

■ OPINION

JING CHIEN AND LAWRENCE EDWARDS: SA exports at risk as US tariff hiatus nears end

Crisis provides opportunity to re-evaluate policies and assess whether they are consistent with driving growth and integration in the global market

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SA exporters to the US face an impending crisis with the lapse of the 90-day suspension by President Donald Trump of his “Liberation Day” reciprocal tariffs, scheduled for July 9.

The immediate concern is the increase in tariffs from the current “universal” baseline tariff of 10% to an SA-specific reciprocal tariff of 30%. High section 232 tariffs on steel and aluminium (50%) and cars (25%) have already been imposed by Trump for national security reasons earlier this year.

For SA the US is a key export partner, accounting for 8.5% of nongold exports in 2024. In addition, a third of SA nongold exports to the US entered under African Growth & Opportunity Act (Agoa) preferences last year. However, Agoa preferences offer little cushion against the current tariffs.

The 25% section 232 tariffs on SA's top US-bound product — passenger vehicles — renders the Agoa preference margin of 2.5% meaningless. Similarly, the prospective 30% reciprocal tariff swamps the savings of 1.9 US cents a kilogram enjoyed by exporters of citrus products to the US under Agoa.

We assessed the implications of the US tariffs on imports from SA using a highly disaggregated multicountry, product level trade model based on 2024 data. SA is particularly vulnerable to the implementation of the country-specific reciprocal tariffs. At the current 10% reciprocal tariff rate SA ranks 102nd out of 221 countries in terms of the severity of US tariff increases. However, SA's ranking worsens to 28th should the suspension lapse without any other agreement replacing it. Lesotho, with a 50% reciprocal tariff, is the worst affected of all countries.

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Overall, the 30% reciprocal tariff, with the section 232 tariffs, increase the import weighted average tariff on SA exports from 0.4% to 16.8%. The increase would be higher if key SA export products to the US such as platinum group metals, selected wood products, ferroalloys, copper and manganese were not exempted from the reciprocal tariffs.

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We find that the negative trade effects under the current 10% reciprocal tariffs and the section 232 tariffs amount to \$1bn, or a

12.4% decline in SA nongold exports to the US. This has the potential to rise to \$2.3bn, or a 28% decline in nongold exports to the US, once the suspension lapses on July 9.

The effects are widely felt across products. Over half of all products experience a 45% reduction in US imports from SA, but some of these products (such as cereal preparations, lead articles and wood pulp) experience a complete collapse in US imports.

In terms of value, US imports of vehicles and parts are the most severely affected, falling by \$582m, or a 32% decline. However, this decrease is not attributed to the 30% reciprocal tariff, which does not apply to vehicles, but rather to the 25% section 232 tariffs, which are not expected to change on July 9.

Industries facing greater proportionate losses from the 30% reciprocal tariffs include organic chemicals (\$150m, 74%), fruit and nuts (\$157m, 65%), prepared vegetables (\$74m, 68%) and sugar products (\$35m, 92%).

The negative impact of the 30% reciprocal tariff on SA is amplified by the potential diversion of US consumers away from SA products towards alternatives exported by other countries that face lower US tariff increases. These diversion effects are most severely felt in chemicals and food products, and account for more than 80% of the total decline in US imports from SA.

Citrus, a key SA export product to the US, is also at serious risk of diversion, given that competing southern hemisphere exporters in Chile and Peru face a far lower 10% reciprocal tariff from July 9.

Not all products are directly affected by the US tariffs. US imports of platinum, copper, timber, trucks, critical minerals and pharmaceuticals are unaffected as tariffs do not change on these products. However, this may soon change as section 232 investigations have been initiated to assess whether imports of these products impair national security.

Should US or global growth slow in response to the increased tariffs, foreign demand and international prices may fall, resulting in large additional negative indirect effects for SA exporters of all products.

Competition

An additional consideration for SA exporters is the potential increase in competition in markets outside the US, in particular from China. If Chinese exports are deflected away from the US to other markets, as occurred during the 2018/19 US-China trade war, SA exporters may find themselves crowded out of these markets. Reports of rising Chinese exports to other parts of Africa, a key market for SA, have already surfaced.

We assessed this risk for SA exporters to Sub-Saharan African markets but found that indirect deflection effects amount to a decline of less than 1% of SA's regional exports. The structure of SA's exports to the region appears to be resilient, suggesting that preferential trade agreements within the region may provide some protection.

In light of our results, it is imperative that SA adopts a co-ordinated policy response. The immediate concern is the impending increase in reciprocal tariffs. If no deal is struck, SA's export losses may be amplified if competing countries successfully negotiate lower tariff increases. Beyond that, priorities should extend to the renewal of Agoa from September.



Longer term, SA also needs to prioritise enhancing domestic trade competitiveness and diversifying its export destinations. In this

regard, pursuing continental-level agreements such as the African Continental Free Trade Area with more impetus and other forms of preferential trade agreements are important avenues to explore.

The crisis has highlighted the imperative of better engagement between private companies and government. According to the American Chamber of Commerce in SA, at least 662 US firms are active in the country, supporting not only 220,000 local jobs but also benefiting their US shareholders/owners in the form of large primary income transfers from SA to the US.

As emphasised by trade, industry & competition minister Parks Tau, reinvigorating the dormant SA-US trade and investment agreement as a bilateral forum for public and private sector dialogue on trade and investment is crucial. The crisis presents an opportunity for deeper domestic reform.

The office of the US trade representative highlights several impediments to trade, including restrictive nontariff barriers and import permit requirements, restrictive technical and phytosanitary barriers, local ownership requirements on foreign investment, and limits to competition by government procurement.

Now is the opportunity to re-evaluate these policies and assess whether they are consistent with driving growth and SA's integration in the global market. Further, high trade costs associated with the poor quality and administration of SA rail and port infrastructure prevent the entry of firms into export markets and make SA exports particularly vulnerable to external shocks.

The US tariff increases accentuate the importance of accelerating and expanding existing reforms of the state institutions managing critical trade infrastructure.

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