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Trump tariffs: SA must shift the narrative from 'damage' to 'opportunities'

The country must forge and strengthen partnerships with China, the EU, India, and within Africa, says trade economist.

By Liesl Peyper · 2 May 2025 04:05

JSE	R126.96	-1.34%	PSG FIN	R20.27	-0.83%
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SA's auto industry benefitted from Agoa but is going to be in more severe trouble if a 25% tariff continues. Image: Alessia Pierdomenico/Bloomberg

South Africa should be far more concerned about the global impact of a trade war between the world's biggest economies, the US and China, than the shorter-term impact of the Trump administration's tariffs on exports to the US.

This is the word from Matthew Stern, director and head of trade and regional integration at DNA

Economics, speaking at a PSG Think Big webinar on Wednesday on the topic 'Trump, tariffs and trade'.

Read/listen:
Trump to sign order easing auto tariff impact
Tariffs have essentially nullified Agoa – Tau
China seeks to up SA agri product imports

US President Donald Trump sent shockwaves through the world on 2 April when he announced a new tariff strategy aimed at correcting what he perceives as decades of unfair trading relationships that disadvantage American manufacturers and workers.

This included a 10% tariff on all imports to the US from all countries except Canada and Mexico, and additional country-specific tariffs based on perceived unfair trade practices targeting approximately 60 nations.

A trade war ensued between:

- The US, which has imposed tariffs of up to 145% on most imports from China; and
- China, which has imposed tariffs of 125% on US goods in retaliation.

These high tariff levels have created a mutual trade embargo between the two largest economies in the world.

Closer to home, Trump imposed a 31% levy on goods imported from South Africa, which, according to Minister of Trade, Industry and Competition Parks Tau, is tantamount to "nullifying" the African Growth and Opportunity Act (Agoa).

Read: Tariffs have essentially nullified Agoa – Tau

South Africa has been one of several countries on the African continent that have benefitted from the act since it came into effect in 2000, which gave it preferential access to the US markets.

Agoa's importance 'overplayed'

According to Stern, Agoa is not the "elephant in the room", but rather how the widespread tariff imposition on countries around the globe will play out in the world economy.

"Agoa is generally overplayed. Yes, it has strong political importance in being a useful stick that Americans have wielded over the past 20 years. But in economic terms – and certainly in trade terms – it's not that important for South Africa."

Stern points out that about 25% of South Africa's exports to the US are entering the country under Agoa.

"And even then, the preferences that we receive through Agoa – the lower tariff that we receive relative to what we otherwise would have received on those exports – are not particularly large."

He acknowledges that motor vehicle exports and agricultural produce are certainly vulnerable and that it would disrupt some supplies.

> **"Losing Agoa would be an irritation, but it wouldn't have devastating economic effects."**

In contrast, the broader implications of a US-China trade war, including disruptions to global supply chains and economic growth, pose a much greater threat to South Africa's economy, he warns.

He pointed to the International Monetary Fund's recent downward revision of South Africa's growth forecast as evidence of this.

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"As of this week, we've already seen the IMF halve their forecast growth rate for South Africa for the next year, from a paltry 2% to around 1%. That's a 1% cut that we can't afford."

Vulnerable sectors

Stern says South Africa's motor vehicle and citrus sectors are particularly vulnerable to the new tariffs.

"Vehicles benefitted from Agoa and would continue if Agoa gets wiped off the table, but the sector is going to be in severe trouble if the 25% tariff, as it's currently being applied, continues.

"As for citrus, a fair chunk is going to the US, and it's going to be difficult to shift these exports to other markets, because supply chains are tricky. So, certain companies that are deeply invested, particularly in the citrus sector, are going to be impacted most," Stern notes.

Read: **Volkswagen earnings plunge 40% as US tariffs cloud outlook**

Little negotiation room

Stern notes that South Africa's ability to negotiate favourable trade deals with the US is constrained by its relatively small share of US imports.

"I don't think we are going to be of huge strategic priority. We are a small market for them across all sectors, and it's the political interests that seem to predominate."

He expects the US to raise political, rather than economic issues, if and when a South African delegation meets with the Trump administration.

Read:
US, SA to reportedly hold trade talks this week
Trump signals US will skip SA G20 over land claims

"And that is going to make it really difficult for us to find each other, at least through some kind of trade agreement."

Exploring the EU, China, India, and Brics-plus

In response to the challenges posed by the tariffs, Stern says South Africa should urgently diversify its trade relationships and explore new markets.

The European Union (EU) remains South Africa's largest trading partner, and strengthening this relationship is "a good place to start".

"We already have a deep historical relationship with the EU. They have reached out to us, and what was recently quite a frosty relationship has suddenly become super friendly," he says.

Read: [Tariff hikes: Hunt for new agricultural markets must begin now]

Additionally, South Africa should focus on enhancing trade ties with China and India, both of which are among the fastest-growing economies globally.

"We export two or three products to them, but it's mostly commodity-based. So we should start engaging with new potential trading partners, particularly India, to find ways to shift some of what we currently export to the US into these newer, and faster-growing markets," Stern suggests.

There is also significant potential for regional trade. "We have a nascent free trade agreement [the African Continental Free Trade Agreement] in place across all of Africa. Investing more time and effort in dealing with outstanding obstacles to trade in Africa is equally important."

The Brics-plus grouping also offers potential for deeper economic collaboration, although existing trade agreements within Brics are very limited.

> **"We have no trade agreement with any Brics country of any substance. Now might be a good idea to start thinking about that."**

In light of these challenges, South Africa needs to shift its narrative from merely assessing the damage caused by Trump's tariffs to identifying new opportunities.

"Our analysis needs to move on from the 'destruction' and we should start to think about where some of these openings and new opportunities might emerge as a result of the global shifts."

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