



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL COUNCIL OF PROVINCES

QUESTION FOR WRITTEN REPLY

QUESTION NO. 86

Mr H J Van den Berg (Northern Cape: FF Plus) to ask the Minister of Trade, Industry and Competition:

- (1) Given that South Africa's motor vehicle manufacturing industry significantly benefits from duty-free access to the United States' market under the African Growth and Opportunity Act (AGOA), what concrete steps has his department taken to ensure that South Africa (a) remains part of the trade agreement and (b) continues to support the growth and competitiveness of this sector;
- (2) whether his department has developed any contingency plans to protect the (a) motor vehicle manufacturing industry, (b) supply chain and (c) broader economy from severe consequences should efforts to secure the country's continued membership to AGOA fail; if not, why not; if so, (i) what plans and (ii) what are the further relevant details? CW86E

REPLY:

- (1) (a) The department has been actively engaged on the renewal of AGOA since the early part of the 7th Administration. First, Minister Tau and Deputy Minister Whitfield visited Washington DC in July 2024 to participate in the AGOA Forum, but also to engage with various stakeholders on the renewal of AGOA with South Africa retained in the programme. In September 2024, Minister Tau again visited Washington DC to engage stakeholders on the renewal of AGOA. The engagements were across party lines, with both Republican and Democratic members of Congress. Pending the confirmation of the relevant cabinet level officials, the SA Ambassador in Washington DC, in coordination with **the dtic** and DIRCO has been engaging with various stakeholders in the US regarding the renewal of AGOA.

As announced by the President during the State of the Nation Address, there will be delegation(s) visiting the US in the near future to continue engagement with the US on resetting the bilateral trade and investment relationship between the two countries. In addition, another consideration is the engagement with the new Administration on resuscitation of the Trade and Investment Framework Agreement (TIFA) that will provide a platform for engagements between the two countries at a Ministerial level to ensure that issues of bilateral interest are attended to.

(b) The automotive industry is a beneficiary of support from the Automotive Production and Development Programme including the Automotive Investment Scheme, trade agreements with regions such the EU, UK and the African Continent. Firm level interventions aimed at improving the competitiveness of automotive component manufacturers are also deployed to support the industry. Under the auspices of the South African Automotive Masterplan efforts to improve the infrastructure such as rail and ports are being pursued to ensure that the automotive industry and manufacturing broadly becomes more competitive. Engagements with industry stakeholders continue to explore a variety of options to ensure the industry is able to deal with emerging trends and challenges such as the transition to electric vehicles and the market disruptions caused by production capacity growth in China.

(2) The automotive industry currently accounts for the largest share of exports under AGOA (including Generalised System of Preferences). Without AGOA, the automotive exports will face a most favoured nation (MFN) duty of 2.5%. In the short-term, the automotive industry indicated that it may still be able to export to the US; while looking for medium to long term solutions.

(a) The department is engaging in sectoral discussions with the industry including the automotive sector for diversification of exports to create resilience. Through the AfCFTA, the department creates export opportunities for the industry. Further, the department is engaged with the UK and the EU to request extended

cumulation for the automotive industry to enable exports of new energy vehicles that can meet rules of origin in these markets.

(b) There is intra-industry trade between South Africa and the United States; as well as intra-industry trade between South Africa and other African countries. South Africa supplies critical inputs such as catalytic converters to the US automotive sector; while the US automotive sector supplies original equipment components. Through TIFA, the department will pursue discussions with the US on how to strengthen the supply chains.

(c) In the absence of AGOA, the US importers of SA automotive exports will face a tariff of 2.5%, which translate into tariff revenue of US\$46 million. As indicated above, the automotive industry indicated that it will still export to the US in the short-term. In the medium to long-term, there are diversification opportunities under the AfCFTA, the Economic Partnership Agreements (EPAs) with the UK and EU, as well as under the Mercosur Preferential Trade Agreement. **the dtic** remains engaged with industry on this matter.

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