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Chamber warns US tariffs will have significant impact on the Eastern Cape economy

3RD APRIL 2025 BY: SABRINA JARDIM - CREAMER MEDIA ONLINE WRITER



Business organisation the Nelson Mandela Bay Business Chamber CEO **Denise van Huyssteen** has said the

organisation is “deeply concerned” about the “serious ramifications” which the US tariff announcements will have on South Africa’s local economy, and more specifically on the Eastern Cape provincial economy.

She notes the large contribution the automotive and agriculture sectors make to the province's economy.

“In fact, our view is that this will create a jobs crisis situation for the Nelson Mandela Bay metropolitan municipality and the broader

Eastern Cape.

“We anticipate that the impact of this will be felt quickly and will result in the loss of thousands of much-needed direct jobs in our local manufacturing economy, and indirectly it will have a knock-on impact on jobs in other sectors,” she says.

Van Huyssteen posits that a number of countries will have significant cost advantages over South Africa, such as Japan and Korea, which will “simply absorb the tariffs”.

“This will put South Africa, which is already, from a logistics perspective, far from other markets, in a very uncompetitive position versus other countries around the globe, and on the African continent.”

Additionally, Van Huyssteen says these wide-sweeping tariff announcements will affect global strategies and decisions on where the best manufacturing locations may be.

AUTOMOTIVE SECTOR

Van Huyssteen explains that South Africa’s local economy is highly reliant on the automotive industry.

She expresses that the organisation is particularly concerned about the potential knock-on impact that reduced vehicle assembly volumes of affected original-equipment manufacturers who export to the US, may have on the automotive components supply chain.

“By far the biggest risk in the short to medium term is the competition that South African manufacturers will face from non-US manufacturing countries which may have a lower tariff base.”

Further, given the long timeframes associated with investment cycles and in changing and diversifying production sources and markets, the already low volume base of South African manufacturers and the lack of free trade agreements (FTAs) with BRICS and South East Asia markets, Van Huyssteen says there are unlikely to be alternative market options available in the short term to mitigate the impact.

She notes that other potential issues which may arise include other countries potentially reducing their tariffs to appease the US and South African exporters having to also compete with the amended tariffs that result from negotiations with the US; and the “dumping” of products in the South African market by other countries which can also no longer compete in the US.

“Our local manufacturing economy, which has been relatively agile and resilient in responding to energy, logistics and enabling environment challenges in the country, is already struggling to be competitive versus other manufacturing operations around the world.

“Additionally, our local vehicle assemblers are facing increased competition from cheap imports flooding the market, which in turn is reducing their local sales volumes. These factors together with the potential of reduced export volumes to the US are worrying.”

AGRICULTURE

Van Huyssteen points out that the Eastern Cape is also the second largest citrus-producing province in the country, with the Sunday's River Valley serving as the country's largest single production area.

While 9% of South Africa's citrus exports go to the US, she says it is unclear at this stage how the imposition of the tariffs will affect

South Africa's local citrus industry, noting that it is probable that there will be "intense competition" between the Eastern Cape and Western Cape in terms of securing markets to make up for the loss of volume to the US.

"There are currently no FTAs with BRICS and South East Asian markets which makes diversification to these markets very difficult. It is important to note that the citrus industry is seasonal, and these changes are happening at the start of the new citrus season, which will create a lot of uncertainty," she says.

MITIGATION NEEDED

Van Huyssteen posits that the Eastern Cape, as a whole, is likely to be disproportionately affected by the tariff announcements versus the rest of the country, given the extent to which South Africa's local economy is anchored by the automotive and agriculture sectors.

She argues that speed and a proactive strategic response is required to enable South Africa-based manufacturers to find alternative solutions to navigating the fast-changing landscape and implementing mitigation actions.

She argues that among urgent mitigation actions which should be considered include a targeted approach to convince the US to reduce the tariffs on South Africa; securing FTAs with BRICS and other markets; and identifying opportunities to reinvent and reposition South Africa's manufacturing sector to prevent de-industrialisation from taking place.

"This is moving fast, and absolute speed and urgency are required to prevent massive job losses from taking place in Nelson Mandela Bay and the broader Eastern Cape. We would like to request a

meeting with you and/or your representatives to discuss mitigation actions which can be taken.

“Additionally, we have a Local Economy Reinvention Think Tank in place where we have manufacturing and other technical experts from across our local industry who can help provide inputs, which may potentially assist in developing and implementing mitigation actions,” she says. 🇷🇺

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