

Presentation on AGOA

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REPUBLIC OF SOUTH AFRICA

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Overview SA- US Bilateral Trade

- The US is South Africa's 3rd largest trading partner in terms of both imports and exports in 2018
- Total exports to the US accounts for 7.3%, whereas imports accounted for 5.7% in 2018 (down from 6.7% in 2017).
- Total trade has increased from R129.9 billion in 2013 to R161.4 billion in 2017, but declined by R12.8 billion to R149.8 billion.
- The bulk of this drop in total trade can be attributed to a significant decline in automotive exports to the US. BMW ceased exporting fully built vehicles to the US with effect from February 2018. (the production line of 3-Series model has been replaced by X3 model destined for the African and Middle East market.
- In 2018, AGOA and GSP accounted for 51% of total SA exports to the SA. The balance of 49% of the SA's exports under MFN.
- South Africa is also home to over 600 US companies investing in a range of sectors and creating significant number of jobs. Similarly, SA companies also have a strong presence in the US and have made significant investments



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What is AGOA?

- AGOA is not an agreement but a US law that provides unilateral market access to the US for products from Sub-Saharan Africa (SSA) countries.
 - First signed into law on 18 May 2000 by President Bill Clinton and extended in 2008 by President GW Bush to expire on 30 September 2015.
 - In 2015 President Obama extended AGOA further for 10 years until 2025.
- AGOA legally integrates the GSP benefits.
- AGOA removes the competitive need limitation under GSP on exports to USA. Therefore, there is no longer a ceiling for exports under GSP for AGOA beneficiary countries.
- Offers preferential rules of origin for products from beneficiary-countries.



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Eligibility Criteria

- To qualify, countries should meet the following criteria:
 - market-based economies,
 - maintain the rule of law and political pluralism,
 - eliminate any barriers to US trade and investments,
 - ensure the protection of intellectual property,
 - make efforts to combat corruption, and
 - and adopt policies to reduce poverty, among others.
- Also an eligible country should also meet the following GSP eligibility criteria, among others:
 - may not nationalize or expropriate property of US citizens or corporations without providing/or taking steps to provide, prompt, adequate, and effective compensation, or submitting such issues to a mutually agreed forum for arbitration;
 - The economic development status of a beneficiary country should not exceed a certain threshold. The GNI per capita for mandatory graduation is set at the lower bound of World Bank’s definition of a “high-income country (turkey & India recent graduation)
- USTR monitors through annual reviews the eligibility status of all SSA AGOA beneficiary countries.
- The USTR may also conduct Out-of-Cycle Reviews of beneficiaries that can lead to withdrawal, suspension or limitation of benefits as sanctions for non-compliance



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2015 AGOA Legislation

- AGOA extended 10 years until 2025 with South Africa included.
- This is the longest extension in the history of AGOA with the previous extensions being 8 and 7 years respectively.
- However, the new AGOA legislation has introduced new dynamics;
 - any US stakeholder is now allowed to bring requests for eligibility review at any time. i.e. 3 Meats
 - The office of the USTR was required to submit a report to US Congress on “Policy Levers for Deepening and Broadening Trade and Investment Relationship between Africa and the United States”, which was issued in 2017
 - Additionally, the USTR is also required to submit to Congress a report that identifies sub-Saharan African countries that have expressed an interest in entering into a free trade agreement with the United States.
- The new Act also requires AGOA beneficiary countries to draft AGOA utilization strategies



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Benefits under AGOA

- AGOA expands duty-free product coverage under the Generalized System of Preferences (GSP) by an additional 1 835 products.
- GSP provides duty-free treatment for 3 400 products from designated beneficiary developing countries (DCs) plus a further 1 450 products from least developed beneficiary countries (LDCs).
- Collectively, AGOA, including GSP, provides duty-free market access for:
 - 5 235 tariff lines from SSA countries classified as developing countries, and
 - 6 685 tariff lines for least developed countries.



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AGOA Product Coverage

- Eligible product list spreads over all sectors with the exclusion of the following textiles and textiles articles:
 - Man-made staple fibers;
 - Special woven fabrics; tufted textile fabrics; lace, tapestries; trimmings; embroidery)
 - Knitted or crocheted fabrics
- Other products also excluded from AGOA and GSP include:
 - Agro processing sector (i.e. canned peaches and peach juices)
 - silicon; and
 - electrolytic manganese metal powder, amongst others .



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Preferential Rules of Origin (RoO)

- A product must meet the GSP and AGOA programme's RoO to qualify for duty-free access to USA. GSP and AGOA RoO require that:
 - Only 35% of appraised value of product must be produced in the beneficiary SSA country/countries; 65% can be from imported material;
 - The article must be imported directly from the beneficiary country into the USA, or
 - if a shipment from a beneficiary developing country passes through the territory of any other country en-route to the US, the imported articles must not enter the commerce of the other country;
 - if the cost or value of materials produced in the US customs territory is included with respect to that article, does not exceed 15% of the appraised value of the article; and such cost shall be applied in determining such percentage
- AGOA allow cummulation among AGOA beneficiary countries or with the United States and GSP allows cumulation amongst the eligible countries.



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AGOA & GSP Exports

| SA AGOA EXPORTS PER SECTION US\$1000 | | | |
|---|------------|---------------|------------------------|
| | 2018 | Share of AGOA | Share of total Exports |
| 72 IRON AND STEEL | \$ 293 218 | 31% | 3% |
| 08 EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUIT OR MELONS | \$ 165 508 | 17% | 2% |
| 28 INORGANIC CHEMICALS | \$ 82 701 | 9% | 1% |
| 76 ALUMINUM AND ARTICLES THEREOF | \$ 72 588 | 8% | 1% |
| 38 MISCELLANEOUS CHEMICAL PRODUCTS | \$ 58 523 | 6% | 1% |
| 22 BEVERAGES, SPIRITS AND VINEGAR | \$ 58 383 | 6% | 1% |
| 71 PRECIOUS OR SEMIPRECIOUS STONES, PRECIOUS METALS | \$ 42 201 | 4% | 0% |
| 20 PREPARATIONS OF VEGETABLES, FRUIT, NUTS, OR OTHER PARTS OF PLANTS | \$ 23 528 | 2% | 0% |
| 39 PLASTICS AND ARTICLES THEREOF | \$ 21 687 | 2% | 0% |
| 84 NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF | \$ 19 599 | 2% | 0% |
| 87 VEHICLES, OTHER THAN RAILWAY OR TRAMWAY ROLLING STOCK, AND PARTS AND ACCESSORIES THEREOF | \$ 18 176 | 2% | 0% |
| 17 SUGARS AND SUGAR CONFECTIONERY | \$ 13 281 | 1% | 0% |

Source: USITC

| SA GSP EXPORT US\$'1000 | | | |
|--|------------|--------------|----------------|
| Hts Num | 2018 | Share of GSP | Share of Total |
| 72 IRON AND STEEL | \$ 245 976 | 28% | 3% |
| 28 INORGANIC CHEMICALS & ELEMENTS OR OF ISOTOPES | \$ 122 728 | 14% | 1% |
| 29 ORGANIC CHEMICALS | \$ 109 439 | 13% | 1% |
| 71 PRECIOUS METALS | \$ 100 231 | 12% | 1% |
| 84 NUCLEAR REACTORS, BOILERS | \$ 91 912 | 11% | 1% |
| 39 PLASTICS AND ARTICLES THEREOF | \$ 65 644 | 8% | 1% |
| 89 SHIPS, BOATS AND FLOATING STRUCTURES | \$ 21 521 | 2% | 0% |
| 85 ELECTRICAL MACHINERY AND EQUIPMENT | \$ 18 822 | 2% | 0% |
| 74 COPPER AND ARTICLES THEREOF | \$ 17 345 | 2% | 0% |
| 87 VEHICLES, OTHER THAN RAILWAY & PARTS | \$ 16 773 | 2% | 0% |
| 44 WOOD AND ARTICLES OF WOOD | \$ 6 592 | 1% | 0% |
| 21 MISCELLANEOUS EDIBLE PREPARATIONS | \$ 6 218 | 1% | 0% |
| 12 OIL SEEDS AND OLEAGINOUS FRUITS; | \$ 4 891 | 1% | 0% |
| 33 ESSENTIAL OILS AND RESINOIDS; PERFUMERY | \$ 3 504 | 0% | 0% |
| 76 ALUMINUM AND ARTICLES THEREOF | \$ 2 642 | 0% | 0% |

Source: USITC databweb



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SA'S AGOA EXPORTS AT HS6

- Ferrochromium, ferrosilicon manganese, industrial fatty alcohols,, jewelry and parts, compounds of precious metals, leather of animals, stockings and socks, motor vehicles, sail boats, bodies for motor cars, articles of plastics, rubber tyres for cars, exhaust pipes for cars, conveyer belts, clutches and parts for cars, gear boxes, parachutes, refined leads, glass fibers, tools for drilling.
- Clementine, pears, pineapples, solid cane sugar, fresh oranges, wines and fresh grapes, sparkling wines, dried grapes, macadamia nuts, fresh/dried nuts, dried fruits, ice cream, preserved vegetables and mixtures, fresh/dried grapefruits and juices, sauces and other condiments, vegetable seeds for sowing, guavas and mangoes, flour, etc



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How to export under AGOA

- First check if the product you wish to export to US qualifies under AGOA or GSP on the US tariff book by following this link <https://hts.usitc.gov/>. GSP is shown by “A” or (A*); AGOA, “D”.
- The AGOA legislation requires all exporters and manufactures to be registered with the South African Revenue Services (SARS) prior to the exportation of all commodities.
- Complete all SARS documents i.e. certificate of origin, VISA
- Obtain the relevant license, permit or a sanitary and phytosanitary certificate from DAFF and USDA for exportation of animal or plant products.
- In the case of uncertainty regarding HTS classification, request a ruling <https://apps.cbp.gov/erulings/index.asp>
- Ensure that you have a list of all important documents to get GSP and AGOA treatment. A list of such documents can be obtained from www.cbp.gov
- For more information on exporting US processes and export requirements, contact the CBP website: www.cbp.gov



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TAKE HOME MESSAGES

- The US is a big market worth taking advantage of - both small and big companies
- AGOA gives South African exporters a competitive advantage i.t.o duty free and quota free access into the US
- However, AGOA is a temporary arrangement which expires in 2025
- While AGOA benefits are uncertain for SA in the medium-term, SA companies may use it as an opportunity to test the market and to establish a customer base



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