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Agoa exclusion expected to knock confidence not growth as other US tariffs lessen sting

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Trade, Industry and Competition Minister Parks Tau

The announcement by the US government of its intention to exclude South Africa as a beneficiary of the African Growth and Opportunity Act (Agoa) as from January 1, 2027, is not expected to affect South Africa's growth outlook, with exports under the scheme representing about 1% of South Africa's total trade.

However, in response to the announcement, Business Unity South Africa (BUSA) warned that business sentiment could "take a knock".

BUSA CEO **Khulekani Mathe** joined Trade, Industry and Competition Minister **Parks Tau** in emphasising that the loss of

Agoa eligibility did not represent the loss of the US as a trade partner. With Tau also stressing that Agoa did "not constitute the totality of the economic relationship between South Africa and the US".

In a statement following confirmation by US Trade Representative Ambassador **Jamieson Greer** that South Africa's Agoa eligibility would be terminated, Tau noted that bilateral trade stood at $28.8-billion in 2025, when 89% of South African exports entered under World Trade Organisation most favoured nation terms.

Government estimates that about 10% entered under Agoa, down from 28% in 2024 and that the value of Agoa exports fell to $1.7-billion last year, from $4-billion in 2024.

BUSA calculated that the preferential tariff access was worth around $55-million in tariff savings for US importers last year and that the loss of Agoa would add about 3.6 percentage points to tariffs on the goods it covered.

"In reality, the broader array of US tariffs – including the 12.5% so-called 'forced labour' tariff and others on specific goods – is already having a far greater impact on the prices of South African goods in the US.

"The Section 232 national-security tariffs on cars, metals and other products alone add around $450-million a year in duties – about eight times what Agoa saved," Mathe added.

This point was amplified by XA Global Trade Advisors CEO **Donald MacKay**, who told *Engineering News* that the tariffs already imposed on South Africa by President **Donald Trump**'s administration were more significant economically than the loss of Agoa.

"If the Agoa exclusion had happened before all of that [the other tariffs], the impact would have been far more pronounced. But the worst pain has already been taken, and it's already baked into our economic numbers and I don't think this is going to shift the needle," MacKay said.

PSG Financial Services chief economist **Johann Els** added that it was easy to overstate the direct economic impact.

"The bigger concern is the potential impact on business confidence, investment and diplomatic relations between the two countries," Els said, while acknowledging that some South African exports to the US would become less competitive.

Likewise, North-West University Business School economist Professor **Raymond Parsons** said that, while the termination would have a minimal impact on the domestic economy as a whole, specific sectors such as agriculture and the motor industry would be negatively affected.

There was particular concern about agricultural sectors, such as citrus, nuts and grapes, and the potential for negative consequences for firms and jobs in the Northern Cape and Western Cape, which accounted for about 40% of US-linked jobs on a fifth of the trade.

BUSA said these companies would need time and support to find new buyers, while warning that hundreds of jobs would likely be lost.

The Citrus Growers' Association of Southern Africa (CGA) described South Africa's Agoa exclusion as "a serious blow", and yet another setback for an industry already hurting from the

conflict in the Middle East, as well as high input costs and adverse weather.

"Losing Agoa exposes South African citrus exports to the applicable US rate of duty, generally between 1.5 and 2.5 US cents per kilogram, depending on product and timing," CGA chairperson **Gerrit van der Merwe** highlighted.

"The challenge is compounded by the additional 12.5% Section 301 tariff, which is applicable to all citrus varieties apart from oranges. Oranges have been exempted of tariffs since November 2025, but, without Agoa the US rate of duty applies on South Africa oranges," he added.

PROMISE OF SUPPORT

Tau said that government would support affected sectors, with the nature of the support to be dependent on the impact.

Engineering News understands that this support could take the form of export assistance, block exemptions from the Competition Commission and also export support for new markets.

Agriculture, particularly citrus and nuts, is likely to receive priority attention.

"The impact will differ across sectors, and government is working closely with affected industries to assess the implications and will continue to provide appropriate support, on a company-to-company basis," Tau said.

Parsons argued that the Agoa exit also reinforced the need to accelerate South Africa's market diversification strategy, as well as

the urgency for reducing the costs of doing business in South Africa.

Tau said government would continue to accelerate the diversification of South Africa's export markets under the Cabinet-approved Industrial Development Strategy and Butterfly Strategy, and was already pursuing market opportunities across the African Continental Free Trade Area, India, the EU, the UK, Asean, Mercosur and China.

DETERIORATING RELATIONS

Meanwhile, BUSA expressed concern that the Agoa decision was being linked to wider punitive actions by the US administration against South Africa's government and economy, including visa bans on an undisclosed list of South Africans associated with certain policies, including empowerment.

"BUSA is especially concerned at the risk that relations between our two governments deteriorate further and that contact at that level breaks down. We urge both governments to maintain dialogue and to understand each other, while respecting each government's right to set domestic policy as it sees fit," Mathe said.

Tau said South Africa remained committed to a balanced and mutually beneficial partnership with the US that enabled preferential trade that supported beneficiation of critical minerals at source and promoted investment.

South Africa, he said, would continue to uphold its constitutional responsibilities, transformation objectives and international obligations while pursuing ways to expand trade and investment.

"This decision does not define the broader relationship between South Africa and the United States, however, a solution depends on

the willingness of both parties to find solutions," Tau added.

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