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Re-defining the South Africa-USA trade and investment relationship

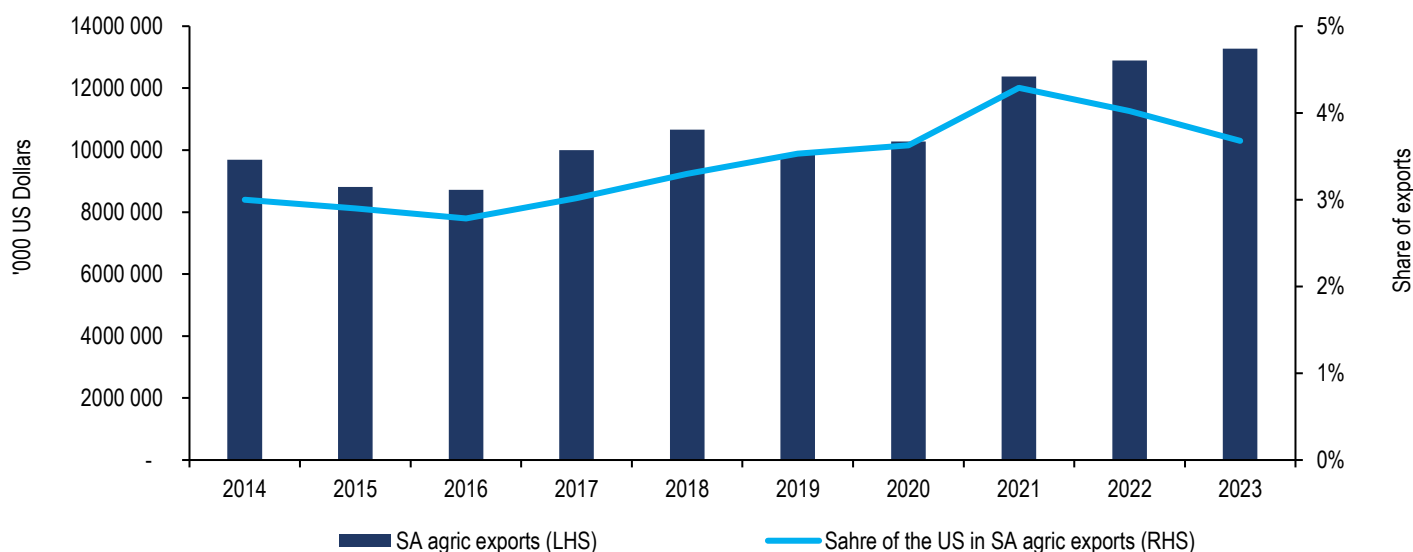
- We are a few weeks into the second Trump Administration, and there have already been major foreign policy decisions that are not only re-defining the US's view of the world but fundamentally changing the course of its partners. South Africa and the rest of the world are experiencing seismic shifts in American foreign policy in what could be a new era in global and international relations. These changes call for a sober reflection on the implications of America's foreign policy on bilateral commercial relations.
- Generally, US-South Africa bilateral relations have been somewhat frosty, mainly due to differences in both domestic and foreign policy over the years – from the infamous AGOA out-of-cycle review of 2015, the Protection of Property Rights Act of 2020, military drills with China and Russia, the Israeli-Gaza conflict, and now, the Expropriation Act. These issues have come to define the constant tension and major divergent views between South Africa and the US, which, while playing out in the public square, were always managed through appropriate diplomatic channels.
- The Trump Administration, however, has a different approach to dealing with domestic and foreign policy differences – it is far more confrontational in handling bilateral differences. As evident in its recent actions, while temporarily halting foreign aid, the Trump Administration went on to single out South Africa through a specific ban in direct response to what it wrongly perceived as human rights violations. The SA government has since noted that the premise upon which some of the views that informed the aid ban are made is based on misinformation. The ban on aid to South Africa brought an abrupt end to the HIV response interventions under the President's Emergency Plan for AIDS Relief (PEPFAR).
- As South Africa grapples with the immediate to short-term impacts of the aid ban, the bilateral trade and investment relationship has other long-term implications, all of which require urgent attention. South Africa's trade and investment benefits under the Africa Growth Opportunity Act (AGOA) are coming under scrutiny again – this time, under a hostile Administration seeking to establish reciprocity. At any given time in the past, one would've focused more on tracking the bipartisan processes in the legislative branch of government, defining sub-texts of the AGOA re-authorization Bill. However, the South African government may need a more holistic approach under this Trump Administration. The positive momentum from diplomatic engagements from 2024 has been upended by the recent executive actions under the Trump Administration.
- It is a new day, an entirely different set of circumstances that call for a new response mechanism to mitigate and manage risk. South Africa must double its efforts under a comprehensive plan of action

covering advocacy across both legislative and executive branches of government in Washington, DC. There is currently a bilateral Trade and Investment Framework Agreement (TIFA) that historically dealt with reviewing and addressing implementation issues and investment cooperation, amongst other aspects, from time to time.

- However, a separate and more agile set of bilateral response mechanisms may need to be established to address issues which require urgent attention. For instance, in responding to the US's misguided human rights violations claims, South Africa may require a dedicated Standing Task Force that can communicate facts of these issues at the highest level of government – clearly stating and showing that there is no land grab in South Africa. Much of what has shaped the US leadership perception is misinformation. Importantly, the Standing Task Force should serve as a crisis management committee – this will not be the last time the US brings grievances and issues about and to South Africa. We can expect more problems regularly over the coming years.
- Overall, South Africa should have a broader and common understanding of what type of bilateral relationship the country needs to establish with the United States. First, South Africa must decide when, how and under which terms it needs to transition from AGOA into a reciprocal trade agreement. As previously highlighted, we prefer a Preferential Trade Agreement (PTA), not necessarily a Free Trade Agreement (FTA). The PTA would allow South Africa to cushion industries that we deem sensitive while providing access to the US to sectors that can compete fairly. South Africa is the largest trading partner with the US in the African continent, and reciprocity is not only an inevitability but a strategic necessity for establishing a sustainable partnership.
- Having a bilateral and reciprocal trade and investment agreement does not mean "the all end all" of South Africa's challenges with the US. As witnessed by how the US leveraged its way to getting concessions from Mexico and Canada under the threat of tariffs, the Trump Administration will continuously seek to extract more benefits and strategically (ab)use its position to negotiate further. In that sense, South Africa should continually and strategically broaden its export markets and have a more diversified trade approach in various regions of the world.

This section is co-authored with Dr Tinashe Kapuya, former Head of Trade Research at Agbiz.

Exhibit I: South Africa's agricultural exports and the US share



Source: Trade Map and Agbiz Research