

The case for AGOA's renewal by Theo Boshoff for farmersweekly.co.za

Readers who follow international relations will know that the United States's Congress is due to review the countries included in the African Growth and Opportunity Act. AGOA, as it is commonly called, is not a trade agreement but a concession made to qualifying countries in sub-Saharan Africa to export duty free to the United States. It aims to promote market-based economies in Africa and development through the philosophy of 'trade, not aid'. The list of qualifying countries are reviewed on a regular basis but what makes review particularly topical is the fact that South Africa is due to host the US-Africa AGOA forum later this year. That is, unless the event is moved in retaliation to what some congressmen view as South Africa's close ties with Russia. Agbiz and Business Unity South Africa (BUSA), submitted written inputs to the US Congress on the 7th of July to underscore the reasons why we believe South Africa should remain within AGOA.

Compliance with the qualifying criteria

To qualify for the benefits under AGOA, African countries must promote human rights, build democratic institutions, create an enabling environment for US investment and refrain from any actions that threaten US foreign interests. The latter has garnered the most attention of late, and understandably so, but a rational analysis indicates that there are way too many 'ifs' and 'buts' to make a definitive ruling on this one. For the time being, we will need to wait and see what the commission of inquiry comes up with. Politics aside, South Africa still has the most developed democratic institutions on the continent. Few other countries on the continent can boast an independent judiciary, Public Protector, Auditor-General and revenue service. Warts and all, these institutions have demonstrated the type of checks and balances which AGOA seeks to promote. Likewise, we have a legal system that recognises physical and intellectual property rights that provide investment guarantees to US companies that invest in the country.

Notwithstanding the above, South Africa is still in need of development and it would be a fallacy to believe that developmental support is no longer required. We still have extreme poverty, 32,9% unemployment and one of the highest Gini coefficients in the world. Development is a journey and we are still far from the end point where it can be argued that developmental treatments under AGOA is no longer required.

Importance of South African exports to the United States

As noted by other authors, SA's agricultural sector benefits greatly from AGOA with the US being a leading export destination for citrus, table grapes, berries, beverages and spirits, vegetable preparations, fish and marine products. In all, the US is South Africa's 8th largest export destination for agricultural products, not to mention the value of automotive and mineral exports. Were it not for AGOA, these products would be subject to tariffs up to 5%. This may not sound like much, but it has a big impact in Rand values and contributes to the competitiveness of our agricultural sector versus international competitors.

US investments into South Africa

US companies play a leading role in South Africa's agricultural sector by providing access to world-leading seed, chemical and mechanisation technology. These companies invest vast sums into the South African economy and create thousands of jobs through comprehensive dealer and support networks in the country. Fundamentally, South Africa simply does not have the critical mass to develop this tech locally and without these companies' involvement, our sector would not be as competitive as it is.

Looking towards a post-AGOA scenario

South Africa will eventually 'graduate' out of AGOA and it is necessary to start negotiating a post-AGOA free trade agreement. We cannot do this alone as South Africa is part of a common market within SACU so all member states need to be on board. Taking this into consideration, the only viable option is to extend the AGOA benefits for the next 5 years whilst negotiating a reciprocal agreement in parallel. It is generally understood that South Africa cannot remain within AGOA forever but our eventual exit should come about when we reach a level of development where we can stand on our own feet as SACU. Should we exit prematurely for political reasons, it could have far-reaching consequences for investment sentiment. We certainly hope that the politicians take note!