

**Africa Growth And Opportunity Act:  
Hot Air Or Hot Stuff?**

**Matthew Stern**  
**Nnzeni Netshitomboni**  
National Treasury

## TABLE OF CONTENTS

1. INTRODUCTION.....	3
2. AGOA: WHAT IT IS .....	3
2.1 US currently traded imports from South Africa .....	3
2.2 US under-traded imports from South Africa.....	4
2.3 US non-traded imports from South Africa .....	5
2.4 US clothing and textile imports from Africa.....	5
3. AGOA: WHAT IT IS NOT .....	7
3.1 US imports from South Africa excluded from AGOA .....	7
3.2 Non-tariff barriers .....	7
4. THE FIRST SIX MONTHS OF AGOA.....	8
5. PROSPECTS FOR A SOUTH AFRICA-US FREE TRADE AGREEMENT .....	9
5.1 South African currently traded imports from the US .....	10
5.2 The South Africa-EU Trade and Development Agreement .....	10
5.3 South African under-traded imports from the US .....	13
6. CONCLUSION.....	13
APPENDIX.....	15

## LIST OF TABLES

Table 1: Current US imports from South Africa facing high tariffs .....	4
Table 2: Under-traded South African exports to the US .....	4
Table 3: Non-traded US imports from South Africa facing high tariffs .....	5
Table 4: US apparel imports (1999-2000) .....	6
Table 5: US clothing imports from Sub-Saharan Africa (1999-2000) .....	6
Table 6: US imports from South Africa above US\$1 million not covered by AGOA (2000) .....	7
Table 7: South African Iron and Steel Exports to the US (US\$ million) .....	8
Table 8: South African Exports under AGOA (January to June 2001) .....	8
Table 9: South African imports from the US .....	10
Table 10: South African imports from the EU and US .....	11
Table 11: Minimum trade loss on major US imports .....	12
Table 12: Minimum and maximum trade loss on US imports .....	13
Table 13: Under-traded US exports to South Africa .....	13
Table A1: South Africa's major exports to the US (1999) .....	15
Table A2: South Africa's major imports from the US (1999) .....	15
Table A3: US highly protected imports qualifying for AGOA .....	17

## **1. INTRODUCTION**

The US Africa Growth and Opportunity Act (AGOA), 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 2008 and expands the existing list of 4 650 GSP products by 1 837. Thirty-four sub-Saharan African countries, including South Africa, qualify for AGOA.

Much has been said about the large number of new export opportunities and jobs that will be created out of AGOA. However, a closer examination of the expanded product list suggests that some scepticism is warranted. For example, media attention has focused on the improved access for South African wine resulting from the implementation of AGOA. While it is true that bottled wine is included in the expanded GSP product list, the existing tariff on South African bottled wine exports to the US is a mere 1.7%, or 6 cents (US) on a R30 bottle of wine.

This paper attempts to uncover some of the truths and untruths about AGOA. The paper highlights possible export opportunities arising out of AGOA, and identifies some of the missed opportunities that could be corrected for in a follow-up agreement, AGOA-2. It also provides an indication of the benefits that might accrue to South Africa and the US from a reciprocal free trade agreement. Finally, the performance of AGOA up to June 2001 is evaluated using the latest trade data provided by the US authorities.

## **2. AGOA: WHAT IT IS**

This first section identifies those products that are likely to benefit from AGOA. Most of these opportunities are in the clothing and textile sectors, with few new opportunities for other manufactured exports. This is because existing US tariffs on South African exports are already very low.

### **2.1 US currently traded imports from South Africa**

A list of the most important (more than R100 million) 4-digit Harmonised Commodity Description and Coding System (HS) products traded between South Africa and the US in 1999 is included in the appendix. South Africa’s exports are dominated by minerals and metals, while imports from the US are largely high value-added manufactured goods. Although South African trade data shows a small trade deficit between the US and South Africa, US data indicates a sizeable surplus in favour of South Africa. US import data is likely to be more accurate, and the difference may be explained by platinum exports, which are not reported by the South African Revenue Services.

Table 1 lists all of the current main US imports from South Africa that face significant tariff barriers (greater than 10%). It is these products for which AGOA trade preferences might provide a boost to South African exports. Almost all of these products are in the clothing sector and will therefore gain some increased access to the US market. Only two of the non-clothing exports in this table qualify for AGOA (typed in bold). The others, such as unwrought manganese, were not included in the revised AGOA list.

**Table 1: Current US imports from South Africa facing high tariffs**

HS8 tariff code	Brief description	Avg. MFN 2000	Imports 1999	
			US\$ million	Share of total
61102020	Sweaters and pullovers, knitted or crocheted, of cotton	18.2%	27.3	0.9%
81110045	Manganese, unwrought	14.0%	14.1	0.4%
62034240	Men's or boys' trousers and shorts, not knitted or crocheted, of cotton	17.0%	14.0	0.4%
62046240	Women's or girls' trousers, not knitted or crocheted, 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, not knitted or crocheted, 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%
<b>29242145</b>	<b>Aromatic ureines and their derivatives</b>	<b>11.3%</b>	<b>3.7</b>	<b>0.1%</b>
<b>29343023</b>	<b>Antidepressants and tranquilizers</b>	<b>10.5%</b>	<b>2.8</b>	<b>0.1%</b>
62031120	Men's or boys' suits, not knitted or crocheted, of wool	19.2%	2.8	0.1%
85131020	Flashlights	12.5%	2.5	0.1%
62033100	Men's or boys' jackets and blazers, not knitted or crocheted, of wool	19.3%	2.0	0.1%
17011120	Cane sugar, raw, in solid form, to be used for polyhydric alcohols	10.1%	1.8	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%

Source: US International Trade Commission

## 2.2 US under-traded imports from South Africa

Table 2 shows the products that South Africa currently exports to the US for which AGOA might produce growth as a result of trade creation or, more probably, diversion. What about products for which access barriers are presently sufficiently high to suffocate imports from South Africa? An indication is needed of under-traded products for which South Africa has a supply capacity.

Table 2 compares the product distribution of South Africa's exports to the US and to the world. For this paper, only those products in which the share of South African exports to the world exceeds the share of South African exports to the US, by at least 1%, are included. The minimum and maximum most favoured nation (MFN) tariffs applicable to each six-digit tariff code are also represented in the table.

**Table 2: Under-traded South African exports to the US**

HS6 Tariff Code	Brief Description	Share of exports to world	Share of exports to US	Difference	Min MFN tariff rate	Max MFN tariff rate
271000	Petroleum oils and oils obtained from bituminous minerals, other than crude	3.58%	0.69%	2.89%	0.30%	7.00%
870323	Motor cars and other motor vehicles principally designed for the transport of persons	3.09%	0.53%	2.56%	2.50%	2.50%
760110	Unwrought aluminium	2.11%	0.83%	1.28%	0.00%	2.60%

Source: US International Trade Commission and TIPS

Three South African products appear under-traded in the US, but it is unlikely that high tariffs are the predominant cause. The only product that may attract a tariff in excess of

5% is oil. South Africa exports a finite quantity of this commodity, and would not expect to gain from a reduction in the US tariff.

### 2.3 US non-traded imports from South Africa

Perhaps the greatest opportunity for South African exporters 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. Excluding the clothing sector (which is dealt with separately), there are 77 non-clothing products (at the 8-digit HS code level) with import tariffs greater than 20% that qualify for AGOA. Not surprisingly, US imports of these products are currently very low.

A complete list of non- or scarcely-traded goods that qualify for AGOA is included in the appendix. These 77 non-clothing products are encapsulated by just 19 4-digit HS code sectors, all of which are listed in Table 3. South Africa's global exports of these products and US global imports are provided as an indication of South Africa's future export potential in the US market.

**Table 3: Non-traded US imports from South Africa facing high tariffs**

HS4 tariff code	Brief description	Avg. MFN 2000	US imports from the world 1999 – US\$ 000	South African exports to the world 1999 – US\$ 000
9603	Brooms	34%	13,988	2,498
9108	Watch movements	32%	2	15
8704	Motor vehicles for transport of goods	25%	12,709,510	168,153
8215	Base metal forks	22%	142	1,263
6912 and 7013	Glass-ceramic ware	29%	233,932	4,695
6911	Porcelain or china	26%	60,408	1,755
6401 to 6406	Footwear	39%	2,071,403	3,302
2208	Rum and tafia	57%	792	26,108
2009	Citrus juice	46%	270,529	80,142
0804 and 2008	Dates, nuts & seeds	25%	717	162,071
1604	Tuna and skipjack	35%	2,510	9,044
1302	Saps and extracts of hops	28%	266	3,532
0807	Melons	28%	10,032	1,457
0805	Grapefruit	23%	935	305,376
0712	Dried onion	26%	749	1,376
0709	Sweet corn, mushrooms & asparagus	22%	134,055	5,602
0408	Birds' eggs, not in shell	32%	117	625
0406	Goya cheese not from cow's milk	21%	25,036	3,747
0207	Cuts and offal of turkeys	29%	168	6,873

Data Source: US International Trade Commission and TIPS

### 2.4 US clothing and textile imports from Africa

The above analysis suggests that with a few exceptions, most of the benefits to South Africa of AGOA are likely to accrue in the clothing and textile sector. It is therefore in this area that significantly more research is required. The following discussion attempts to highlight some of the key issues that a more comprehensive research programme will need to address.

Apparel imports made with regional (African) fabric are subject to an initial cap of 1.5% of overall US apparel imports. This quota increases by 0.28% annually to reach a maximum of 3.5% over an eight-year period. The US imported \$52 billion of clothing in 1999. Under AGOA, African countries would therefore be permitted to export around \$786 million of clothing, duty free, to the US in 2001.

Table 4 shows the shares and values of the top 10 sources of US apparel imports. The market share reserved for all of Africa in 2008, is equivalent to what the Philippines currently exports to the US. More importantly, Africa will continue to compete against Mexican exports, which not only enjoy equal or better access to the US market under the North American Free Trade Agreement, but have much less distance to travel.

**Table 4: US apparel imports (1999-2000)**

Country	Share		Value (US\$ million)	
	1999	2000	1999	2000
Mexico	14.8%	14.6%	7 738	8 617
China	11.0%	10.5%	5 770	6 192
Hong Kong	8.1%	7.6%	4 265	4 478
Dominican Rep	4.4%	4.0%	2 307	2 415
Honduras	4.2%	4.1%	2 196	2 383
Korea	4.0%	3.8%	2 100	2 260
Taiwan	3.6%	3.3%	1 864	1 948
Philippines	3.4%	3.2%	1 771	1 877
Indonesia	3.2%	3.5%	1 690	2 059
Canada	3.0%		1 595	
Bangladesh		3.3%		1 940
Other	40.3%	42.2%	21 126	24 921
Total	100.0%	100.0%	52 422	59 090

Nevertheless, the AGOA quota for African apparel exports represents a significant opportunity for African clothing manufacturers. Least developed countries in particular stand to gain from less stringent local content requirements, and will therefore obtain duty-free access to the US market for apparel irrespective of the origins of the fabric used. In addition, Kenya and Mauritius stand to benefit immediately from the removal of the quotas currently imposed on their garment exports to the US.

**Table 5: US clothing imports from Sub-Saharan Africa (1999-2000)**

Country	Share		Value (US\$ million)	
	1999	2000	1999	2000
Mauritius	39.7%	32.8%	232	245
Lesotho	19.0%	18.8%	111	140
South Africa	16.6%	18.9%	97	141
Madagascar	7.8%	14.7%	46	110
Kenya	6.7%	5.9%	39	44
Swaziland	4.0%	4.3%	23	32
Botswana	1.7%	2.4%	10	18
Zimbabwe		2.4%		18
Other	4.6%		27	
Total	100.0%	100.0%	584	747

In 2000, South Africa was the second largest African exporter of apparel to the US, and can therefore expect to gain a significant share of the duty-free quota. Moreover, as a major manufacturer of textiles, South Africa also stands to benefit from the expected increase in demand for African fabric from other countries in the region.

### 3. AGOA: WHAT IT IS NOT

From the discussion above, it would appear that with the exception of clothing and textiles, there do not seem to be many new opportunities arising from AGOA. Are there any major exclusions? This section identifies major traded products, which do incur some tariff protection, but are not covered by AGOA. These same products would be the most obvious candidates for incorporation into a follow-up deal such as AGOA-2.

#### 3.1 US imports from South Africa excluded from AGOA

US imports from South Africa above US\$1 million that are not covered by AGOA are listed in Table 6 along with the relevant tariffs. Total imports of these products currently amount to US\$154 million – about 5% of South Africa’s total exports to the US. Interestingly, only US\$371 million of non-clothing and textile exports qualify for AGOA. Extending AGOA to these 10 products, particularly those facing double-digit tariffs, would significantly enhance the current agreement.

**Table 6: US imports from South Africa above US\$1 million not covered by AGOA (2000)**

HS8 tariff code	Description	MFN Tariff	Value \$m
76061230	Aluminium alloy plates, sheets or strips	3%	44
85043400	Electrical transformers other than liquid dielectric	1.6%	18
17011110	Cane sugar, raw, in solid form	3.2%	18
72139130	Iron or nonalloy steel	5.5%	16
41079060	Leather of animals	3.3%	15
81110045	Manganese, unwrought	14%	14
32061100	Pigments & preparations based on titanium dioxide	10%	14
85043300	Electrical transformers other than liquid dielectric	1.6%	11
20087000	Peaches	17%	1
28046950	Silicon	5.5%	3
Sub total			154

Source: US International Trade Commission

#### 3.2 Non-tariff barriers

It is also important to take into account non-tariff barriers in assessing the likely impact of AGOA on South African exports. In the clothing and textile sector, quota and rules of origin restrictions could severely curtail the benefits of “free trade.” In the first six months of 2001, just 8.7% of South Africa’s garment exports qualified for AGOA. In addition, the US President may suspend duty-free treatment if monthly monitors by the

Secretary of Commerce reveal that “imports are causing or threatening serious damage to the US apparel industry.”

Recent anti-dumping actions against South African steel exports to the US also raise questions as to the US’s commitment to the principles of AGOA. Although South Africa accounts for a small share of the US steel market, well below the 3% share required for anti-dumping actions, it has been lumped together with several countries that together exceed the threshold.

With reference to Table 7 below, South Africa looks set to lose US\$180 million in iron and steel exports to the US this year as a consequence of this action (though some of this reduction may be explained by the slowdown in the US economy). This is significantly more than the US\$135 million of South African goods exported under AGOA over the first half of 2001.

**Table 7: South African Iron and Steel Exports to the US (US\$ million)**

1999	2000	Jan-Jun 2001
393	462	143

Source: US International Trade Commission

#### 4. THE FIRST SIX MONTHS OF AGOA

In the first six months of 2001, 5.8% of South Africa’s total exports to the US qualified for AGOA. Motor vehicles account for 60% of these exports, though tariffs on these products were already very low. Table 8 below shows exports under AGOA that previously faced a tariff of above 5%.

In this table, the tariff charged in 2000 is recorded in the column entitled “MFN.” South African exports under AGOA (“AGOA exports”) are compared to South Africa’s total exports of this same 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 annualised growth rate of total exports of each product is calculated in the final column.

Although a large number of clothing products are included in the table, a very small proportion of South Africa’s total exports of these products qualify for AGOA. This suggests that the rules of origin are an important obstacle to South African producers in accessing AGOA benefits. In fact, there are only three items for which AGOA can claim to have generated significant export growth: edible ice; men’s windbreakers; and pears. Total exports of these three products over the first six months of 2001 equated to US\$1.6 million.



**Table 8: South African Exports under AGOA (January to June 2001)**

HS8 tariff code	Description	MFN	AGOA exports US\$ 000	Total exports US\$ 000	AGOA Share	Annual Growth Rate
61112010	Babies' blouses and shirts	20.2%	1	150	0.3%	328%
61112060	Babies' clothing accessories	8.3%	5	112	4.7%	34%
61112030	Babies' sweaters	17.3%	1	621	0.2%	127%
61112050	Babies' trousers and shorts	15.6%	3	225	1.3%	338%
21050050	Edible ice, except ice cream	17.0%	123	123	100.0%	∞
61142000	Garments, knitted or crocheted, of cotton	11.1%	1	2426	0.1%	913%
62019120	Men's or boys' anoraks and windbreakers	22.0%	168	168	100.0%	26581%
61051000	Men's or boys' shirts, knitted or crocheted, of cotton	20.2%	39	3202	1.2%	-6%
62052020	Men's or boys' shirts, not knitted or crocheted, of cotton	20.2%	153	3419	4.5%	4%
62053020	Men's or boys' shirts, not knitted or crocheted, of manmade fibers	28.2%	10	215	4.5%	-65%
62031220	Men's or boys' suits, of synthetic fibers	28.0%	151	521	29.1%	1%
62034240	Men's or boys' trousers and shorts	17.0%	2101	13840	15.2%	29%
61034210	Men's or boys' trousers and shorts	16.5%	94	979	9.7%	3%
07095100	Mushrooms, fresh or chilled	23.3%	51	275	18.5%	70%
20084000	Pears, otherwise prepared or preserved	15.3%	1109	1264	87.7%	423%
61102020	Sweaters and pullovers	18.2%	184	20832	0.9%	-20%
61103030	Sweaters and pullovers	32.9%	28	316	8.9%	-3%
61091000	T-shirts and singlets	18.3%	98	8338	1.2%	39%
61044200	Women's or girls' dresses, knitted or crocheted, of cotton	11.8%	1	219	0.5%	73%
61083100	Women's or girls' nightdresses and pajamas	8.7%	1	254	0.2%	613%
61046220	Women's or girls' trousers and shorts	15.6%	44	1005	4.4%	18%
62046240	Women's or girls' trousers and shorts	17.0%	3239	11558	28.0%	289%
Sub-Total			7607	70062	5.8%	

Source: US International Trade Commission

*Note: Only those items facing an MFN tariff of 5% or higher are included. A minimum of \$100 000 in total exports is set*

## **5. PROSPECTS FOR A SOUTH AFRICA-US FREE TRADE AGREEMENT**

The above analysis suggests that South Africa has not, as yet, gained much from AGOA. Moreover, there does not seem to be much more to gain from AGOA-2 in terms of direct tariff reductions. Instead, the most obvious opportunities lie in addressing existing rules of origin on clothing and textile imports, and removing restrictions and countervailing duties on South African iron and steel products.

It is unlikely that either of these issues will be adequately addressed through a unilateral extension to AGOA. Instead, through bilateral negotiations with the US, South Africa may be able to offer sufficient concessions to secure improved access in these sectors.

There may therefore be some merit to a free trade agreement between South Africa and the US.

### 5.1 South African currently traded imports from the US

Table 9 shows the main traded US exports to South Africa that currently face significant tariff protection. Such 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.

**Table 9: South African imports from the US**

HS8 tariff code	Description	Value (Rm) 2000	Tariff
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 hydroxide (caustic soda); potassium hydroxide (caustic potash); peroxides of sodium or potassium	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%

Source: TIPS

*Note: Only exports of more than R20 million facing tariffs of 10% or higher are included.*

### 5.2 The South Africa-EU Trade and Development Agreement

Another aspect of South Africa's trade policy that is likely to attract the attention of US negotiators is the existing Trade and Development Agreement with the EU. In particular, the US is unlikely to tolerate preferential treatment in favour of the EU in sectors where the EU and US currently compete for market share.

Table 10 lists currently traded South Africa imports from the US and EU for which the tariff difference between the existing MFN tariff and the tariff on EU imports, by the end of the South Africa-EU free trade agreement, is equal or more than 10%. These are the products for which the US is most likely to experience trade diversion in favour of the EU.

**Table 10: South African imports from the EU and US**

HS8 tariff code	Description	Tariff (%)			Share of total Imports	
		MFN	EU Year 6	EU Year 12	EU	US
87012020	Tractors	20	0	0	0.23%	6.8%
21069090	Other food preparations	20	15	0	0.14%	3.8%
39209100	Other plates, sheets, film, foil of polyvinyl butyral	15	12	0	0.07%	2.5%
87089990	Parts and accessories of the motor vehicles of headings nos.87.01 to 87.05	20	15	0	0.46%	1.9%
48101200	Paper and paperboard, coated on one or both sides with kaolin (china clay)	10	0	0	0.12%	1.6%
54023300	Synthetic filament yarn	15	7	5	0.05%	1.4%
39269090	Articles of plastics	20	15	10	0.13%	1.4%
87033390	Motor cars and other motor vehicles (excluding those of heading no. 87.02)	47	30	0	0.23%	1.0%
40169390	Other articles of vulcanised rubber	15	11	0	0.06%	0.9%
90011000	Optical fibres and optical fibre bundles, optical fibre cables	15	11	0	0.16%	0.9%
39235000	Articles for the conveyance or packing of goods, of plastics	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	Other heterocyclic compounds	10	0	0	0.02%	0.2%
32061100	Pigments and Preparations containing 80% titanium dioxide	10	8	0	0.03%	0.2%
39011000	Polymers of ethylene in primary forms	10	8	0	0.05%	0.1%
49119990	Other printed matter, including printed pictures and photographs	15	11	0	0.02%	0.1%
73181590	Screws, bolts, nuts, coach-screws, screw hooks, rivets	10	8	0	0.07%	0.1%
90041000	Sunglasses goggles and the like	10	8	0	0.05%	0.1%
Total Value (Rm)					1 497.4	805.8

Source: TIPS

Only three of these items will face any tariffs in year 12 of the South Africa-EU free trade agreement, leading to large tariff differentials between EU and US imports. 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.

Assuming US importers price downwards to meet the tariff differential with EU imports, then the minimum trade loss to the US can be calculated as follows:

$$\text{Loss} = V - V/(1 + \text{TMFN} - \text{TEU12})$$

Where V is the value of US imports  
TEU12 is the preferential tariff on EU imports in year 12  
TMFN is the MFN tariff rate

For example, by year 12, US dog food imports will face a 20% tariff, while EU imports will enter South Africa duty free. To remain price competitive, US producers will have to cut prices by just over 17%, leading to an estimated trade loss of R2.1 million. The largest losses, by product, are presented in Table 11 below.

**Table 11: Minimum trade loss on major US imports**

HS Code	Description	R million
87012020	Tractors	25.4
21069090	Other food preparations	14.0
48101200	Paper and paperboard, coated on one or both sides with kaolin (china clay)	8.1
39209100	Other plates, sheets, film, foil of polyvinyl butyral	7.2
87089990	Parts and accessories of the motor vehicles of headings nos.87.01 to 87.05	7.1
87033390	Motor cars and other motor vehicles (excluding those of heading no. 87.02)	7.0
49070090	Unused postage, revenue or similar stamps	4.7
32061100	Pigments and Preparations containing 80% titanium dioxide	4.6
29336990	Other heterocyclic compounds	4.0
39269090	Other articles of plastics and articles of headings nos. 39.01 to 39.14.	2.8
40169390	Other articles of vulcanised rubber	2.8
54023300	Synthetic filament yarn (excluding sewing thread)	2.8
90011000	Optical fibres and optical fibre bundles, optical fibre cables	2.7
39235000	Articles for the conveyance or packing of goods, of plastics	2.3
49119990	Other printed matter, including printed pictures and photographs	2.3
87085090	Parts and accessories of the motor vehicles of headings nos.87.01 to 87.05	2.3
23091000	Dog or cat food	2.1
39011000	Polymers of ethylene in primary forms	1.9
85393145	Electric filament or discharge lamps	1.9
73181590	Screws, bolts, nuts, coach-screws, screw hooks, rivets	1.4
90041000	Sunglasses, goggles and the like	1.2
Sub-total		108.6

Source: TIPS

This analysis assumes that US importers are able to adjust prices downwards. However, what of those products that are unable to adjust, and therefore lose out completely to cheaper EU imports? In Table 12, the total minimum loss as calculated above, is compared to the total maximum loss. The total maximum loss is calculated by summing

the total value of US imports that face import competition and a tariff differential with EU imports in years 6 and 12.

**Table 12: Minimum and maximum trade loss on US imports**

	Year 6 (R million)	Year 12 (R million)
Minimum	185	301
Maximum	2 984	3 080

The minimum loss to the US resulting from the South Africa-EU agreement, in year 12, represents 1.3% of total South African imports from the US, while the maximum loss in year 12 is equivalent to 13.8% of total US imports.

### 5.3 South African under-traded imports from the US

Finally, it is 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 tariff protection on exports to South Africa (tariffs on this six-digit tariff category range between 0% and 10%).

Table 13 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 much to gain from the liberalisation of the South African motor sector.

**Table 13: Under-traded US exports to South Africa**

HS6 tariff code	Description	Share of US Exports	Share of SA Imports from US	Difference	Min Tariff	Max Tariff
870899	Other parts and accessories of Motor vehicles 8701 to 8705	1.41%	0.30%	1.11%	0.00%	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%

Source: US International Trade Commission and TIPS

Note: Difference of 0.5 or higher facing tariffs of 10% or higher.

## 6. CONCLUSION

This preliminary analysis suggests that there are marginal benefits to South Africa arising from AGOA. The greatest opportunities for trade creation are in the clothing and textile sectors. However, the following product categories might also achieve some gains:

- Motor vehicles for the transport of goods

- Rum and tafia
- Citrus juice
- Dates, nuts and seeds
- Grapefruit

There is also little to be achieved from further tariff liberalisation under an AGOA-2, largely because almost all South African imports already enter the US duty free. The only notable exceptions to this are unwrought manganese, titanium dioxide pigments, and peaches.

Instead, the greatest remaining barriers on South African exports to the US lie within the rules of origin on clothing and textile products and anti-dumping duties on steel. The costs of these barriers appear to outweigh the marginal benefits of AGOA to South Africa.

It is unlikely that South Africa will be able to address these barriers sufficiently through unilateral concessions under AGOA-2. Through a free trade agreement South Africa may be able to offer sufficient concessions to negotiate more favourable access for these sectors. In addition, the US is likely to suffer substantial losses through trade diversion resulting from the South Africa-EU agreement. A free trade agreement with South Africa that provides improved access for US auto exports in particular, may therefore offer sufficient incentive to the US to reconsider its current position on South African apparel and steel exports.

## APPENDIX

**Table A1: South Africa's major exports to the US (1999)**

HS4	Brief description	Min Tariff	Max Tariff	R million
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: TIPS

**Table A2: South Africa's major imports from the US (1999)**

HS4	Brief description	Min Tariff	Max Tariff	R million
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

HS4	Brief description	Min Tariff	Max Tariff	R million
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
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: TIPS



**Table A3: US highly protected imports qualifying for AGOA**

HTS8	Brief description	US-World imports US\$ 000 1999	US-SA imports US\$ 000 1999	MFN 1999
02072700	Cuts and offal of turkeys, frozen	168191		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	25036336		21%
04089100	Birds' eggs, not in shell, dried, whether or not containing added sweeteners	116590		32%
07092090	Asparagus, nesoi, fresh or chilled	93845453	7763	21%
07095100	Mushrooms, fresh or chilled	28473367	245904	23%
07099045	Sweet corn, fresh or chilled	11736026		21%
07122020	Dried onion powder or flour	143696		30%
07122040	Dried onions whole, cut, sliced or broken, but not further prepared	605619		21%
08041080	Dates, fresh or dried, other than whole	80394		30%
08054080	Grapefruit, fresh or dried, if entered during the period November 1 through the following July 31, inclusive	934657		23%
08071980	Other melons nesoi, fresh, if entered during the period from June 1 through November 30, inclusive	10031949		28%
13021300	Saps and extracts of hops	266268		28%
16041410	Tunas and skipjack, whole or in pieces, but not minced, in oil, in airtight containers	1254898		35%
20081985	Mixtures of nuts or other seeds otherwise prepared or preserved, nesoi	475456		22%
20089925	Dates, otherwise prepared or preserved, nesoi	160655		22%
20091100	Orange juice, frozen, unfermented and not containing added spirit	261901342		40%
20092040	Grapefruit juice, nesoi, frozen or not frozen, concentrated or not concentrated, nesoi	1238835		43%
20093060	Citrus juice of any single citrus fruit, nesoi, (including lemon), concentrated	7389162		57%
22084060	Rum and tafia, in containers each holding over 4 liters, valued not over \$0.69/proof liter	791512		57%
64011000	Waterproof footwear, not mechanically assembled, w/outer soles & uppers of rubber or plastics, w/metal toecap	3971511		38%
64019100	Waterproof footwear, not mechanically assembled, w/outer soles & uppers of rubber or plastics, covering the knee	4153116		38%
64019290	Waterproof footwear, not mechanically asmbld., w/outer soles and upper of rubber or plastics, nesoi, covering ankle but not knee	15756731		38%
64019930	Waterproof protect. footwear, not mechanically asmbld., w/outer soles and uppers of rubber or plastics, not cover ankle, w/o closures	5261427		25%
64019960	Waterproof protect. footwear, not mechanically asmbld., w/outer soles and uppers of rubber or plastics, not cover ankle, w/closures	3964571		38%
64019990	Waterproof footwear, not mechanically asmbld, w/outer soles and uppers of rubber or plastics, nesoi, not cover ankle	362989		38%
64021950	Sports footwear w/outer soles and uppers of rubber or plastics, nesoi, valued over \$3 but not over \$6.50/pair	697558		45%
64021970	Sports footwear w/outer soles and uppers of rubber or plastics, nesoi, valued over \$6.50 but not over \$12/pair	3852739		25%
64023050	Footwear w/outer soles & uppers of rubber or plastics, nesoi, w/metal toe-cap, designed as a protection against liquids, chemicals, weather	69358		38%
64023060	Footwear w/outer soles & uppers of rubber or plastics, nesoi, w/metal toe-cap, not protective, valued n/o \$3/pair	941		24%
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	961		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	57575		32%
64029150	Footwear w/outer soles & uppers of rubber or plastics, nesoi, covering ankle, designed as protection against liquids, chemicals, weather	5742455		38%

\* nesoi = not elsewhere specified or included

HTS8	Brief description	US-World imports US\$ 000 1999	US-SA imports US\$ 000 1999	MFN 1999
64029160	Footwear w/outer soles & uppers of rubber or plastics, nesoi, covering ankle, nesoi, valued n/o \$3/pair	30227		48%
64029170	Footwear w/outer soles & uppers of rubber or plastics, nesoi, covering ankle, nesoi, valued over \$3 but n/o \$6.50/pair	1011062		54%
64029180	Footwear w/outer soles & uppers of rubber or plastics, nesoi, covering ankle, nesoi, valued o/\$6.50 but n/o \$12/pair	3758869		29%
64029920	Footwear w/outer soles & uppers of rubber or plastics, nesoi, n/cov. ankle, nesoi, design. as protection against liquids/chemicals/weather	2353219		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	23968050		38%
64029960	Footwear w/outer soles & uppers of rubber or plastics, nesoi, n/cov. ankle, nesoi, valued n/o \$3/pair	2436773		48%
64029970	Footwear w/outer soles & uppers of rubber or plastics, nesoi, n/cov. ankle, nesoi, valued o/\$3 but n/o \$6.50/pair	3796830		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	101396671		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	740441		38%
64041150	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, valued n/o \$3/pair, nesoi	45119042		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	1395987		38%
64041170	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, valued o/\$3 but n/o \$6.50/pr, nesoi	21966738		58%
64041180	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, valued o/\$6.50 but n/o \$12/pair	66942273		31%
64041920	Footwear w/outer soles of rubber/plastics & uppers of textile, nesoi, designed as a protection against liquids, chemicals & weather	21406584		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	451619645	54853	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	5928426		38%
64041950	Footwear w/outer soles of rub./plast. & upp. of textile, nesoi, val. n/o \$3/pr, nesoi	102935868		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	28053843		38%
64041970	Footwear w/outer soles of rub./plast. & upp. of textile, nesoi, val. o/\$3 but n/o \$6.50/pr, nesoi	26449390		59%
64041980	Footwear w/outer soles of rub./plast. & upp. of textile, nesoi, val. o/\$6.50 but n/o \$12/pr	66628972		32%
64042060	Footwear w/outer soles of leather/comp. leather & uppers of textile, nesoi	15709787		38%
64061025	Formed uppers for footwear, of textile materials, nesoi, valued n/o \$3/pr	53409		34%
64061035	Formed uppers for footwear, of textile materials, nesoi, valued o/\$6.50 but n/o \$12/pr	3069		21%
64061050	Formed uppers for footwear, of materials other than leather/comp.leather or textile materials, nesoi	30808		26%
69111010	Porcelain or china hotel, restaurant & nonhousehold table and kitchenware	40780371		29%
69111080	Porcelain or china (o/than bone china) household tableware & kitchenware, not in specified sets, nesoi	19627756		23%
69120020	Ceramic (o/than porcelain or china) hotel, restaurant or nonhousehold tableware and kitchenware	15433774		31%
70131050	Glass-ceramic ware of a kind used for household, office, indoor decoration or similar purposes, nesoi	2988754		26%
70132910	Drinking glasses of glass (o/than Pb crystal), nesoi, valued n/over \$0.30 each	13501886		32%
70132920	Drinking glasses of glass (o/than Pb crystal), nesoi, valued over \$0.30 but n/over \$3 each	88994234	3618	26%
70133220	Glassware for table or kitchen purposes (o/than drinking glasses), of low coefficient of heat expansion glass, n/o \$3 each	633282		26%

HTS8	Brief description	US-World imports US\$ 000 1999	US-SA imports US\$ 000 1999	MFN 1999
70133920	Glassware for table or kitchen purposes (o/than drinking glasses), nesoi, valued n/over \$3 each	52647471		26%
70139940	Glassware for toilet/office/indoor decor. or similar purposes, nesoi, valued n/over \$0.30 each	2470627		38%
70139950	Glassware for toilet/office/indoor decor. or similar purposes, nesoi, valued over \$0.30 but n/over \$3 each	57261858		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	141958		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	824980003		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	81509776		25%
87042300	Mtr. vehicles for transport of goods, w/compress.-ign. int. combust. recip. piston engine, w/G.V.W. over 20 metric tons	632107913		25%
87043100	Mtr. vehicles for transport of goods, w/spark.-ign. int. combust. recip. piston engine, w/G.V.W. not over 5 metric tons	11144112597		25%
87043200	Mtr. vehicles for transport of goods, w/spark.-ign. int. combust. recip. piston engine, w/G.V.W. over 5 metric tons	25584002		25%
87049000	Mtr. vehicles for transport of goods, o/than w/compress. ign. or spark ign. recip. piston engine, nesoi	1215480		25%
87049000	Mtr. vehicles for transport of goods, o/than w/compress. ign. or spark ign. recip. piston engine, nesoi	1215480		25%
91089940	Watch movements, complete and assembled, nesoi, measuring over 33.8 mm, 8-17 jewels, valued not over \$15 each	2290		32%
91101100	Complete watch movements, unassembled or partly assembled (movement sets)	1380358		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	3196477		36%
96031060	Brooms (o/than whiskbrooms), wholly or in part broom corn, val. ov 96 cents each	10791482		32%

Source: US International Trade Commission