countries to grow, they need to diversify away from exporting less complex products (such as those produced from the primary sector) to exporting more core/complex products, such as those produced by the metals, machinery and chemicals sectors. However, the road to diversification is an evolutionary one as opposed to a disruptive one, since less complex products are relatively quite distant from complex or core products.

The challenge with utilising the Product Space analysis in isolation is that: 1) it does not inform on potential target markets for these products, 2) it does not consider competition in the identification of export opportunities and 3) it does not consider factors within a real-world setting such as logistics, geographical distance, market access etc.

[31] Source: Trade Advisory: Decision Support Model, 2024

To address the shortcomings of the isolated Product Space approach, the model for this paper employs the DSM in conjunction with the Product Space approach. In doing so, both the supply-side and demand side aspects are accounted for.

In summary, the combined model will inform on current realistic export opportunities from the Western Cape to the US (known as short-term opportunities). It will also show export development opportunities (or medium-term opportunities) and new but related export opportunities (or long-term opportunities). By identifying these opportunities, the case can be made that if AGOA were to be extended to these products, or if utilisation of already duty-free product lines were increased, this may contribute to steady economic growth in the Western Cape and help propel it towards becoming a developed region.

5.3 Discussion of results

Table 1 shows the results of the top 20 realistic export opportunities (ranked according to the highest export potential in ZAR value terms) from the Western Cape to the US, using the Decision Support Model. The outcome of Table 1 suggests that bottled wine, valued at ZAR8.01bn, has the greatest export potential to the US. Many of these products are AGOA eligible, which shows the importance of preferences under the programme and that there are opportunities to further leverage preferences.

Table 1: Top 20 short-term export opportunities to the US

Rank	HS Code	Products (HS6)	ZAR (million)	Status
1	HS220421	Wine: still, in containers holding 2 litres or less	8012.51	AGOA
2	HS711319	Jewellery: of precious metal (excluding silver) whether or not plated or clad with precious metal, and parts thereof	6933.09	AGOA
3	HS840999	Engines: parts for internal combustion piston engines (excluding spark-ignition)	3586.82	AGOA or duty-free depending on sub-heading
4	HS080610	Fruit, edible: grapes, fresh	3004.03	AGOA or duty-free depending on sub-heading
5	HS970110	Paintings, drawings and pastels: executed entirely by hand, other than drawings of heading no. 4906	2809.74	Duty-free
6	HS081040	Fruit, edible: cranberries, bilberries and other fruits of the genus vaccinium, fresh	2640.32	Duty-free
7	HS330499	Cosmetic and toilet preparations: n.e.c. in heading no. 3304, for the care of the skin (excluding medicaments, including sunscreen or sun tan preparations)	2391.01	Duty-free
8	HS890392	Motorboats: (other than outboard motorboats), for pleasure or sports, other than inflatable	2150.28	AGOA or duty-free depending on sub-heading
9	HS220870	Liqueurs and cordials	1725.52	Duty-free
10	HS970300	Sculptures and statuary: original, in any material	1643.55	Duty-free
11	HS721049	Iron or non-alloy steel: flat-rolled, width 600mm or more, (not corrugated), plated or coated with zinc (not electrolytically)	1525.85	Duty-free

12	HS060319	Flowers, cut: flowers and buds of a kind suitable for bouquets or ornamental purposes, fresh, other than roses, carnations, orchids, chrysanthemums or lillies	1022.63	AGOA
13	HS720839	Iron or non-alloy steel: in coils, without patterns in relief, flat-rolled, of a width 600mm or more, hot-rolled, of a thickness of less than 3mm	974.42	Duty-free
14	HS392390	Plastics: articles for the conveyance or packing of goods n.e.c. in heading no. 3923	971.46	AGOA
15	HS852910	Reception and transmission apparatus: aerials and aerial reflectors of all kinds and parts suitable for use therewith	760.18	Duty-free
16	HS170490	Sugar confectionery: (excluding chewing gum, including white chocolate), not containing cocoa	755.36	AGOA, duty-free or tariff depending on sub-heading
17	HS220860	Vodka	750.61	Duty-Free
18	HS080520	Fruit, edible: mandarins (including tangerines and satsumas), clementines, wilkings and similar citrus hybrids, fresh or dried	702.26	AGOA
19	HS710399	Stones: precious (other than diamonds) and semi-precious stones, (other than rubies, sapphires and emeralds), worked other than simply sawn or roughly shaped, not strung, mounted or set	690.13	AGOA or duty-free depending on sub-heading
20	HS220429	Wine: still, in containers holding more than 2 litres	641.44	AGOA

Source: Product Complexity Map, 2021

Looking ahead even further, Tables 2 and 3 present the top 20 realistic export opportunities from the Western Cape to the US that could be realised if products were diversified. The continuation of AGOA would allow exporters to ramp up the development and production of these products on the basis that access to the rapidly growing and large US market is a viable option through AGOA. This also shows significant potential for clothing and textiles exports to the US in the long term, making an argument for a relook at the rules pertaining to apparel.

Table 2: Top 20 medium-term export opportunities to the US

Rank	HS Code	Products (HS6)	ZAR (million)	Status
1	HS293500	Sulphonamides	8594.64	AGOA or duty-free depending on sub-heading
2	HS300490	Medicaments: consisting of mixed or unmixed products n.e.c. in heading no. 3004, for therapeutic or prophylactic uses, packaged for retail sale	8555.38	Duty-free
3	HS293499	Nucleic acids and their salts, other heterocyclic compounds, n.e.c. in heading number 2934	6420.92	AGOA or Duty-free depending on sub-heading
4	HS611030	Jerseys, pullovers, cardigans, waistcoats and similar articles: of man-made fibres, knitted or crocheted	3689.2	AGOA textiles rules
5	HS392690	Plastics: other articles n.e.c. in chapter 39	3335.95	AGOA or duty-free depending on sub-heading
6	HS300210	Blood, human or animal, antisera, other blood fractions and immunological products: whether or not modified or obtained by means of biotechnological processes	2831.85	Duty-free
7	HS070960	Vegetables: fruits of the genus capsicum or of the genus pimenta, fresh or chilled	1935.7	AGOA
8	HS841590	Air conditioning machines: with motor driven fan and elements for temperature control, parts thereof	1923.2	AGOA
9	HS300220	Vaccines: for human medicine	1861.92	Duty-free
10	HS190590	Food preparations: bakers' wares n.e.c. in heading no. 1605, whether or not containing cocoa: communion wafers, empty cachets suitable for pharmaceutical use, sealing wafers, rice papers and similar products	1819.79	AGOA or Duty-Free depending on sub-heading
11	HS160414	Fish preparations: tunas, skipjack and Atlantic bonito (sarda spp.), prepared or preserved, whole or in pieces (but not minced)	1444.77	AGOA
12	HS620193	Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles: men's or boys', of man-made fibres, other than those of heading no. 6203 (not knitted or crocheted)	1419.92	Not listed in HTS
13	HS620293	Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles: women's or girls', of man-made fibres, other than those of heading no. 6204 (not knitted or crocheted)	1038.1	Not listed in HTS
14	HS330300	Perfumes and toilet waters	886.37	Duty-Free
15	HS841430	Compressors: of a kind used in refrigerating equipment	850.45	Duty-Free
16	HS020130	Meat: of bovine animals, boneless cuts, fresh or chilled	813.83	AGOA or duty, depending on sub-heading
17	HS880260	Spacecraft: (including satellites) and suborbital and spacecraft launch vehicles	756.94	Duty-Free
18	HS852351	Semiconductor media: solid-state non-volatile storage devices, whether or not recorded, excluding products of Chapter 37	732.31	Duty-Free

19	HS070700	Vegetables: cucumbers and gherkins, fresh or chilled	725.14	AGOA
20	HS610990	T-shirts, singlets and other vests: of textile materials (other than cotton), knitted or crocheted	695.14	AGOA textiles rules

Source: Product Complexity Map, 2021

Table 3: Top 20 long-term export opportunities to the US

Rank	HS Code	Products (HS6)	ZAR (million)	Status
1	HS750712	Nickel: tubes and pipes, of nickel alloys	263.78	AGOA
2	HS293750	Prostaglandins, thromboxanes and leukotrienes, their derivatives and structural analogues	54.61	Duty-Free
3	HS845510	Metal-rolling mills: tube mills	47.27	Duty-Free
4	HS030285	Fish: fresh or chilled, seabream (Sparidae), excluding fillets, livers, roes, and other fish meat of heading 0304	37.21	AGOA or Duty-Free depending on sub-heading
5	HS810295	Molybdenum: bars and rods, other than those obtained simply by sintering, profiles, plates, sheets, strip and foil	36.42	AGOA
6	HS810210	Molybdenum: articles thereof, including waste and scrap, powders	24.99	AGOA
7	HS860210	Rail locomotives: diesel-electric powered	22.94	Duty-Free
8	HS030791	Molluscs: n.e.c. in heading 0307, whether in shell or not, live, fresh or chilled, includes flours, meals, and pellets of molluscs, fit for human consumption	17.95	Duty-Free
9	HS283692	Carbonates: strontium carbonate	17.81	AGOA
10	HS550912	Yarn: (not sewing thread), multiple (folded) or cabled yarn, of synthetic staple fibres, containing 85% or more by weight of nylon or other polyamides, not put up for retail sale	11.4	AGOA textiles rules
11	HS550942	Yarn: (not sewing thread), multiple (folded) or cabled yarn, containing 85% or more by weight of synthetic staple fibres, n.e.c. in heading no. 5509, not put up for retail sale	8.03	AGOA textiles rules
12	HS551641	Fabrics, woven: unbleached or bleached, containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with cotton	6.98	AGOA textiles rules
13	HS551642	Fabrics, woven: dyed, containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with cotton	6.22	AGOA textiles rules
14	HS283660	Carbonates: barium carbonate	6.13	AGOA
15	HS550941	Yarn: (not sewing thread), single, containing 85% or more by weight of synthetic staple fibres, n.e.c. in heading no. 5509, not put up for retail sale	5.47	AGOA textiles rules
16	HS090822	Spices: mace, crushed or ground	3.61	AGOA
17	HS710590	Stones: precious and semi-precious, dust and powder, of natural or synthetic precious or semi-precious stones, excluding diamonds	3.53	Duty-Free
18	HS520613	Cotton yarn: (not sewing thread), single, of uncombed fibres, less than 85% by weight of cotton, less than 232.56 but not less than 192.31 decitex (exceeding 43 but not exceeding 52 metric number), not for retail sale	1.8	AGOA textiles rules

19	HS030325	Fish: frozen, carp (Cyprinus carpio, Carassius carassius, Ctenopharyngodon idellus, Hypophthalmichthys spp., Cirrhinus spp., Mylopharyngodon piceus), excluding fillets, livers, roes, and other fish meat of heading 0304	1.78	Duty-Free
20	HS030625	Crustaceans: not frozen, Norway lobsters (Nephrops norvegicus), in shell or not, smoked, cooked or not before or during smoking: in shell, cooked by steaming or by boiling in water: edible flours, meals, and pellets	1.63	AGOA or Duty-Free depending on sub-heading

Source: Product Complexity Map, 2021

6. AGOA and Regional Integration in Africa

Not only is support for regional integration in SSA incorporated in AGOA's Statement of Policy, but the USTR has on numerous occasions stated its support for AfCFTA's objective of increasing intra-Africa trade and investment.

The USITC AGOA Report states that two forms of regional integration, which are most directly tied to AGOA, are trade integration (i.e., intra-SSA trade) and investment integration (i.e., intra-SSA investment).

The cumulation allowances under AGOA, which allow AGOA beneficiary countries to source inputs from other beneficiary countries, present significant opportunities for the establishment of regional value chains. By receiving preferential tariff rates under AGOA, AGOA beneficiary countries may expand exports to the US and source inputs for these exports from within SSA, thereby increasing regional trade integration. Increased regional sourcing would ultimately also encourage more intra-regional investment.

While this was always advantageous under the existing regional economic communities, such as the Southern African Development Community (SADC) for example, it is only really now, with the imminent implementation of the AfCFTA, that this significant advantage would be able to be fully realised. Tariffs between different regional blocks in Africa have historically been prohibitively high in many instances.

South Africa was the main intra-Africa exporter and importer in 2021, accounting for 37% of intra-Africa exports and 14% of intra-Africa imports. Given South Africa's position as the dominant importer, exporter and investor on the African continent, as well as one of the most successful utilisers of AGOA, excluding South Africa from AGOA just as the AfCFTA comes to fruition would entirely undermine the objectives of African regional integration that are supported by AGOA.

On the other hand, allowing South Africa to remain a part of the preference programme, and renewing it, would provide an opportunity for South Africa to play a key role in supporting the establishment of potentially very significant value chains across the African continent and the US.

The time is especially opportune given the green transition, the race for clean energy supply chains, and the focus on diversification of supply chains. To make this as beneficial as possible for US and African business, a long-term extension would make the most sense, as predictability allows for long-term investment decisions.

The USITC AGOA Report found that several South African AGOA-exporting firms and industries each source at least 40% of their inputs from within Africa. This group spans multiple sectors, including food and beverages, clothing, apparel, and others, and shows that regional sourcing is already occurring, with potential to develop further as the AfCFTA comes to fruition.

AGOA is significant in its ability to drive FDI in SSA, including the Western Cape. The provision of duty-free access to the US makes the investment proposition of the region more lucrative. Many US companies that have invested in the African Continent have set up their regional headquarters in South Africa. Coupled with duty-free access to the European Union (EU) under the SADC–EU Economic

Partnership Agreement, and with increasing access into the rest of Africa under the AfCFTA, a lucrative prospect exists for US companies to set up their operations in the Western Cape.

7. Conclusion

In conclusion, while South Africa currently benefits from duty-free market access to the US under AGOA, uncertainties loom as the Act is scheduled to expire in 2025. The renewal of AGOA remains uncertain, raising questions about South Africa's continued inclusion in the preference programme. The debate surrounding the possibility of South Africa losing AGOA preferences has intensified over the past decade, initially stemming from the country's status as an upper-middle-income nation but further exacerbated by recent foreign policy decisions.

This paper analysed the trade and investment dynamics between South Africa, particularly the Western Cape, and the US, examining the pivotal role played by AGOA. While South Africa became the second-largest user of AGOA in 2023, recent trends showed a moderation in AGOA-related exports, and an overall decline in exports to the US. AGOA-related exports represented a significant portion of South Africa's trade with the United States, with approximately 26% of total exports included under AGOA/GSP preference programmes. Furthermore, an examination of specific sectors revealed notable utilisation rates within the preference programme, with the leather, agriculture, and transportation equipment sectors leading at 91%, 87%, and 87%, respectively. In addition, the transportation equipment sector emerged as South Africa's primary AGOA-exporting sector, with total exports amounting to USD 2 billion, followed by primary metals and chemicals. Looking at export products, motor vehicles constituted the largest portion of AGOA exports from South Africa, comprising 52.43% of the total. This was followed by ferroalloys and citrus fruits, the latter predominantly sourced from the Western Cape, accounting for 98% of these exports. Notably, the Western Cape played a pivotal role in driving AGOA exports from South Africa, particularly in jewellery (95%), engine parts (89%), and wine (98%), which emphasises its significance in the country's AGOA export landscape.

Over the past two decades, the US has been a significant source FDI in South Africa, particularly in the Western Cape region. With over 600 US companies operating in South Africa, the US accounted for 20% of total FDI projects into the country from 2003 to 2023. The software and IT services sector emerged as the leading recipient of FDI projects, followed by business services and communications, collectively attracting over half of the total number of projects from the US. In addition, the US played a crucial role in capex investments, contributing ZAR313.85 billion to South Africa's economy, with a significant portion directed to sectors like communications, software and IT services, and automotive OEM. In the Western Cape, the US was the primary source of FDI capex, having invested ZAR56.78 billion in the province, mainly in sectors such as communications, real estate, and software and IT services during this period. These investments underscore the importance of AGOA for US investors, as many sectors benefitting from US FDI in South Africa – including food & beverages, chemicals, industrial equipment, textiles, and consumer goods – rely significantly on AGOA preferences for market access and trade facilitation.

The paper underscores the importance of strategic planning and diversification of economic activities to mitigate potential risks associated with the uncertainty surrounding AGOA's future. Further research and policy considerations are warranted to address these challenges and ensure the continued economic growth and stability of South Africa, particularly in regions like the Western Cape which are heavily reliant on trade with the US.