AGOA AND THE SOUTH AFRICAN AUTOMOTIVE INDUSTRY

The aim of the AGOA report is to highlight the mutual benefits of this trade arrangement to the South African and US automotive industries and for the extension of the Act post 2025.

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AUTOMOTIVE INDUSTRY EXPORT COUNCIL

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AGOA AND THE SOUTH AFRICA AUTOMOTIVE INDUSTRY REPORT

Sub-Saharan Africa, with abundant natural resources, ports capable of serving large-scale maritime and air cargo trade in east, southern, and west Africa, and with the world's most rapidly growing labour force, potentially has the ingredients to be among the next decade's fastest-growing exporters of manufactured goods and services. As the global energy transition gathers pace, Africa's importance to the world's economic development resides in the continent's significant natural resource wealth, reiterating just how interconnected the world is. The continent has 40% of the world's gold and up to 90% of its chromium and platinum while the largest reserves of cobalt, diamonds, manganese and uranium in the world are in Africa. However, African economies still remain locked in production patterns dominated by extractive sectors with their exports concentrated in basic unprocessed commodities with minimal value addition.

Trade is regarded as the key to long-term, sustainable economic growth and development in sub-Saharan Africa. It is also an important factor for integrating regions and forming stronger bonds between countries. The African Growth and Opportunity Act (AGOA) has become a powerful symbol of the commitment the United States and Africa has made to one another's prosperity. AGOA and its eligibility criteria fostered an improved business environment in many African countries, provided incentives for African economic and political reforms, and expanded trading opportunities for both sub-Saharan African and US businesses.

The AGOA programme offers more than three dozen sub-Saharan African country participants that meet democratic criteria preferential access to the US market, the world's largest economy, by eliminating import tariffs. Since its inception in 2001, AGOA has served as the bedrock of trade relations between the US and sub-Saharan Africa, specifically in the support of regional integration and the stimulation of regional value chains through AGOA's rules permitting cumulation among programme beneficiaries. The continuity of AGOA, via extensions up to 2025, strengthened trade relations and improved the scope of employment creation, industrial growth, and development in Africa, especially in South Africa. US business interests are well represented in South Africa. Most of the leading multinational corporations actively participating in the South African economy regard the country as the ideal location for any company aspiring to reach the continental market more effectively, both from a cost and logistical point of view. The South African automotive industry has been the major beneficiary of AGOA, and substantial two-way automotive trade has taken place between South Africa and the US since its inception. The automotive sector is effectively a global production and trade sector and South African automotive exports to the US increased by 447,3% in nominal

Rand terms between 2001 and 2022 under AGOA, while automotive imports from the US increased by 671,8% in nominal Rand terms, proportionally much more than exports over the same period. AGOA's mutual benefits include enabling exports, encouraging investment in the region, enhancing private sector activity and economic growth, and ultimately generating demand for US goods and services as the region's economies develop.

AGOA expires on 30 September 2025 and the scheduled expiration makes the future of US-Africa trade relations uncertain. The lingering post-AGOA relationship with African countries remains undefined but many options might be viable. AGOA's extension and South Africa's continued eligibility is crucial since it does support the continued growth and development of the automotive industry in South Africa. Moreover, the domestic automotive industry has not just been earmarked as one of the key drivers of industrialisation in South Africa, but also on the African continent as a whole. The Auto Pact developments in Africa, led by South Africa, to establish regional automotive hubs and value chain integration in the various regions under the framework of the African Continental Free Trade Area (AfCFTA) will be adversely affected should AGOA or South Africa's continued eligibility be discontinued. The World Bank estimates that the AfCFTA, which was implemented on 1 January 2021, will increase Africa's income by US$450 billion by 2035 and increase intra-African exports by more than 81%.

The AfCFTA could also play a major role in AGOA's path forward as it will enhance regional trade by forming a single market and will create millions of jobs across the continent. The successful implementation of AfCFTA is likely to contribute to the successful implementation of an extended AGOA. AfCFTA, AGOA, and industrialisation all go hand in hand, but the challenge is finding the right configuration to make them mutually beneficial. The extension and long-term renewal of AGOA supports economic integration under AfCFTA, one of America's top strategic goals in Africa. It is widely recognised that the removal of barriers and harmonisation of trading rules would not only facilitate greater intra-African trade but would also offer a timely opportunity for the US to enhance its role in Africa's regional and global value chains. In this context, continued access to the US market under AGOA is more important than ever and would also create increased imports from the US, hence building a major economic partnership between the US and sub-Saharan Africa.

An early extension of AGOA will offer precisely the kind of market-friendly access that African companies and governments need at exactly the right time as the AfCFTA begins to take off to realise the potential of increased manufacturing and value chains in Africa. With the implementation of the AfCFTA, to pave Africa's path to prosperity via increased levels of industrial production, a discontinuation of AGOA in 2025 would be ill-timed and defeat the notion by the US to support “trade, not aid” in sub-Saharan Africa. The expiration of AGOA in 2025 would pose a challenge to maintaining the investments and jobs generated by the programme in both sub-Saharan Africa and the US over its more than two-decade spell.

The US-African relationship is unique under AGOA and the practicality and feasibility of the policy options post-2025 must be assessed in light of this unique relationship with a view to determining which options offer the greatest promise to unlock trade and investment and also reflect the needs and opportunities of a changed world. Cabinet approved for South Africa to host the next AGOA Forum in 2023. The annual AGOA Forum offers an important opportunity for US and African leaders to enhance economic and diplomatic relations.

In the 2021 AGOA Ministerial meeting, the African trade Ministers highlighted the following key areas:

- Extension of AGOA beyond its 2025 expiry, for an extended period. A period of 20 years or more was proposed to provide for predictability of the business environment in bilateral trade;
- Improvement in product and country coverage of tariff preferences and removal of US non-tariff barriers;
- Opposition to “graduating” – i.e., excluding beneficiaries from AGOA. An accession from African countries is that GDP per capita does not show the entire development nature of an economy.
- Sub-Sahara African countries also called for US support to Africa’s industrialisation and integration efforts, including the AfCFTA, and encouraged increased US investment in manufacturing and infrastructure across the continent.

The benefits stemming from AGOA for South Africa are much broader than the mere duty- and quota-free access into the US. It also stimulates opportunities for a chain of collaborative arrangements with manufacturing companies from sub-Saharan African countries, to access the US duty free. AGOA has created in the order of 85 000 direct jobs and 426 000 indirect jobs in South Africa. The South African automotive industry has been particularly benefitting as the major beneficiary under AGOA. There is overwhelming evidence that the various trade arrangements enjoyed by South Africa, such as AGOA, substantively secured, strengthened and enhanced the domestic automotive industry’s trade flows. AGOA, in particular, stabilised and expanded the US as a significant automotive export and import market for the South African automotive industry.

Given the extension of South Africa's value chains throughout the region and its positive impact on other economies on the continent via enhanced intra-Africa trade and regional integration, it remains imperative for the continent's most advanced and regionally integrated economy to remain eligible in an extended AGOA. The aim of the AGOA report is to underscore the mutual benefits of this trade arrangement to the South African and US automotive industries, serving as input and motivation for an extension of the Act post 2025.

SOUTH AFRICAN AUTOMOTIVE INDUSTRY SIGNIFICANCE

The South African automotive industry has many existing strengths, of which national government policy support, an established OEM presence with substantial amounts of sunk capital, demonstrated production capabilities across a range of vehicle and component product categories, a functioning industrial infrastructure, and preferential international market access, are some examples. One of the attractions of South Africa's automotive policy regimes over the past three decades has been its long-term vision and consistency. Looking ahead, the automotive sector and its social partners have already developed the South African Automotive Masterplan (SAAM) 2021-2035 to optimally develop the industry through to 2035. The Masterplan will create a framework to secure even higher levels of investments and production and will provide multinational vehicle and automotive component companies the consistency they need to invest confidently in South Africa. The domestic automotive industry has been earmarked as one of the drivers of industrialisation, not only in South Africa but also on the African continent as a whole.

The Automotive Production Development Programme Phase 2 (APDP2) operates within the framework of the SAAM, which was implemented on 1 July 2021, and which provides the incentive framework for the industry for the period from 2021 to 2035. The APDP2 is a Trade-Related and Investment Measure (TRIM) which allows for safe and secure foreign direct investment and allows for duty rebates for the localisation of activities. TRIMs are policy tools that have been crucial in efforts to advance industrial development and the creation of backward and forward linkages, enhancing technology transfer, contributing to increasing local employment, and to addressing balance-of-payments concerns. These measures could be designed to attract FDI, encourage local entrepreneurship, and foster the growth of domestic industries. Moreover, these measures have been critical for effective industrial policies and have been widely deployed by economies at some time in their industrialisation process. Although trade arrangements assist to shape the domestic automotive industry's export patterns, it is more the automotive TRIMs policy that drives the export patterns. The TRIMs policy is inherently trade facilitating, as it allows for imports on a more sustained basis. This is the basis for long-term trade partnerships.

The SAAM 2035 vision is the achievement of "a globally competitive and transformed industry that actively contributes to the sustainable development of South Africa's productive economy, creating prosperity for industry stakeholders and broader society". The vision of the SAAM can be described in four components. The first component is the improvement of the industry's global competitive position. The second component is related to the industry's contribution to the transformation of the South African economy, and which includes employment equity through the greater inclusion of Black-owned firms. The transformation levels that have been set must be adhered to in order to participate in the benefits of both the APDP2 and Automotive Investment Scheme (AIS). The third component is related to the sustainable development of the South African economy, and includes aspects such as industry growth, employment levels, skills development, and environmentally friendly products and processes. The fourth component is related to the shared prosperity created by the industry and includes the financial health and wellbeing of firms within the value chain, the fair remuneration of employees, and the holistic contribution of the value chain to the South African fiscus. A key summary of the SAAM 2021-2035 objectives is as follows:

- Grow South African vehicle production to 1% of global production by 2035;
- Increase local content in South African manufactured vehicles to 60%;
- Double automotive employment in the supply chain;
- Improve automotive industry competitiveness levels to that of leading international competitors;
- Transformation of the South African automotive value chain; and
- Deepen value-addition within South African automotive value chains.

The automotive sector recognises that the SAAM vision can only be realised if the six development objectives are met. Achieving the SAAM objectives will require careful co-ordination and a close working relationship between government, the private sector and organised labour. Six industry development pillars have been identified as critical to the realisation of the SAAM. The six pillars relate to:

- local market optimisation,
- regional market development,
- localisation,
- infrastructure development,
- industry transformation, and
- the development of industry-required technologies and skills.

Much of the strategic behaviour of firms in expanding market share in South Africa is directed at optimising their duty position. Minimising duty payments can be achieved in a number of ways. Firstly, firms can limit vehicle imports. Secondly, local value addition in domestically produced vehicles can be adjusted upwards. Thirdly, OEMs can expand exports either of vehicles or automotive components and through increased exports, higher production volumes can reduce the liability of paying duty on imports. These considerations have had a decisive effect on the strategic choices made by domestic OEMs.

The automotive industry is globally recognised as a key strategic sector for stimulating multiplier effects in terms of industrial transformation, and as a powerful driver of employment, foreign direct investment, innovation, and economic growth. It also contributes directly and indirectly to a country's GDP and positive balance of payments. South Africa has developed and maintained a world-class automotive manufacturing value chain through ongoing government policy support and constructive collaboration with global OEMs, component manufacturers and labour. The domestic automotive sector has proved to be a reliable partner and dependable ally for government to position manufacturing as a catalyst for the development and inclusive growth in the country.

Manufacturing has historically been credited as a key driver of higher-value job creation and an increase in living standards globally. In South Africa, the manufacturing sector has been vital to the country's economy and, although far less than in previous years, manufacturing still contributes significantly towards South Africa's GDP. As the largest manufacturing sector in the country's economy, a substantial 21,7% of value addition within the domestic manufacturing output was derived from vehicle and automotive component manufacturing in 2022, while the broader automotive industry's contribution to the GDP comprised 4,9% (2,9% manufacturing and 2,0% retail).

The export value of vehicles and automotive components increased by R19,8 billion, or 9,5%, from the R207,5 billion in 2021 to a record R227,3 billion in 2022, comprising 12,4% of total South African exports. Vehicle exports increased by 53 765 units to 351 785 units in 2022, up from 298 020 units exported in 2021, while the vehicle export value increased by R18,7 billion from the R138,3 billion in 2021 to R157,0 billion in 2022. Automotive component exports reflected an increase of R1,1 billion from R69,2 billion in 2021 to a record R70,3 billion in 2022. The number of domestic automotive industry export destinations in 2022 comprised 152 countries, similar to 2021, with the export value more than doubling in the case of 29 of these countries from 2021 to 2022. In view of the strong relationship between imports and exports in the domestic automotive industry, automotive imports under the APDP2 also increased to a record R207,7 billion in 2022, up from R168,4 billion in 2021, comprising mainly vehicle and original equipment component imports. The automotive trade surplus, however, remained in a positive position at R19,6 billion in 2022.

FDI remains critical to propel growth and create jobs in the domestic economy. Continuing to reflect the power of combining good industrial policy with FDI, investment by the seven OEMs, with technology embodied in the investment and promoting domestic value-addition, amounted to R7,1 billion in 2022, while the component sector received investments of R4,5 billion. The following table highlights the significant social and economic contribution made by the domestic automotive industry in the context of the South African economy for 2021 and 2022.

Key performance indicators under the APDP and APDP2 – 2021 to 2022

Indicator	Performance	
	2021	**2022**
Broader automotive industry contribution to GDP	4,3%	4,9%
Vehicle and component production as % of South Africa's manufacturing output	17,3%	21,7%
Average monthly employment by vehicle manufacturers	30 697	33 321
Automotive component sector employment	78 874	83 362
Capital expenditure – vehicle manufacturers	R8,8 billion	R7,1 billion
Capital expenditure – component sector	R5,7 billion	R4,5 billion
Total South African new vehicle sales	464 493 units	529 562 units
Total South African vehicle production	499 087 units	555 889 units
South Africa's vehicle production as % of Africa's vehicle production	55,0%	54,4%
South Africa's global vehicle production ranking	21st	22nd
South Africa's global vehicle production market share	0,62%	0,65%
Total automotive export earnings	R207,5 billion	R227,3 billion
Automotive export value as % of total South African export value	12,5%	12,4%
Number of export destinations	152	152
Total South African vehicle exports	298 020 units	351 785 units
Value of vehicle exports	R138,3 billion	R157,0 billion
Value of automotive component exports	R69,2 billion	R70,3 billion

Source: AIEC, Econometrix, naamsa/Lightstone Auto, NAACAM, OICA, SARS, StatsSA

Long-term planning is essential for the automotive sector, therefore OEMs need to have confidence in the longevity of the policies that are put in place. The effectiveness and efficiency of industrial policy interventions depend heavily on the ability of policymakers to tailor interventions to the specific needs of individual manufacturing sectors. A key feature of the South African automotive industry is the way government, along with all industry role-players, constructively co-operates to optimise the contribution of the automotive industry to the country's economy under the current automotive policy regime.

SOUTH AFRICA'S EXPORT-ORIENTATED AUTOMOTIVE INDUSTRY

One aspect that distinguishes the motor industry from other industrial sectors is the importance of government policies in steering its development. The overall regulatory regime in South Africa is very important in determining the actions of automotive firms. Since the introduction of the Motor Industry Development Programme (MIDP) in 1995, the automotive industry has grown in stature to become the leading manufacturing sector in the country's economy. Exports have fuelled the growth of the South African automotive industry, and the supply of automotive components and completely built-up units (CBUs) to the world has grown from virtually no exports before 1995, to becoming a major South African industrial activity. The production of vehicle models has been rationalised significantly to achieve economies of scale benefits in the domestic and export markets. Consequently, the complexity of the component sector has also been reduced.

Vehicle exports under the MIDP, the APDP and APDP2, from 1995 up to 2022, totalled 5 641 644 units of which 3 848 480 passenger cars, 1 770 617 light commercial vehicles (bakkies), 19 516 heavy commercial vehicles and 3 031 buses. The export value of vehicles for this period amounted to R1 548,0 billion while the export value of automotive component exports amounted to R892,6 billion. The surge in exports of CBUs and a diverse range of components to demanding world markets is indicative of the domestic industry's improved international competitiveness. In this regard, linkages with multinational companies, mainly to obtain project funding or the relevant licences or technology agreements to manufacture and export, were imperative.

The export growth has been accommodated by major investments in best practice assets and state-of-the-art equipment, skills upgrading, productivity gains and upgrading of the whole automotive value chain. The increasing orientation of the South African-based OEMs towards exports has fundamentally changed the structure of their own operations as well as those of the domestic automotive component industry.

The South African automotive industry forms an integral part of international supply chains by being fully integrated into the global automotive environment. The industry's top export destinations for domestically manufactured vehicles and automotive components have remained the markets in the Eurozone, Africa and the US. However, as an export-oriented industry, diversification into new emerging markets is a continuing trend and underlines the automotive industry's competitiveness drive and the continuous widening of the country's traditional trading base. The latter is highlighted by new export destinations being added to the industry's export list of countries every year, as well as the specific destinations to which the export values more than double on a year-on-year basis. The focus of the domestic automotive industry is to build on existing exports and to escalate the importance of exploring and exploiting new export opportunities.

South African OEMs manufacture a broad range of vehicles, including passenger cars, light commercial vehicles, medium commercial vehicles, heavy commercial vehicles, extra-heavy commercial vehicles and buses. In 2022, vehicle exports registered a sound increase of 53 765 units, or 18,0%, to 351 785 units, from the 298 020 units exported in 2021. The 351 785 left- and right-hand drive vehicles were exported to 110 countries around the world in 2022. Passenger car exports comprised 238 632 units, or 67,8% of the total; light commercial vehicle exports comprised 112 312 units, or 31,9% of the total; and medium and heavy commercial vehicle and bus exports comprised 841 units, or 0,3% of the total. Most domestic OEMs have grown their vehicle production volumes substantially on the back of a high proportion of vehicles for the export market. Exports remain key to generate sufficient economies of scale and to achieve improved international competitiveness.

The following table reveals the top 10 vehicle export destinations from 2018 to 2022 for passenger cars and LCVs. In terms of number of units exported in 2022, the UK, Germany, France, Japan and the US were the top export destinations. In 2022, VWSA, with its Polo model, maintained its top position for the fourth consecutive year.

Top destinations for light vehicles (passenger cars and light commercial vehicles) exported – 2018 to 2022

Country	2018	2019	2020	2021	2022
Total (R billion)	123,2	143,4	117,0	133,2	154,3
Ranking of exporters Number 1 to 5	MBSA VW Ford Toyota BMW	VW MBSA BMW Ford Toyota	VW MBSA BMW Ford Toyota	VW Ford Toyota BMW MBSA	VW MBSA Ford BMW Toyota
UK	119 578	101 401	67 798	60 260	67 884
Germany	25 513	37 152	25 736	42 671	67 399
France	23 400	25 629	13 956	22 130	23 772
Japan	44 027	33 435	23 645	15 765	23 750
USA	11 440	12 437	8 584	6 821	20 566
Italy	8 870	14 624	10 546	18 295	18 914
Belgium	6 338	11 379	10 048	11 752	14 812
Australia	21 594	16 284	13 041	9 676	11 507
Spain	10 833	11 217	7 345	10 876	9 588
Netherlands	1 481	12 146	8 321	6 191	7 484
Other	76 929	110 561	81 710	93 004	85 268
Total (units)	350 003	386 265	270 730	297 441	350 944
Light vehicle production	581 469	603 082	422 905	471 433	524 895
% of production exported	60,2%	64,0%	64,0%	63,1%	66,9%
Number of base models produced	11	11	11	10	10
Average volume per model produced	52 861	54 826	38 446	47 143	52 490

Source: **naamsa**/Lightstone Auto, SARS

Vehicles manufactured in South Africa are destined mainly for the export market to obtain higher production volumes but also to generate rebate credits so that the imported vehicles and growing choices demanded by a consumer-driven market can be offered at more favourable prices by rebating the relevant import duties. The only economically viable way to achieve improved economies of scale is for OEMs to focus their plants on longer production runs for a limited number of models. The global OEM production and trade system enables production of all their required models across several production centres globally, linked to global demand patterns. In 2022, the average volume per model produced in the domestic market increased from 47 143 units in 2021 to 52 490 units in 2022. One model achieved a production volume in excess of 100 000 units and three models above 75 000 units. A significant 66,9% of light vehicle production was exported in 2022.

Access to global markets has been enhanced through bilateral trade arrangements with most of South Africa's major trading partners. Europe continued to dominate as a region and accounted for 72,7%, or nearly three out of every four vehicles exported in 2022, with Germany and France reflecting major increases. Higher exports to the US, as far as North America was concerned, and to Japan, as far as Australasia was concerned, enhanced volumes to the respective regions. The following table reveals total vehicle exports to major regions from 2018 to 2022.

South African vehicle exports by major regions: 2018 to 2022

Region	2018	2019	2020	2021	2022	% change 2022 / 2021
Europe	233 772	285 599	197 355	229 672	255 709	+11,3%
Asia	50 277	39 879	29 440	24 170	35 154	+45,4%
Africa	23 988	23 382	16 987	21 825	22 563	+3,4%
North America	13 037	13 540	9 463	7 981	21 684	+171,7%
Australasia	22 767	17 350	13 698	10 621	12 389	+16,6%
Central America	1 511	5 651	3 156	3 045	2 759	-9,4%
South America	5 787	1 691	1 188	706	1 527	+116,3%
Total	**351 139**	**387 092**	**271 287**	**298 020**	**351 785**	**+18,0%**

Source: **naamsa**/Lightstone Auto

There is a strong relationship between imports and exports in the South African automotive industry. Successful exporters have also been likely to import a significant portion of their inputs under the APDP and APDP2. South African consumers are spoilt for choice, as domestic new vehicle demand is met by a range of imported and domestically manufactured vehicles, in a highly competitive pricing and trading environment. In 2022, there were no less than 43 passenger car brands and 2 513 model derivatives, the greatest selection of market-size ratio found globally. Similarly, in the light commercial vehicle segment, for the same period, there were 22 brands, with 498 model derivatives to choose from. OEMs continue to introduce a growing range of model variations and body shapes of each model to give customers a greater ability to personalise the vehicle that they purchase. In 2022, the 323 800 new light vehicles (passenger cars and light commercial vehicles) imported into South Africa originated from 23 countries.

Imports of light vehicles increased by a substantial 61 519 units, or 23,5%, from the 262 281 units in 2021 to 323 800 units in 2022, in line with the14,0% year-on-year increase in the domestic new vehicle market in 2022. Light vehicle imports, as a percentage of total light new vehicle sales in South Africa, increased from 60,0% in 2021 to 64,8% in 2022. Passenger car imports accounted for 80,0% of total passenger car sales of 363 696 units in 2022, and light commercial vehicle imports accounted for 23,5% of total light commercial vehicle sales of 135

713 units in 2022. The top country of origin, in volume terms, for passenger cars and LCVs imported into South Africa in 2022 was India, with 165 910 vehicles, accounting for 51,2% of the total light vehicles imported, while China moved into second place accounting for 10,8%, as Chinese brands continued to gain traction. Most of the vehicles imported from India fell in the small car and entry-level segments. Volkswagen's Polo Vivo was the only vehicle in these segments that was manufactured in South Africa in 2022. The following table reveals that in volume terms, India, followed by China, Japan, Germany, and South Korea were the top countries of origin for vehicles imported into South Africa in 2022. In Rand value terms, India was also the main country of origin, followed by Germany, of which imports included the premium brands such as Audi, BMW, Mercedes-Benz and Porsche.

Country of origin	2018	2019	2020	2021	2022	2022
Total (R billion)	57,1	60,6	36,6	50,9	79,1	Import Rand value %
India	98 585	106 199	88 699	129 364	165 910	27,3%
China	3 201	11 443	10 427	21 517	34 939	12,1%
Japan	36 386	34 351	21 491	24 152	29 830	9,3%
Germany	41 791	36 760	21 660	19 801	20 345	13,2%
South Korea	27 458	26 828	14 854	17 478	19 491	4,4%
Spain	9 439	11 946	10 129	11 135	18 402	6,6%
Indonesia	7 928	7 882	3 697	7 782	6 833	2,0%
USA	4 523	4 191	3 514	3 251	4 644	5,7%
Thailand	15 711	10 748	4 561	2 342	4 435	2,3%
UK	10 314	8 125	4 776	4 413	3 595	2,4%
Other	36 861	32 181	19 764	21 046	15 376	14,7%
Number of light vehicle imports	292 197	290 654	203 572	262 281	323 800	100%
Total light vehicle market	524 772	508 600	357 453	437 418	499 409	
% of new vehicle market imported	55,7%	57,2%	57,0%	60,0%	64,8%	
Passenger car imports as % of total	72,8%	75,1%	75,7%	78,3%	80,0%	
LCV imports as % of total	16,6%	15,6%	15,3%	18,1%	23,5%	

Source: **naamsa**/Lightstone Auto, SARS

SOUTH AFRICA'S TRADE ARRANGEMENTS

The South African automotive industry's structure and evolutionary path are closely aligned with the OEM strategies in both domestic and global markets. Key decisions about South Africa's automotive business are determined in Europe, the US and Japan. Access to major markets via preferential trade arrangements provide a catalyst for major light vehicle, export-oriented investments in the country.

South Africa has advantageous access to world markets through free trade agreements with major markets such as Europe and the UK, and a preferential trade arrangement with the US. South Africa is also a member of the Southern African Development Community (SADC) and the Southern African Customs Union (SACU). The country is regarded as a geographic gateway to the rest of the continent and is strategically positioned for access to the African market. South Africa's trade negotiations are conducted alongside its country partners in SACU, comprising Botswana, eSwatini, Lesotho, and Namibia, following the renewed SACU Agreement in 2004 that requires SACU to negotiate all trade agreements as a bloc.

Given the importance of exports to SACU member states' economic growth and development endeavours, the relevant trade arrangements have substantively secured, strengthened and enhanced trade flows. SACU, at present, enjoys free trade agreements (FTAs) with the 27-country EU, the UK, as well as the European Free Trade Association (EFTA) comprising Iceland, Lichtenstein, Norway and Switzerland. SACU is also part of the 15-country SADC free trade area and has a preferential trade agreement (PTA) with the Common Market of South America (Mercosur), comprising Argentina, Brazil, Paraguay, Uruguay and Venezuela. South Africa is the recipient of various unilateral preferential trade arrangements in which other countries unilaterally provide access to their markets through lower tariffs and increased/removed quotas. These arrangements are not negotiated and can be unilaterally amended by the providing country. The US provides such market access opportunities to a number of African countries, including South Africa, through the AGOA. A number of developed countries also offer market access through the Generalised System of Preferences (GSP) mechanism. The GSP at present is offered to South Africa, as a developing country, by the EU, Canada, Japan, Norway, Switzerland, Turkey, Russia, and the US.

South Africa's trade policy aims to support industrial development, sustainable economic growth, decent well-paying jobs and economic inclusion, and seeks to improve the balance in the country's international trade by increasing exports of higher value-added manufactured goods. The World Trade Organisation (WTO) serves as the most influential external force for reform. South Africa is a member of the 164-member WTO and supports the principles of a rules-based multilateral trading system where independent arbitration, rather than power relations, resolves disputes. The key to the legitimacy and sustainability of the WTO lies in its ability to advance the developmental interests of developing countries that will constitute new sources of global growth and prosperity in the world economy. Meeting this challenge will serve to strengthen the multilateral, rules-based trading system, enhance its legitimacy, and also create the basis for economic growth from which all WTO members can benefit.

South Africa, with the largest presence of multinationals on the African continent, is the location of choice for global corporates. The country has a supportive and growing ecosystem as a hub for innovation, technology and fintech. The benefits stemming from the SADC–EU EPA (free trade agreement), SACUM-UK EPA and the AGOA trade arrangement for the South African automotive industry are broader than the mere duty- and quota-free access they offer into these markets. The trade arrangements stimulate opportunities for a chain of collaborative arrangements with domestic automotive manufacturing companies from other non-EU and non-US countries. These collaborative arrangements enhance the domestic automotive industry's capabilities to increasingly take advantage of opportunities presented by the trade arrangements.

TRADE ARRANGEMENTS AND AUTOMOTIVE IMPACT

From 1995 to 1997, the South African Development Community (SADC) was the main destination for vehicle exports, while a single consignment by Volkswagen SA to China in 1995 comprised 40% of the export value during that year. SADC countries have consistently featured as some of the South African automotive Industry's top export destinations for automotive products over the past three decades, mainly due to close proximity, relatively easy access by road and rail, and free trade, subject to Rules of Origin. The SADC-FTA was launched in 2008, when 85% of the tariff lines became duty-free. South Africa's automotive exports to Africa are highly concentrated to neighbouring markets in the SADC, and in 2022 comprised R30,08 billion, or 86,2%, of its total export value of R34,90 billion to the African continent in 2022 reflecting the benefits of the free trade area arrangements. The benefits of regional integration include the freer movement of goods, increased levels of intra-regional trade, exposure to a larger market, and economic development.

Since 2000, vehicle exports from South Africa have increased rapidly in the direction of new demanding markets such as the Germany, Japan and the US. Following investments to accommodate export programmes by the mainly German-based OEMs, CBU exports increased by 134% in value terms and by 185% in volume terms from 1998 to 1999. Between 1998 and 2001 the EU, and in particular Germany, became the main export destination as the export programmes of the German-based OEMs came to fruition. The successful implementation of export projects by the German-based OEMs has broken ground for the higher-volume models. The Japanese and US-based OEMs subsequently joined with export programmes. The following table reveals vehicle production and export volume growth from 1995 through to 2008, highlighting the impact of the commencement of the trade arrangements enjoyed by South Africa on vehicle exports at the time.

Production and exports of vehicles from 1995 to 2008 – South Africa (units)

	PASSENGER CARS				LIGHT COMMERCIAL VEHICLES			
	Market			Exports as a % of total	Market			Exports as a % of total
	Domestic	Exports	Total		Domestic	Export	Total	
1995	233 512	8 976	242 488	3,7%	127 363	6 356	133 719	4,8%
1996	231 616	3 743	235 359	1,6%	128 516	7 125	135 641	5,3%
1997	215 784	10 458	226 242	4,6%	113 204	8 000	121 204	6,6%
1998	174 870	18 342	193 212	9,5%	98 056	6 806	104 862	6,5%
1999	159 944	52 347	212 291	24,7%	95 326	6 581	101 907	6,5%
2000	172 373	58 204	230 577	25,2%	104 121	9 148	113 269	8,1%
2001	172 052	97 599	269 651	36,2%	113 111	10 229	123 340	8,3%
2002	163 474	113 025	276 499	40,9%	101 956	11 699	113 655	10,3%
2003	176 340	114 909	291 249	39,5%	102 007	11 283	113 290	10,0%
2004	200 264	100 699	300 963	33,5%	123 467	9 360	132 827	7,0%
2005	210 976	113 899	324 875	35,1%	146 933	25 589	172 522	14,8%
2006	215 311	119 171	334 482	35,6%	159 469	60 149	219 618	27,4%
2007	169 558	106 460	276 018	38,6%	156 626	64 127	220 753	29,0%
2008	125 454	195 670	321 124	60,9%	118 641	87 314	205 955	42,4%

Source: naamsa

Opportunities presented by AGOA, which was implemented on 1 January 2001 by the US in respect of sub-Saharan African countries, allowed for duty- and quota-free access of African exports to enter the US market. This trade arrangement provided impetus for the domestic automotive sector's vehicle export drive to the US which increased from 853 units in 2000 to 14 873 units in 2001, a massive increase of 1 643,6%. The import duty on passenger cars into the US is 2,5% ad valorem and on commercial vehicles 25% ad valorem. BMW SA in particular seized the opportunity to export left-hand drive 3-Series models to the US. Since 2007 Mercedes-Benz's new C-Class model has also found its way into the US market as its main export destination.

As far as the European Union (EU) is concerned, prior to 1994 South Africa had no privileged form of market access into the region. The relationship changed with the advent of democracy and in September 1994 the EU extended its unilateral General System of Preferences (GSP) to South Africa. The GSP allows developed countries to apply trade preferences to some products coming from developing countries. Subsequently South Africa's trade relations with the EU were governed by the Trade, Development and Co-operation Agreement (TDCA). The main objective of the TDCA was to create a free-trade area between South Africa and the EU over a 12-year period to remove 90% of all trade barriers. The EU and South Africa, in terms of the agreement, opened their markets to each other at a different pace. The SA-EU free trade agreement on Trade, Development and Co-operation became effective on 1 January 2000.

From a South African automotive perspective, the TDCA was only finalised on 15 December 2006, which meant that between 15 December 2006 and 1 January 2008 the EU would eliminate all import tariffs on South African-manufactured vehicles and automotive components. South Africa would return the compliment by applying preferential tariffs. Passenger cars into the EU normally attract an import duty of 10% ad valorem and light commercial vehicles a duty of 22% ad valorem. Original equipment components attract an import duty of 3% ad valorem and aftermarket automotive parts an import duty of 4,5% ad valorem. From 1 January 2000, when the SA–EU Free Trade agreement was signed, the applied tariffs for automotive components into the EU were effectively reduced by 50% below normal EU duty rates, which provided South Africa with a competitive advantage against competing countries. On 1 January 2002 the EU increased the preference extended to South Africa under its GSP to 3,5%. This meant that South African passenger car exports into the EU only attracted a 6,5% import duty while original equipment components as well as aftermarket automotive components could be exported duty-free. On 15 December 2006 the import duty on passenger cars was reduced to 3,5%, to 1,5% on 1 January 2007 and fell away completely in January 2008. South African commercial vehicle exports to the EU were already duty-free and unaffected by the agreement.

In return South Africa offered a 7% preference to the EU on passenger cars and light commercial vehicles and an 8% preference on medium and heavy commercial vehicles and buses. Original equipment components did not get any preference while a large number of aftermarket automotive component parts qualified for lower import duties. In order to qualify for zero tariffs into the EU, South African vehicles and components must contain at least 60% local content. Cumulation applies and the definition of local content includes South African raw materials, labour, parts, transport, manufacturing costs and profit margins, as well as the value of components and subcomponents originally sourced from Europe.

Top destinations of South African vehicle exports by value from 1995 to 2008 (passenger cars and light commercial vehicles)

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
TOTAL (R billion)													
R0,6	R0,5	R1,3	R1,7	R4,7	R7,0	R10,9	R16,4	R18,7	R17,0	R21,4	R24,2	R27,8	R48,0
RANKING OF EXPORTERS Number 1 to Number 5													
VW		BMW	VW	VW	VW	BMW	BMW	BMW	BMW	VW	Toyota	Toyota	Toyota
Toyota	Toyota	Toyota	BMW	BMW	BMW	MBSA	MBSA	MBSA	MBSA	MBSA	BMW	BMW	VW
GM	Nissan	VW	Nissan	Nissan	Nissan	VW	VW	VW	VW	BMW	VW	VW	BMW
Ford	GM	GM	Toyota	MBSA	MBSA	Nissan	Nissan	Toyota	Toyota	Toyota	MBSA	MBSA	MBSA
Nissan	Ford	Ford	MBSA	Toyota	Toyota	Toyota	GM	Nissan	Nissan	Ford	Ford	Ford	GM
TOTAL (units)													
15 332	10 868	18 458	25 148	58 928	67 352	107 828	124 724	126 192	110 059	139 488	179 320	170 587	282 984
USA (% of vehicle export volume)													
-	-	-	-	-	1,3%	13,8%	17,9%	16,6%	13,9%	2,9%	7,9%	11,0%	22,2%
European Union (% of vehicle export volume)													
-	-	10,4%	48,6%	72,1%	56,0%	45,1%	44,4%	19,4%	18,1%	18,9%	21,4%	18,2%	25,0%

Source: naamsa / Lightstone Auto

Since AGOA was extended to vehicles, the vehicle export value to the US increased by 313,2% from R570,9 million in 2000 to R2,36 billion in 2001 when AGOA was implemented. As far as the EU was concerned which covered both vehicle and automotive component exports, the total automotive export value increased from R27,31 billion in 2006 to R32,51 billion in 2007 and to R40,68 billion in 2008 when the SA–EU free trade agreement was fully implemented. The analysis provides overwhelming evidence that the various trade arrangements enjoyed by South Africa substantively enhanced the domestic automotive industry's exports to the US and the EU. Subsequently two-way automotive trade flows have substantively been secured, strengthened and enhanced.

Investment follows trade and significant investment programmes driven by export plans have been implemented by the OEMs. Investment expenditure by the OEMs increased by 33,0% from R1,56 billion in 2000 to R2,08 billion in 2001 when AGOA was implemented. The R6,2 billion invested by the OEMs in 2006, more than the totals of the previous two years combined, reflected a massive increase of 73,8% compared to the R3,6 billion invested in 2005 when the SA-EU free trade agreement relating to the automotive industry commenced. This amount included the investment by Toyota SA in doubling its vehicle production to accommodate its major light vehicle export programmes to capitalise on the EU free trade agreement. The follow strategy by multinational automotive component suppliers to follow the investments by the OEMs added further value in achieving the Rules of Origin 60% local content for vehicles to enter the EU duty-free. The following table reveals the investment expenditure by the domestic OEMs from 1995 to 2008.

Investment expenditure by the OEMs in South Africa, 1995 to 2008 (R million)

	Product, local content, export investments and production facilities	Land and buildings	OEM support infrastructure (including research and development/engineering/technical)	Total
1995	734	35	78	847
1996	996	46	129	1 171
1997	1 024	129	112	1 265
1998	1 144	60	138	1 342
1999	1 314	82	115	1 511
2000	1 311	110	141	1 562
2001	1 800	33	245	2 078
2002	2 311	152	263	2 726
2003	1 989	142	194	2 325
2004	1 816	130	274	2 220
2005	2 805	512	259	3 576
2006	5 058	758	399	6 215
2007	2 459	382	254	3 095
2008	2 808	329	153	3 290

Source: naamsa

It is clear that the trade arrangements enjoyed by South Africa with the EU and the US have been advantageous to the South African automotive industry, as highlighted by the enhanced export performance of the domestic automotive industry to the EU and the US, accompanied by higher OEM investments at the time of implementation of the trade arrangements as well as in subsequent years. These bilateral benefits stabilise long-term trade relations.

GENERALISED SYSTEM OF PREFERENCES (GSP)

Trade preferences play an important role in facilitating exports of developing countries to major export markets. The Generalised System of Preferences (GSP) is a preferential tariff system that reduces customs duties and other tariffs associated with exporting goods. Tariff reductions are available to eligible developing countries.

The GSP, instituted in 1971 and designed to promote sustainable economic growth, has contributed over the years to creating an enabling trading environment for developing countries. Currently, 15 countries offer GSP schemes. Each system differs slightly from country to country, with some systems being more progressive than others. Each country with a GSP scheme will publish a list of eligible products for duty-free imports, which may vary from country to country. In the US, for example, there are around 3 500 products suitable for duty-free treatments from GSP beneficiaries, and a further 1 500 products are eligible for Least Developed Countries. The countries and territories that currently offer a GSP are:

Armenia
Australia
Belarus
Canada
European Union
Iceland
Japan
Kazakhstan
New Zealand
Norway
Russia
Switzerland
Turkey
United Kingdom
US

Each GSP system will have its conditions to determine eligible countries. Eligibility criteria are used to distinguish which countries fall into the developing country category and which level of GSP should be offered. These conditions are likely to share similarities. Examples of conditions of the GSP may include:

- Tariff reductions will only apply to goods wholly grown, produced or manufactured within the beneficiary country;
- For third-country goods to qualify for tariff reductions, they must have undergone significant transformation in the beneficiary country. Around 35% of the value of the product must be added;
- Goods must be imported directly from the GSP eligible country;
- Eligible countries must not be communist; and
- Eligible countries should not participate in the worst form of child labour.

To receive GSP treatment, beneficiary countries are required to provide proof of eligibility, and this will include the GSP Declaration. Exporters may also be requested to supply invoices, purchase orders, and production records.

The GSP programmes have to be "generalised, non-discriminatory and non-reciprocal' with respect to the countries they benefit. From the perspective of developing countries as a group, GSP programmes have been a mixed success. On one hand, most developed countries have complied with the obligation to generalise their programmes by offering benefits to a large number of beneficiaries. Certainly, every GSP programme imposes some restrictions. The US, for instance, has excluded countries from GSP coverage for reasons such as being communist, being placed on the US State Department's list of countries that support terrorism, and failing to respect US intellectual property laws.

Although beneficial to some developing countries, criticism has been levelled noting that most GSP programmes are not completely generalised with respect to products, and this is by design. That is, they do not cover products of greatest export interest to low-income developing countries lacking natural resources. The GSP programme imposes quantitative ceilings, called Competitive Need Limitations (CNLs), on GSP benefits for all tariff items and beneficiary developing countries. Under certain circumstances, these ceilings may be waived.

The US GSP programme provides non-reciprocal, duty-free tariff treatment to certain products imported to the US from designated beneficiary developing countries (BDCs). Congress first authorised the US programme in Title V of the Trade Act of 1974. The programme provides duty-free entry into the US for over 3 500 products (based on 8-digit US Harmonised Tariff Schedule tariff lines from BDCs, and duty-free status to an additional 1 500 products from 44 GSP beneficiaries designated as least-developed beneficiary developing countries. Currently, 119 developing countries and territories are GSP beneficiary developing countries. The USC 2462(b)(2) of the GSP statute sets forth the criteria that each country must satisfy before being designated a GSP beneficiary. These criteria are summarised below.

1) A GSP beneficiary may not be a Communist country, unless such country receives Normal Trade Relations (NTR) treatment, is a World Trade Organisation (WTO) member and a member of the International Monetary Fund (IMF), and is not dominated or controlled by international communism;
2) A GSP beneficiary may not be a party to an arrangement of countries nor participate in actions the effect of which are (a) to withhold supplies of vital commodity resources

from international trade or to raise the price of such commodities to an unreasonable level and (b) to cause serious disruption of the world economy;

3) A GSP beneficiary may not afford preferential treatment to products of a developed country that has, or is likely to have, a significant adverse effect on US commerce;
4) A beneficiary may not have nationalised, expropriated or otherwise seized 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;
5) A GSP beneficiary may not have failed to recognise or enforce arbitral awards in favour of US citizens or corporations;
6) A GSP beneficiary may not aid or abet, by granting sanctuary from prosecution, any individual or group that has committed an act of international terrorism;
7) A GSP beneficiary must have taken or is taking steps to afford internationally recognised worker rights, including 1) the right of association, 2) the right to organise and bargain collectively, 3) a prohibition on the use of any form of forced or compulsory labour, 4) a minimum age for the employment of children, and a prohibition on the worst forms of child labour, and 5) acceptable conditions of work with respect to minimum wages, hours of work and occupational safety and health; and
8) A GSP beneficiary must implement any commitments it makes to eliminate the worst forms of child labour.

Factors Affecting Country Designation 19 USC 2462(c) of the GSP statute sets forth the following criteria that the President must take into account in determining whether to designate a country as a beneficiary country for purposes of the GSP programme. These criteria are summarised below for informational purposes.

1) An expression by a country of its desire to be designated as a GSP beneficiary country;
2) The level of economic development, including per capita Gross National Product (GNP), the living standards of the inhabitants and any other economic factors that the President deems appropriate;
3) Whether other major developed countries are extending generalised preferential tariff treatment to such country;
4) The extent to which such country has assured the US that it will provide equitable and reasonable access to its markets and basic commodity resources and the extent to which it has assured the US it will refrain from engaging in unreasonable export practices;

5) The extent to which such country provides adequate and effective protection of intellectual property rights;
6) The extent to which such country has taken action to reduce trade distorting investment practices and policies, including export performance requirements, and to reduce or eliminate barriers to trade in services; and
7) Whether such country has taken or is taking steps to afford internationally recognised worker rights, including 1) the right of association, 2) the right to organise and bargain collectively, 3) freedom from compulsory labour, 4) a minimum age for the employment of children, and 5) acceptable conditions of work with respect to minimum wages, hours of work and occupational safety and health.

In the US and many other developed countries, domestic producers of "simple" manufactured goods, such as textiles, leather goods, ceramics, glass and steel, have long claimed that they could not compete with large quantities of imports. Thus, such products have been categorically excluded from GSP coverage under the US and many other GSP programmes. Critics assert that these excluded products are precisely the kinds of manufactures that most developing countries are able to export. Examples of the different GSP levels include:

- Standard GSP – designed for low and low/mid-income countries. It includes partial or full removal of customs duties on two-thirds of tariff lines.
- GSP+ – designed for vulnerable low and low/mid-income countries. It sees tariffs cut to 0% if countries implement international conventions related to good governance and sustainable economic growth. It looks to incentivise improving human rights, labour rights, and environmental laws, amongst others.
- EBA (Everything but arms) – designed for least developed countries and offers duty- and quota-free access for all products, except arms and ammunition.

Some analysts assert that, for most of its history, GSP has benefited bigger developing countries while providing virtually no assistance to the world's least developed countries, such as most countries in sub-Saharan Africa. The US, however, has closed some of these gaps through supplemental preference programmes like the African Growth and Opportunity Act (AGOA).

AFRICAN GROWTH AND OPPORTUNITY ACT (AGOA)

The African Growth and Opportunity Act (AGOA) is a non-reciprocal preferential trade programme that the US offers to 49 sub-Saharan African countries. The Act is an extension of the US GSP, authorised by the Trade Act of 1974 and implemented on 1 January 1976 and subject to Congressional re-authorisation. To qualify for AGOA a country must be eligible for GSP. AGOA, in combination with the GSP, allows duty-free, quota-free access to the US market for 6 500 tariff lines to African country participants, including the 3 500 products suitable for duty-free treatments from GSP beneficiaries and the additional 1 500 products eligible for Least Developed Countries. Notably, the newly added "AGOA products" include items such as apparel and footwear, wine, motor vehicles, selected additional automotive components, a variety of agricultural products, chemicals, and steel, amongst others.

One of the initial differences between the GSP and AGOA was an extension of trade benefits for a longer period in AGOA as compared to that in GSP and therefore AGOA has offered more predictability for beneficiary countries for both GSP- and AGOA-specific benefits. In recent years, for instance, GSP authorisation has lapsed several times, including twice during 2017 and 2021. The latest lapse commenced on January 1, 2021, and GSP has remained unauthorised as of January 1, 2023. In contrast, AGOA beneficiaries' GSP preferences have not been subject to the lapse since AGOA's enactment because AGOA beneficiaries receive GSP preferences tied to AGOA's authorisation dates rather than GSP's authorisation dates. Typically, AGOA authorisations have been for time periods ranging from 8 to 11 years, but recent GSP renewals have often been for much shorter periods.

When AGOA was first signed into law on 18 May 2000 as part of the Trade and Development Act of 2000, President Bill Clinton's initiative was a major policy shift for the US, which until then, mainly used its aid programme to support poor African economies. The objectives of the legislation include the expansion and deepening of the trade and investment relationship with sub-Saharan Africa, to encourage economic growth and development, regional integration, and to help facilitate the integration of sub-Saharan Africa into the global economy. It also expressed support for negotiating reciprocal and mutually beneficial trade agreements with countries in sub-Saharan Africa at the time.

Initially, AGOA was set to expire in 2008, but the US Congress passed the AGOA Acceleration Act of 2004, which extended the legislation to 2015. In 2015, Congress passed legislation modernising and extending the programme to 2025. In the current second version, there have been some adjustments, including the ability for a selective suspension of certain benefits in particular countries. In addition to providing for the extension of AGOA benefits for another 10 years, the new AGOA Extension and Enhancement Act of 2015 also provided for some modifications to the Rules of Origin; some procedural changes, including a special 30-day out-of-cycle review; support for capacity building; negotiations with beneficiary countries on trade and investment; a biennial review of US trade and investment relations with beneficiary countries; and a report to the US Congress one year after its enactment and every five years thereafter on the status of Free Trade Agreement (FTA) negotiations with beneficiary countries. The 2015 AGOA Act also extended the objectives of AGOA to "the elimination of barriers to trade and investment in sub-Saharan Africa, including high tariffs, forced localisation requirements, restrictions on investment, and customs barriers" (section 102). It also calls for the implementation of the Agreement on Trade Facilitation of the WTO (section 102 (7). The following graph reveals a timeline of major AGOA laws and amendments to the programme.

Timeline of major AGOA laws and amendments

Trade and Development Act of 2000 (AGOA I)

- AGOA effective dates: AGOA program and certain textile and apparel provisions until September 30, 2008; 3CF provision until September 30, 2004
- Program established including country and product eligibility criteria and certain textile and apparel provisions; the President is required to submit annual reports to Congress through 2008

Trade Act of 2002 (AGOA II)

- AGOA effective dates: not adjusted
- Modifications include: clarifying and expanding aspects of certain textile and apparel provisions; increasing apparel import limit for apparel made from regional fabric

AGOA Acceleration Act of 2004 (AGOA III)

- AGOA effective dates: AGOA program and certain textile and apparel provisions extended until September 30, 2015; 3CF provisions extended until September 30, 2007
- Modifications include: technical changes to certain textile and apparel provisions; increase to apparel import limit for the 3CF and regional fabric provisions; establishment of an interagency trade advisory committee (i.e., the AGOA Implementation Subcommittee of the Trade Policy Staff Committee); requirement for the President to establish certain developmental aid assistance programs

Africa Investment Incentive Act of 2006 (AGOA IV)

- AGOA effective dates: 3CF extended until September 30, 2012
- Modifications include: adjustments to certain textile and apparel provisions; increased the apparel import limit under the 3CF provision

Act to Amend AGOA of 2012 (AGOA V)

- AGOA effective dates: 3CF extended until September 30, 2015
- Modifications include: adding South Sudan to the list of countries eligible for AGOA sub-Saharan African country designation

AGOA Extension and Enhancement Act of 2015 (AGOA VI)

- AGOA effective dates: AGOA program and all textile and apparel provisions extended until September 30, 2025
- Modifications include: revised eligibility review process to reestablish requirement for the President to submit reports to Congress (biennially through 2025) and allow the President flexibility to withdraw, suspend, or limit specific AGOA benefits; amended eligibility requirement to include property rights for women; amended non-apparel ROO to encourage regional integration

AGOA and Millennium Challenge Act Modernization Act of 2018 (AGOA VII)

- AGOA effective dates: not adjusted
- Modifications include: directions for the President to build a website to disseminate information on AGOA; publish outcomes of AGOA forums on the required AGOA website; provide specified forms of trade capacity building

Source: US International Trade Commission, 2023

AGOA eligibility acts as a prerequisite for a country to become an AGOA beneficiary. To be AGOA eligible, a country must be included in the statute's definition of an AGOA sub-Saharan Africa country, request to join AGOA, and the country must be eligible for GSP. Countries must also meet certain requirements in five primary areas: economic (status of the AGOA country's market economy, economic reform, and elimination of barriers to US trade); political (rule of law, political pluralism, and anti-corruption); poverty reduction; labour, child labour, and human rights; and terrorism and security. The most common reason for a loss of eligibility relates to concerns over the rule of law and political pluralism. The legislation authorised the President of the US to determine which sub-Saharan African countries would be eligible for AGOA on an annual basis. Each year, the President evaluates the sub-Saharan African countries and determines which countries should remain eligible.

The US Congress adopted a bipartisan approach to AGOA, extending AGOA on three occasions under the Presidency of George W Bush. President Barack Obama's decision to extend AGOA, which was set to expire at the end of September 2015, for another 10 years to 2025, is a reflection of the continuity in US policy towards Africa since the beginning of the new millennium. AGOA along with the GSP enhance US's competitiveness by reducing costs of imported inputs used by US companies to manufacture goods in the country. GSP is especially important to US small businesses, many of which rely on the programme's duty savings to remain competitive. Under AGOA, critical inputs like platinum group metals and specialty chemicals into advanced US manufacturing are included, which in turn are critical components of high value-added US exports and the well-paying jobs that depend on them.

The stated purpose of the AGOA legislation is to assist the economies of sub-Saharan Africa and to improve economic relations between the US and the region. By providing new market opportunities, AGOA has helped bolster economic growth, promoted economic and political reform, and improved US economic relations in the region. The legislation significantly enhances market access to the US for qualifying sub-Saharan African countries.

A country desiring to benefit from AGOA must meet specified criteria before it is granted beneficiary status, and some countries have gained, lost, or re-gained this status over the life of the programme. According to the AGOA legal and regulation framework, the US president designates as beneficiaries on an annual basis those countries in sub-Saharan Africa (SSA) that are eligible to receive duty-free treatment for certain articles that are "the growth, product or manufacture" of that country. Eligibility for the AGOA trade preference programme consists of two separate steps. First, the country must be included in a statutorily created list of sub-Saharan African countries, described in AGOA. This list has been updated periodically by new legislation. The second step requires the President to determine annually which eligible countries, from those on the list of sub-Saharan African countries defined by Congress, should become beneficiaries of the AGOA preferences.

The eligibility criteria under AGOA are set forth in section 104(a) of AGOA and sections 502(b) and (c) of the Trade Act of 1974, as amended (containing the GSP eligibility criteria). Section 104(a) is provided below in its entirety. A summary of sections 502(b) and (c) is also included below.

Sec. 104. Eligibility Requirements (a) In General - The President is authorised to designate a sub-Saharan African country as an eligible sub-Saharan African country if the President determines that the country –

1) has established, or is making continual progress toward establishing:
    a. a market-based economy that protects private property rights, incorporates an open rules-based trading system, and minimises government interference in the economy through measures such as price controls, subsidies, and government ownership of economic assets;
    b. the rule of law, political pluralism, and the right to due process, a fair trial, and equal protection under the law;
    c. the elimination of barriers to US trade and investment, including by
        (i) the provision of national treatment and measures to create an environment conducive to domestic and foreign investment;
        (ii) the protection of intellectual property; and
        (iii) the resolution of bilateral trade and investment disputes.
    d. economic policies to reduce poverty, increase the availability of health care and educational opportunities, expand physical infrastructure, promote the development of private enterprise, and encourage the formation of capital markets through micro-credit or other programmes;
    e. a system to combat corruption and bribery, such as signing and implementing the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions; and
    f. protection of internationally recognised worker rights, including the right of association, the right to organise and bargain collectively, a prohibition on the use of any form of forced or compulsory labour, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.

2) does not engage in activities that undermine US national security or foreign policy interests; and
3) does not engage in gross violations of internationally recognised human rights or provide support for acts of international terrorism and co-operates in international efforts to eliminate human rights violations and terrorist activities.

Summary of section 502(b) and (c) of the Trade Act of 1974 as amended. The President shall not designate any country as a beneficiary country if:

- The country is a Communist country, unless its products receive normal trade relations treatment, it is a member of the World Trade Organisation and International Monetary Fund or is not dominated or controlled by international communism (Sec. 502(b)(2)(A));
- The country is a party to an arrangement or participates in any action that withholds or has the effect of withholding vital commodity resources or raises their prices to unreasonable levels, causing serious disruption of the world economy (Sec. 502(b)(2)(B));
- The country affords preferential treatment to products of a developed country which has, or is likely to have a significant adverse effect on US commerce (Sec. 502(b)(2)(C));
- The country has nationalised, expropriated or otherwise seized property, including trademarks, patents, or copyrights owned by a US citizen without compensation (Sec. 502(b)(2)(D));
- The country does not recognise or enforce arbitral awards to US citizens or corporations (Sec. 502(b)(2)(E));
- The country aids or abets, by granting sanctuary from prosecution, any individual or group which has committed international terrorism (Sec. 502(b)(2)(F));
- The country has not taken or is not taking steps to afford internationally recognised worker rights, including the right of association, the right to organise and bargain collectively, freedom from compulsory labour, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work and occupational safety and health (Sec. 502(b)(2)(G)).
- The country has not implemented its commitments to eliminate the worst forms of child labour, as defined by the International Labour Organisation’s Convention 182 (Sec. 502(b)(2)(H); this provision was added by the Trade and Development Act of 2000 in Section 412).

Failure to meet the criteria of the last five bullet points may not prevent the granting of GSP eligibility if the President determines that such a designation would be in the national economic interest of the US. In addition, the President must take into account:

- A country's expressed desire to be designated a beneficiary country (Sec. 502(c)(1));
- The country's level of economic development (Sec. 502(c)(2));
- Whether other major developed countries extend preferential tariff treatment to the country (Sec. 502(c)(3));
- The extent to which the country provides "equitable and reasonable access" to its markets and basic commodity resources and refrains from unreasonable export practices (Sec. 502(c)(4));
- The extent to which the country provides adequate and effective protection of intellectual property rights (Sec. 502(c)(5));
- The extent to which the country has taken action to reduce trade-distorting investment practices and policies and reduce or eliminate barriers to trade in services (Sec. 502(c)(6)); and
- Whether the country has taken or is taking steps to afford internationally recognized worker rights, (Sec. 502(c)(7)).

When AGOA was passed by the US Congress and signed into law by the President in May 2000, 34 countries were designated as eligible to receive benefits under AGOA. The secretary of commerce is required to monitor AGOA imports for "surges" that will result in the possible withdrawal of duty-free treatment if imports rise beyond a certain level. AGOA requires the President, in consultation with Congress and the other governments concerned, to hold annually an US-sub-Saharan Africa Trade and Economic Co-operation Forum. The Forum includes meetings held at Ministerial and senior official level, as well as with civil society representatives and the business community. The purpose of the Forum, which is held in alternate years in the US and Africa, is to "discuss expanding trade and investment relations between the US and sub-Saharan Africa and the implementation of AGOA, including encouraging joint ventures between small and large businesses". The Forum is held in Washington every other year, and in an AGOA eligible African country in the other years. So far, the Forum has been held four times in Washington, and once each in Mauritius, Senegal, Ghana, Kenya (2009), Zambia (2011), Ethiopia (2013), Gabon (2015) and Togo (2017).

Of the 49 potential beneficiaries in the sub-Saharan African region, the following 35 countries were eligible for AGOA benefits in 2023:

1) Angola 2. Benin 3. Botswana 4. Cabo Verde 5. Central African Republic 6. Chad 7. Comoros 8. Republic of the Congo 9. Democratic Republic of the Congo 10. Cote d'Ivoire 11. Djibouti 12. Eswatini 13. Gabon 14. The Gambia 15. Ghana 16. Guinea-Bissau 17. Kenya 18. Lesotho 19. Liberia 20. Madagascar 21. Malawi 22. Mauritius 23. Mozambique 24. Namibia 25. Niger 26. Nigeria 27. Rwanda (AGOA apparel benefits suspended by POTUS effective July 31, 2018) 28. Sao Tome & Principe 29. Senegal 30. Sierra Leone 31. South Africa 32. Tanzania 33. Togo 34. Uganda 35. Zambia.

The following 14 countries were not eligible for AGOA in 2023:

1. Burundi 2. Burkina Faso 3. Cameroon 4. Equatorial Guinea** 5. Eritrea 6. Ethiopia 7. Guinea 8. Mali 9. Mauritania 10. Seychelles** 11. Somalia* 12. South Sudan 13. Sudan* 14. Zimbabwe.

* Not reviewed for eligibility because Somalia and Sudan have not requested designation as AGOA beneficiary countries.

** Equatorial Guinea and Seychelles have graduated from GSP, so they are not eligible for consideration for AGOA benefits.

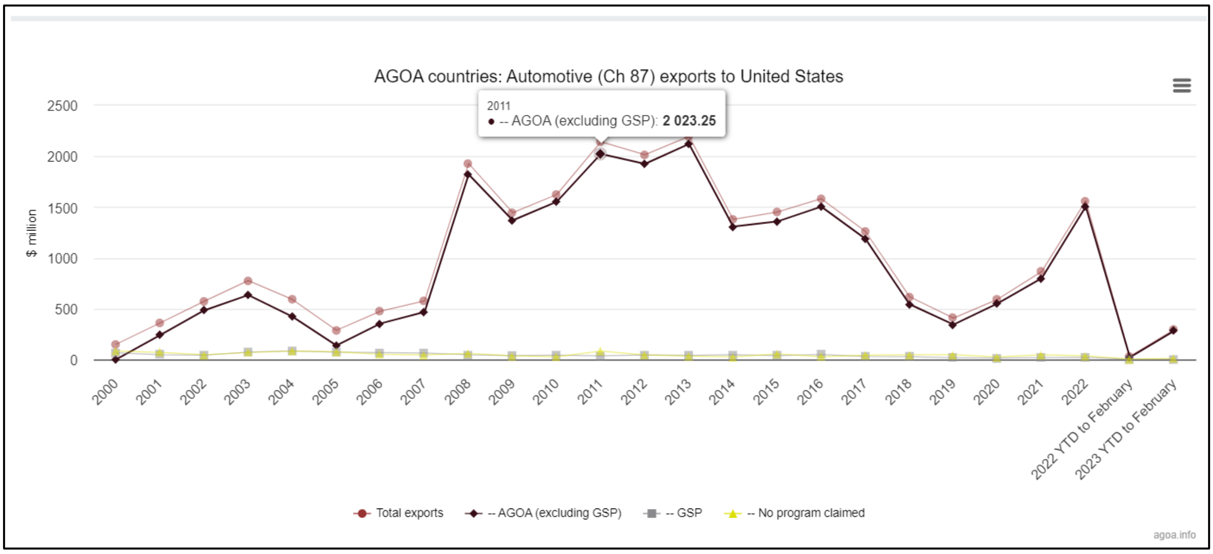
Products from AGOA countries must meet certain Rules of Origin (RoO) requirements to qualify for duty-free treatment. The requirements are listed below:

1) Duty-free entry is only allowed if the article is imported directly from the beneficiary country into the US.
2) At least 35% of the appraised value of the product must be the "growth, product or manufacture" of a beneficiary developing country, as defined by the sum of:
   - The cost or value of materials produced in the beneficiary developing country (or any two or more beneficiary countries that are members of the same association or countries and are treated as one country for purposes of the US law).
   - The direct costs of processing in the country. Up to 15% of the required 35% of the appraised value may be of US origin, and any amount of production in other beneficiary sub-Saharan African countries may also contribute to the value-added requirement.

The US President is required to monitor, review, and report to Congress annually on the progress of each of the 49 countries in meeting the AGOA eligibility requirements to determine the current or potential eligibility of each country to be designated as a beneficiary. In June 2014 President Obama re-instated Madagascar and terminated AGOA eligibility for eSwatini (Swaziland) "due to issues with worker rights", with effect from 1 January 2015. In 2014, eSwatini was the fifth largest non-energy exporter under AGOA. In December 2014 President Obama reinstated benefits for Guinea-Bissau and terminated benefits for South Sudan and Gambia, due to “issues with human rights”.

A country also "graduates" from AGOA and thereby loses eligibility if it becomes a "high-income" country as defined by the World Bank. Countries' inclusion has fluctuated with changes in the local political environment. In December 2009, for example, Guinea, Madagascar, and Niger were all removed from the list of eligible countries; by October 2011, though, eligibility was restored to Guinea and Niger, and by June 2014, to Madagascar as well. Notice was given that Burundi would lose its AGOA eligibility status as of 1 January 2016. In August 2017, Togo was recognised as an eligible country. Countries can be removed for human rights abuses, including waging war or supporting terrorism or for acting contrary to American interests. On 1 January 2022, the US removed Ethiopia, Mali and Guinea from the AGOA programme over alleged human rights violations and recent coups. In a statement the US Trade Representative explained the removal was “due to actions taken by each of their governments in violation of the AGOA Statute”.

AGOA forms one of the cornerstones of African automotive sector exports to the US. Approximately 90 tariff lines (at the HS 8-level) falling within Chapter 87 (vehicles and automotive components) are covered by the AGOA legislation. Automotive sector production and exports form part of a capital-intensive industry, and currently virtually all exports from this sector are exported from South Africa. Over the years, very small amounts of automotive products have also been exported to the US under AGOA from Kenya and Nigeria. Other beneficiary countries, however, provide some of the necessary inputs to the South African automotive sector, for example Botswana, which supplies wiring harnesses that are used by the OEMs in vehicle manufacturing. The following graph reveals the exports of vehicles and automotive components classifiable under Chapter 87 to the US. It should be noted that the bulk of South African automotive component exports fall outside of Chapter 87, including catalytic converters, engine and parts, tyres, automotive tooling, glass, and batteries, amongst others.



Source: Agoa.info

One of the initial differences between the GSP and AGOA programmes was an extension of trade benefits for a longer period under AGOA as compared to that in GSP. AGOA has offered more predictability for AGOA beneficiary countries for both GSP- and AGOA-specific benefits. In recent years, for instance, GSP authorisation has lapsed several times, including twice during 2017 to 2021. The latest lapse started January 1, 2021, and GSP at present remained unauthorised as of January 1, 2023. In contrast, AGOA beneficiaries' GSP preferences have not been subject to the lapse because AGOA beneficiaries receive GSP preferences tied to AGOA's authorisation dates rather than the GSP's authorisation dates. This has meant that AGOA beneficiaries have not been subject to the same lapses in GSP, and their products have been eligible to continue to enter the US duty free under GSP even when authorisation for GSP for non-AGOA beneficiaries has lapsed. AGOA authorisations have also been for time periods ranging from 8 to 11 years, while recent GSP renewals have often been for much shorter periods. This includes the last GSP authorisation, which covered April 22, 2018, to December 31, 2020.

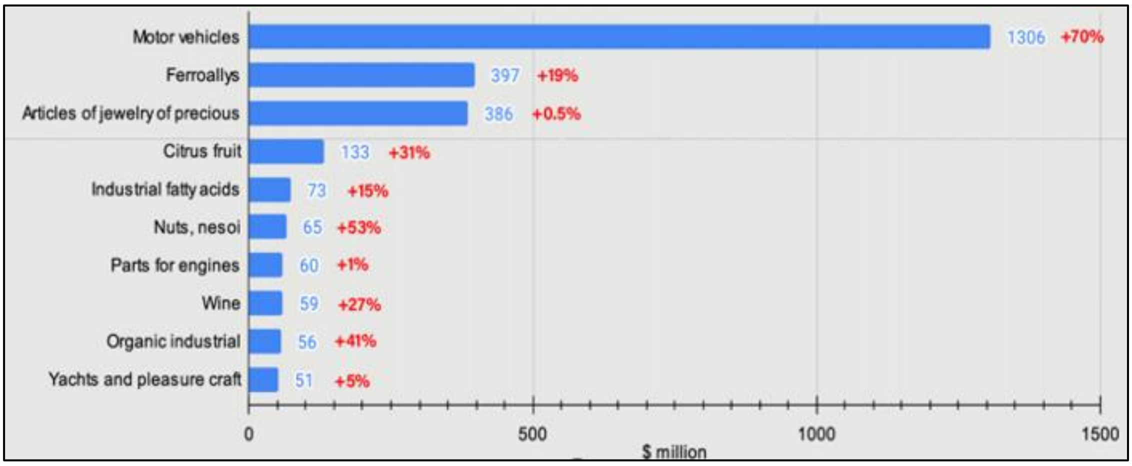
When discussing US-sub-Saharan Africa trade, there are three evidence-backed points to be made:

- without AGOA, some smaller sub-Saharan African countries would never have developed a private sector;
- when countries have had their AGOA benefits suspended it led to an exodus of investment, indicating that the competitive edge AGOA offers is vital to investors; and
- AGOA has become an economic diplomacy tool the US has leveraged to reduce human rights abuse.

SOUTH AFRICA AND AGOA

South Africa value its trade relationship with the US, including the 18% of trade conducted under AGOA. South Africa is the continent's largest beneficiary of AGOA, exporting a wide range of products, including vehicles. Total South African exports to the US increased to R178 billion in 2022 while imports amounted to R134 billion. South Africa was the US's 42nd largest goods export market and its 32nd largest country of origin in 2022. The top export categories to the US from South Africa in 2022 included machinery, vehicles, mineral fuels, and electrical and electronic equipment. The top import categories from the US to South Africa in 2022 included precious metal and stone, vehicles, iron and steel, and machinery. South Africa was the largest international supplier of macadamia nuts to the US, 2nd largest supplier of oranges, 6th largest supplier of citrus fruit, 10th largest supplier of wine, and 14th largest supplier of passenger cars, the latter its most important AGOA export. The following table reveals South Africa's top 10 exports to the US under AGOA in 2022.

South Africa's top 10 exports to the US under AGOA - 2022



Source: Agoa.info

Of the total export value to the US, 73% of it is concentrated in the top 10 products. Research revealed that just 26 traders made up 75% of total trade under AGOA, six traders made up 50% of it, two traders made up 25% of it and just one company made up 13% of it. The relatively few companies involved creates risk, but there are also opportunities for those companies not currently represented.

AGOA has contributed significantly towards building a mutually beneficial partnership between the US and South Africa, which is a vital part of the regional integration and development process underway in Africa. Hence, removing South Africa, the most advanced and regionally integrated country on the continent from AGOA, would substantially diminish the significance of AGOA for sub-Saharan Africa and the US. South Africa is a relatively open economy and trade and investment relations between South Africa and the US have continued to grow and deepen during the period under AGOA. Bilateral mechanisms, such as the Trade and Investment Framework Agreement (TIFA), have provided an excellent forum for the resolution of trade and investment concerns.

The US and South Africa signed a TIFA in 2012, which amended the US-South Africa TIFA originally signed in 1999. In addition, the US and the Southern Africa Customs Union (SACU), which includes South Africa, signed a Trade, Investment, and Development Co-operative Agreement (TIDCA) in 2008. The TIDCA establishes a forum for consultative discussions, co-operative work, and possible agreements on a wide range of trade issues, with a special focus on customs and trade facilitation, technical barriers to trade, sanitary and phytosanitary (SPS) measures, and trade and investment promotion.

Should South Africa not be eligible to remain in AGOA and an FTA is not concluded, a fall-back position is to rely on GSP for exports to the US. GSP has, however, proven to be unreliable and may be subject to the same conditionality's as AGOA but with less product lines, in particular excluding vehicles, while more administratively cumbersome. AGOA, as recent developments have demonstrated, can be curtailed, suspended, or withdrawn for South Africa and therefore does not provide the long-term certainty and predictability required by exporters and investors. The prospect of falling back to GSP will in effect be similar to falling back to a normal MFN relationship with the US, subject to normal duties. For South African exporters into the US market, it will mean competing with countries such as Mexico, Canada and other countries that have free trade agreements with the US. It is therefore desirable for South Africa to remain in AGOA for the full duration of AGOA, unless there were greater levels of reciprocity required which would make the costs of remaining in AGOA too high.

THE SOUTH AFRICAN AUTOMOTIVE INDUSTRY AND AGOA

Although the Motor Industry Development Programme (MIDP), implemented in 1995, has been the central driver of automotive exports up to 2012 when the programme ran its course, AGOA and the SA-EU free trade agreement (FTA) have also played critical roles - along with a strong developed economy market performance in the early 2000s. AGOA, as an extension of the GSP, included a range of additional products into the US, most notably vehicles. The AGOA arrangement has thus provided impetus for vehicle export programmes to be channelled to the US, which became the domestic automotive industry's top vehicle export destination from 2008 to 2013. Tariff barriers act as a constraint on accessing market opportunities and could impact negatively on a company's profit margins and export performance, as the customers in the relevant markets have to absorb these import duties. The import duty on passenger cars into the US is 2,5% ad valorem and on commercial vehicles 25% ad valorem. Into the EU the duty on passenger cars is 10% ad valorem and on light commercial vehicles 16% or 22%, ad valorem, depending on the engine size.

AGOA provided the catalyst for some South African OEMs export-oriented investment programmes. With the exception of 2005, the US was BMW's main export destination for its left-hand drive 3-Series models from 2001 to 2008 as the company seized the opportunity for duty-free exports to the US. For Mercedes-Benz's export programme of the new generation C-Class, launched in 2007, the company concentrated on a single export market in the US as it also seized the opportunities provided by AGOA's duty- and quota-free access for its left-hand drive C-Class models, which was an important consideration in attracting the new generation model investment.

AGOA spurred the domestic automotive industry's export drive to the extent of a 151,6% increase in the total automotive export value to the US from R1,86 billion in 2000 to R4,68 billion in 2001, when it was implemented. In 2022, the US was the South African automotive industry's 2nd largest country export destination, 6th largest country of origin and 2nd largest trading partner. This highlights the importance of the arrangement for South African OEMs at the time as well as up to 2022. The following table reveals that total automotive exports to the US amounted to R24,1 billion, total automotive imports from the US amounted to R18,3 billion while total automotive trade amounted to a significant R42,45 billion in 2022. Exports mainly comprised passenger cars, catalytic converters, engine parts and tyres while imports mainly comprised original equipment components, passenger cars and arrange of aftermarket parts.

United States of America (USA) (Total trade R42 453,5 million) – 2022

Main products	Exports from SA R24 123,7 million	Main products	Imports into SA R18 329,8 million
Light vehicles	15 332,3	**Original equipment components**	6 572,4
Catalytic converters	5 379,1	**Light vehicles**	4 542,0
Engine parts	1 264,8	**Engine parts**	722,4
Tyres	591,4	**Transmission shafts / cranks**	519,1
Radiators / parts	318,8	**Axles**	477,9
Silencers / exhausts	72,8	**Automotive tooling**	410,9
Axles	70,3	**Gauges/ instruments / parts**	393,6
Automotive tooling	62,4	**Steering wheels / columns / boxes**	323,6
Gear boxes	59,8	**Engines**	291,0
Clutches / shaft couplings	35,9	**Brake parts**	218,0
Other	936,1	**Other**	3 858,9

Source: AIEC, SARS

Light vehicle exports in 2022 amounted to R15,3 billion, or 63,6%, of total automotive exports of R24,1 billion to the US. Vehicle exports from South Africa to the US have declined over recent years in view of the fact that the same models by BMW and Mercedes-Benz are now being manufactured in both countries and are therefore no longer exported in large volumes. South African vehicle exports to the US generally focus on accommodating excess demand or selected high-end models while the ongoing global semi-conductor challenge also contributed to increased vehicle exports in 2022. The 20 566 vehicles exported from South Africa to the US only comprised 0,14% of the total 14,23 million vehicles sold in the US and 0,72% of the total 2,86 million passenger cars sold in 2022. The following table reveals the top South African manufactured vehicle model types exported to the US from 2018 to 2022.

Vehicle exports to the US – 2018 to 2022

Manufacturer	Type	2018	2019	2020	2021	2022
BMW	**BMW 3-Series**	3 084	0	0	0	0
BMW	**BMW X3**	0	0	0	867	11 211
Mercedes	**Mercedes AMG C**	802	1 333	730	509	177
Mercedes	**Mercedes C-Class**	7 427	11 001	7 786	5 335	9 073
Toyota	**Toyota Corolla**	6	0	0	0	0
Ford	**Ford Ranger**	70	56	66	110	105
Isuzu	**Isuzu D-MAX**	0	0	2	0	0
Isuzu	**Isuzu KB**	12	0	0	0	0
Toyota	**Toyota Hilux**	39	47	0	0	0
		11 440	**12 437**	**8 584**	**6 821**	**20 566**

Source: **naamsa**, Lightstone Auto

There is a strong relationship between imports and exports in the South African automotive industry. Successful exporters have also been likely to import a significant portion of their inputs under the APDP and APDP2. South African consumers are spoilt for choice, as domestic new vehicle demand is met by a range of imported and domestically manufactured vehicles, in a highly competitive pricing and trading environment. The US was the 8th largest of 23 countries of origin for South African imported vehicles in 2022. The following table reveals the top vehicle model types imported by South Africa from the US from 2018 to 2022.

Vehicle imports from the US – 2018 to 2022

Manufacturer	Type	2018	2019	2020	2021	2022
BMW	BMW X3	671	104	1	0	0
BMW	BMW X4	307	533	211	253	370
BMW	BMW X5	1 020	1399	767	614	1 242
BMW	BMW X6	165	169	169	197	324
BMW	BMW X7	0	250	153	166	256
Ford	FORD Mustang	797	305	400	283	249
Mercedes	Mercedes AMG GLE	167	83	0	0	0
Mercedes	Mercedes GLE	730	663	977	854	1 157
Mercedes	Mercedes GLS	105	38	79	49	106
Mercedes	Mercedes M-Class	2	0	0	0	0
Nissan	Nissan Leaf	0	2	0	0	0
Stellantis	Jeep Cherokee	48	68	135	13	0
Stellantis	Jeep Compass	27	38	115	161	0
Stellantis	Jeep Grand Cherokee	258	279	207	168	346
Stellantis	Jeep Renegade	0	18	39	113	337
Stellantis	Jeep Wrangler	226	242	261	380	412
		4 523	**4 191**	**3 514**	**3 251**	**4 799**

Source: **naamsa**, Lightstone Auto

South Africa has accounted for well over 99% of the African automotive sector's exports to the US since AGOA's inception. Only very small amounts of automotive products have been exported to the US under AGOA from other AGOA beneficiaries such as Kenya, Nigeria, Cameroon, Sierra Leone, Tanzania, and Mauritius. AGOA, however, does stimulate opportunities for a chain of collaborative arrangements between the South African automotive industry with manufacturing companies from sub-Saharan African countries, to access the US duty free. In this regard, AGOA beneficiary countries do provide some of the necessary inputs to the domestic automotive industry, for example Botswana supplies half of South Africa's ignition wiring sets. The following table reveals the South African automotive industry's automotive import values from African countries for 2021 and 2022.

South African automotive imports from Africa by country – 2021 to 2022 (R million)

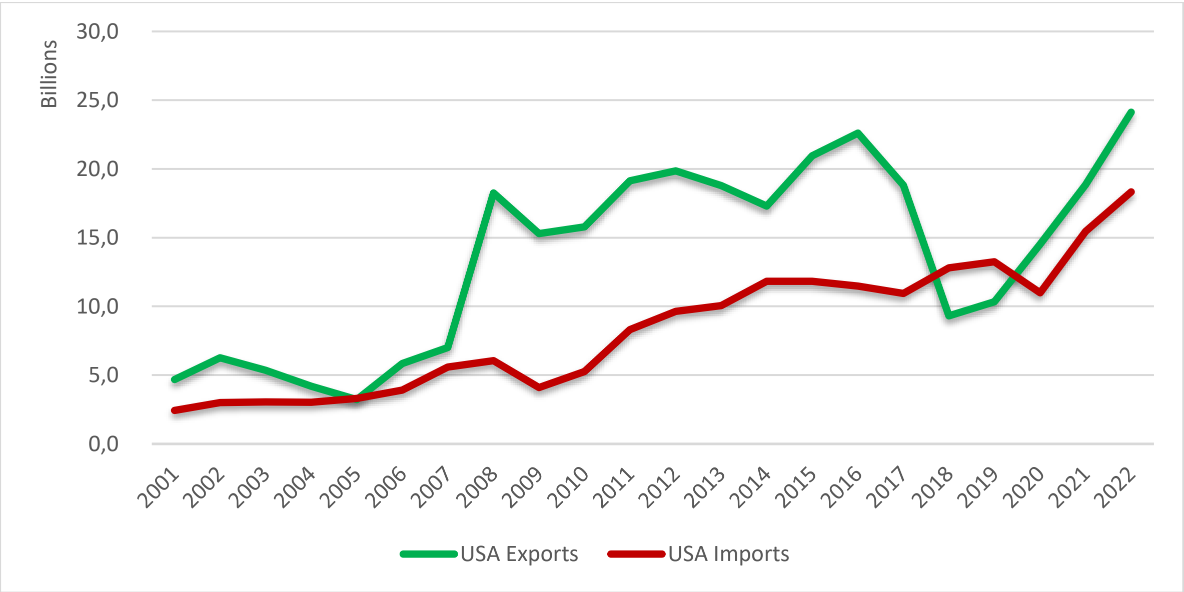
African countries imports	2021	2022
1. Botswana	1 600.1	2 053.7
2. Morocco	167.2	286.1
3. Tunisia	69.3	135.3
4. eSwatini	19.8	21.8
5. Mozambique	6.3	18.8
6. Egypt	21.7	16.6
7. Zambia	18.9	13.8
8. Namibia	16.1	13.3
9. Mauritius	3.4	11.3
10. Zimbabwe	8.3	6.4
11. Sierra Leone	2.1	5.5
12. Reunion	0.1	2.1
13. Algeria	0.1	2.0
14. Nigeria	1.8	1.9
15. Republic of Congo	0.6	1.9
16. Ghana	1.1	1.7
17. Uganda	0.2	1.6
18. Tanzania	1.9	1.5
19. Kenya	9.4	1.4
20. Angola	7.5	1.3
21. Madeira	0.1	1.3
22. Democratic Republic of Congo	2.1	1.2
23. Madagascar	0.1	1.2
24. Malawi	0.4	1.1
25. Lesotho	22.9	0.7
26. Lebanon	0.1	0.6
27. Guinea	0.2	0.6
28. Burkina Faso	0.1	0.4
29. Niger	-	0.4
30. Rwanda	-	0.3
31. Mali	0.1	0.2
32. Cameroon	0.4	0.2
33. Eritrea	-	0.1
34. Ivory Coast	0.1	0.1
35. Senegal	-	0.1
36. Gabon	-	0.1
37. Somalia	-	0.1
38. Ethiopia	0.4	-
39. Liberia	0.9	-

Source: AIEC, SARS

The benefits stemming from AGOA for the South African automotive industry are much broader than the mere duty- and quota-free access into the US. The collaborative arrangements with manufacturing companies from third countries enhance the domestic automotive industry's world class, competitive production capabilities to increasingly take advantage of opportunities presented by this trade arrangement.

Following the 151,6% increase in the total automotive export value to the US from R1,86 billion in 2000 to R4,68 billion in 2001 when AGOA commenced, South African automotive exports to the US increased by a further 447,3% in nominal Rand terms between 2001 and 2022, while automotive imports from the US increased by 671,8% in nominal Rand terms, proportionally much more than exports over the same period. AGOA's mutual benefits include enabling exports, encouraging investment in the region, enhancing private sector activity and economic growth, and ultimately generating demand for US goods and services as the region's economies develop. The following graph reveals the South African automotive industry's exports to and imports from the US from 2001 through to 2022.

Automotive exports to and imports from the US – 2001 to 2022



Source: AIEC, SARS

The reason for the fluctuation in automotive exports and imports over the 2001 to 2022 period could be attributed to vehicle end of life cycles, time period in ramping up the production to full capacity in the case of new generation model investments in the South African automotive industry, and global head office decisions during this period. Typically, when a vehicle model is exported, it also creates opportunities for replacement parts exports to service the vehicles, and vice versa.

With the exception of 2005, when the E90 3-Series sedan was launched, the US was BMW's main export destination for its left-hand drive 3-Series models from 2001 to 2008. The BMW 3-series reached the end of its lifecycle in 2018 and was replaced by the X3 model, also manufactured in the US. Mercedes-Benz's export programme of the new generation C-Class, launched in 2007, has concentrated on a single export market in the USA. The main reason for the decline in exports in 2007 was due to the fact that the Mercedes-Benz plant in East London had been refurbished during the year in preparation for the launch of the new C-Class model and as a result no vehicles were produced for exports for about five months during 2007. The current next generation Mercedes-Benz C-Class model is also manufactured in the US.

In 2013 General Motors awarded its South African operations a R6 billion (US$604m) contract, in partnership with Tenneco, to provide catalytic converters for GM's next-generation V-6 engines to the US resulting in a significant increase in exports of this product category to the US at the time. However, on 18 May 2017 General Motors announced its withdrawal from the South African market with the ceasing of domestic manufacturing and selling of Chevrolet vehicles in South Africa. This was part of an announcement by General Motors of the company's restructuring actions in a number of different markets, not just South Africa, to drive a stronger global financial performance. Consequently, imports of vehicles as well as original equipment components and aftermarket parts were affected by the decision. Isuzu Motors subsequently purchased GM's South African light commercial vehicle manufacturing operations.

It should be noted that various South African automotive component exports enjoyed duty-free access into the US prior to AGOA, as part of the GSP or by virtue of the fact that they are zero-duty rated. However, under AGOA, additional automotive components and, importantly, motor cars as well as motor vehicles for the transportation of persons and of goods, subject to certain conditions, qualify for a duty-free and quota-free access into the US.

Current APDP2 eligible automotive products qualifying under AGOA include mainly passenger cars, light, medium and heavy commercial vehicles and buses, chassis fitted with engines, and bodies, including cabs. By and large all automotive components are covered under the GSP. The exceptions include catalytic converters, filters, jacks, car radios and selected tariff lines relating to automotive tooling, alarm systems and engine parts. However, these components carry a zero-import duty into the US market.

The following table reveals the substantial duty saving benefits into the US for South African vehicle exporters as well as for US consumers, owing to AGOA, for selected years from 2001 up to 2022.

Automotive import duty savings into the US under AGOA (R million)

Year	2001	2002	2008	2015	2021	2022
TOTAL (R million)	2 358,4	3 753,1	14 647,5	14 424,3	11 817,0	15 332,2
Duty saving into the US (R million)	58,96	93,83	366,19	360,61	338,30	400,91

Source: AIEC, SARS

The following tables reveal in detail the significant impact of AGOA on automotive trade between South Africa and the US from 2001 through to 2022. Light vehicles, catalytic converters, engine parts, tyres and radiators and parts were the top automotive exports to the US. On the import side original equipment components, light vehicles, engine parts, transmission shafts and cranks and axles were the top components imported.

UNITED STATES OF AMERICA – AUTOMOTIVE EXPORTS

United States of America	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total	**4 677,8**	**6 272,6**	**5 361,2**	**4 200,3**	**3 222,2**	**5 847,5**	**7 004,3**	**18 247,8**	**15 293,7**	**15 795,3**	**19 137,2**	**19 869,7**	**18 786,8**	**17 304,9**	**20 946,9**	**22 602,4**	**18 821,2**	**9 304,7**	**10 331,4**	**14 533,3**	**18 849,6**	**24 123,7**
Light vehicles	2 358,4	3 753,1	3 418,0	2 521,4	798,5	2 810,1	3 761,3	14 647,6	13 335,1	13 229,0	15 661,4	15 927,8	14 951,1	12 419,9	14 424,3	16 324,1	14 585,1	4 946,9	5 514,7	9 128,1	11 817,0	15 332,3
Catalytic converters	1 424,7	1 116,7	684,5	587,3	918,4	1 274,3	1 849,2	2 164,4	941,3	1 478,4	1 590,9	1 760,6	2 167,0	2 904,5	4 063,0	4 291,9	2 324,9	2 218,9	2 272,9	3 206,1	4 150,1	5 379,1
Engine parts	59,7	153,2	145,2	153,9	245,3	250,0	117,0	264,3	323,1	369,3	806,3	787,5	671,5	813,9	922,5	744,3	901,3	1 007,6	1 147,0	856,8	1 106,3	1 264,8
Other components	130,7	289,9	242,1	216,6	306,0	320,5	392,4	317,3	264,0	152,4	173,0	434,5	281,2	355,6	475,2	372,6	311,2	419,2	460,2	516,2	751,3	787,3
Tyres	63,3	130,8	82,4	47,2	57,1	129,0	64,9	144,1	52,2	24,0	94,3	110,9	57,2	47,6	133,5	145,6	67,6	32,9	153,8	219,1	331,2	591,4
Radiators / parts	13,9	33,0	31,7	69,9	160,1	274,8	195,4	187,7	113,3	143,8	187,9	179,9	160,4	200,7	227,9	199,3	195,6	200,7	327,9	245,8	266,1	318,8
Silencers / exhausts	22,3	32,4	36,3	54,3	71,7	153,0	150,6	164,4	67,3	141,1	174,2	244,4	183,1	159,0	177,5	173,9	107,2	68,5	56,8	50,4	76,1	72,8
Axles	70,4	105,2	92,3	62,6	104,0	230,8	67,7	72,1	16,7	41,6	119,2	80,4	40,4	124,8	80,8	2,7	5,0	10,6	4,9	24,2	47,7	70,3
Automotive tooling	30,4	55,5	10,4	8,6	36,8	18,2	45,3	20,4	20,5	22,3	71,2	23,6	39,4	31,0	116,7	80,4	63,4	150,9	143,6	74,8	107,8	62,4
Gear boxes	0,8	0,2	0,1	6,0	32,1	41,1	19,7	18,9	5,3	24,8	30,5	41,1	31,1	48,4	59,4	26,7	47,0	51,1	55,4	36,1	54,8	59,8
Clutches / shaft couplings	24,4	26,0	17,8	22,1	10,3	6,7	10,5	7,3	5,2	5,1	9,6	12,7	17,6	26,6	23,0	32,3	26,5	17,0	15,1	20,0	24,2	35,9
Transmission shafts / cranks	2,9	5,1	5,2	12,3	17,3	14,5	8,8	9,0	9,3	5,7	13,1	23,0	7,0	15,9	21,8	36,0	34,3	33,4	43,4	25,7	31,5	35,5
Gauges / instruments / parts	6,6	7,3	6,9	8,0	9,6	21,2	20,6	19,3	17,3	17,2	48,9	49,9	17,6	28,7	52,2	28,9	48,2	31,6	24,1	11,3	10,4	25,6
Filters	9,6	12,0	9,3	13,1	17,2	16,4	30,5	35,4	18,7	20,9	20,0	38,7	25,0	3,5	1,6	2,2	3,6	8,5	8,9	13,2	18,9	21,0
Body parts / panels	14,5	15,6	0,4	2,7	3,2	39,5	7,3	12,5	2,5	1,1	0,2	0,7	1,3	3,3	0,4	2,3	2,6	5,1	7,3	3,9	0,7	12,2
Engines	2,3	6,3	1,9	2,2	0,1	0,1	6,0	1,9	2,2	1,9	3,1	6,2	5,6	3,4	11,1	8,9	29,4	16,9	28,2	23,0	5,1	8,5
Road wheels / parts	154,1	211,7	247,7	206,0	222,6	140,1	85,0	12,5	4,8	2,4	12,1	5,0	5,2	19,2	47,4	2,4	1,8	1,6	2,8	1,6	1,6	7,9
Gaskets	1,2	0,7	1,1	0,7	0,6	0,3	0,6	1,6	1,4	1,8	1,3	1,7	2,7	6,5	9,7	8,0	9,9	10,4	8,3	8,2	8,1	7,2
Brake parts	7,3	12,4	8,4	3,4	3,1	6,0	1,1	0,7	0,1	0,9	1,5	3,0	2,5	1,7	1,4	1,5	0,8	3,9	7,7	0,7	1,6	5,7
Shock absorbers	14,0	4,0	0,0	0,0	0,0	0,0	0,1	0,1	2,5	1,3	8,9	22,4	3,3	43,4	57,6	52,4	27,7	29,9	17,3	9,0	6,3	4,7
Alarm systems	5,0	9,5	9,8	10,8	1,7	21,1	13,8	7,1	4,8	5,1	2,7	3,7	3,7	1,2	3,2	1,2	1,0	1,9	2,8	1,9	1,7	3,8
Stitched leather seats / parts	0,2	3,8	0,4	3,6	11,2	6,5	1,7	6,0	5,2	14,2	14,7	15,6	14,4	10,4	8,0	5,3	5,6	15,3	3,6	16,9	14,3	3,3
Original equipment components	0,0	0,2	1,0	0,0	0,0	0,1	19,9	0,2	0,1	0,2	0,8	2,7	3,7	3,4	4,0	0,9	1,2	0,5	1,4	1,9	0,1	2,5
Wiring harnesses	0,1	0,0	0,4	1,4	1,7	1,3	0,9	0,3	0,7	1,5	1,5	4,6	1,6	5,7	7,9	8,9	6,0	7,0	11,0	6,8	3,7	2,4
Jacks	23,8	31,5	19,0	7,6	0,4	0,0	15,3	33,0	18,8	28,7	39,4	34,0	17,3	1,4	1,4	2,7	0,3	1,2	0,6	0,3	0,4	2,3
Ignition / starting equipment	3,2	6,0	5,0	2,7	1,4	1,1	0,9	4,4	0,8	3,3	2,3	8,5	3,9	2,5	4,5	6,4	3,3	3,4	3,2	3,0	4,6	2,3
Lighting equipment / parts	0,1	2,2	2,5	1,1	8,8	21,7	53,5	47,7	19,9	36,6	19,0	12,7	24,1	8,0	2,5	0,7	0,9	2,8	1,3	3,2	2,0	0,9
Medium / Heavy vehicles	93,6	130,4	190,7	106,8	146,0	0,0	17,2	0,1	0,0	0,0	0,5	2,7	0,0	0,7	3,7	29,4	1,2	0,1	1,2	0,6	2,4	0,7
Seats	0,1	0,1	0,1	0,8	0,4	1,0	2,0	1,9	0,5	0,2	0,1	0,6	0,0	0,1	0,8	0,3	0,2	0,4	0,7	20,7	0,6	0,6
Seatbelts	9,2	13,8	10,6	12,7	2,8	1,0	0,8	0,0	0,0	0,0	0,3	0,0	0,0	0,0	0,0	0,2	0,1	0,7	0,1	0,1	0,0	0,5
Automotive glass	105,3	88,1	75,7	51,3	29,9	26,2	21,2	11,8	8,5	3,7	1,2	0,4	0,1	0,4	0,8	1,9	1,3	1,7	1,0	1,2	0,6	0,4
Springs	19,7	5,4	0,3	0,0	0,0	0,0	0,4	0,0	0,0	0,0	0,4	0,2	0,4	0,0	0,2	0,4	0,1	0,3	0,6	0,3	0,7	0,3
Air conditioners	0,6	0,8	0,0	0,6	0,6	0,6	0,0	0,0	0,0	1,3	0,2	0,1	0,0	0,1	2,7	4,6	2,6	1,0	2,0	0,2	0,5	0,2
Batteries	1,8	3,2	0,0	0,2	0,6	0,0	0,0	0,0	0,1	0,0	0,0	0,3	0,1	0,6	0,1	2,6	1,6	2,3	0,0	0,1	0,1	0,1
Steering wheels/columns/boxes	3,7	6,4	4,0	2,4	2,6	20,2	22,4	33,7	31,4	15,3	26,4	29,8	47,4	12,6	0,2	0,4	2,5	0,3	1,5	1,7	1,2	0,1
Car radios	0,0	0,0	0,0	0,0	0,2	0,0	0,4	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,1	0,3	0,0	0,3	0,1	0,0	0,1

UNITED STATES OF AMERICA – AUTOMOTIVE IMPORTS

United States of America	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total	**2 434,6**	**3 008,5**	**3 055,6**	**3 032,7**	**3 301,1**	**3 917,1**	**5 585,6**	**6 064,2**	**4 089,5**	**5 266,9**	**8 322,8**	**9 646,5**	**10 066,0**	**11 818,2**	**11 835,5**	**11 472,2**	**10 951,0**	**12 795,2**	**13 258,4**	**10 995,8**	**15 465,0**	**18 329,8**
Original equipment components	280,8	249,4	460,3	422,7	835,1	1 110,1	1 368,5	1 534,7	746,1	751,9	1 629,3	1 721,9	1 638,7	2 426,0	1 835,0	1 848,6	2 520,4	4 576,5	5 813,0	4 867,4	6 885,7	6 572,4
Light vehicles	790,3	1 233,2	1 215,2	1 340,1	1 025,5	969,5	1 714,7	1 363,4	846,6	1 903,0	3 272,0	4 224,4	4 303,0	4 720,6	4 743,9	3 915,4	2 977,9	1 612,4	1 275,2	901,8	2 727,0	4 542,0
Other components	355,0	466,1	396,0	340,7	386,7	475,3	609,0	718,9	680,8	722,4	839,2	969,9	1 135,0	1 468,8	1 811,6	2 160,5	2 110,0	2 409,2	2 400,2	1 891,3	2 037,2	2 359,7
Engine parts	185,3	233,5	236,9	217,7	251,5	257,2	306,3	428,0	410,5	435,9	530,8	551,9	596,7	730,9	765,1	679,1	631,3	568,4	579,5	511,1	566,7	722,4
Transmission shafts / cranks	114,2	136,6	118,9	102,6	101,9	129,0	155,2	204,4	202,7	208,4	240,2	295,8	390,7	345,3	418,5	336,0	364,2	369,4	367,0	353,3	372,0	519,1
Axles	23,5	48,2	46,2	31,3	38,2	59,7	72,9	86,4	23,4	36,7	75,4	89,3	86,1	69,2	111,0	346,9	255,9	258,3	285,7	263,5	328,7	477,9
Automotive tooling	143,0	133,9	99,7	93,9	100,2	143,6	130,4	210,4	124,3	124,8	235,0	221,0	370,9	360,7	266,0	237,9	214,8	682,3	208,5	153,0	300,8	410,9
Gauges / instruments / parts	103,3	119,6	92,4	97,5	108,0	129,8	122,7	172,4	172,1	146,8	168,3	214,2	212,4	238,6	282,8	296,0	278,9	276,5	267,2	243,8	293,0	393,6
Steering wheels / columns / boxes	1,9	2,5	1,5	1,6	2,6	2,3	3,1	5,6	4,9	7,6	8,1	9,2	11,0	12,5	9,1	15,4	13,1	215,3	312,3	263,6	320,9	323,6
Engines	1,4	2,9	3,9	5,5	7,1	47,6	79,1	312,7	135,4	95,1	320,8	379,1	305,7	395,2	511,9	542,3	595,7	321,2	250,1	270,7	222,0	291,0
Brake parts	22,3	31,8	32,9	33,8	43,7	41,3	35,0	37,8	29,0	28,3	41,9	27,2	43,8	62,4	73,0	81,6	74,5	122,0	97,7	98,7	119,2	218,0
Gear boxes	15,9	25,4	12,2	14,2	11,8	21,5	58,5	71,2	6,4	14,1	16,4	33,2	23,9	23,9	20,2	17,1	19,5	88,7	112,0	118,0	171,0	206,4
Tyres	21,8	34,5	25,8	49,1	43,6	88,9	126,1	136,7	153,0	192,7	229,4	266,3	283,7	255,4	316,5	345,4	247,0	363,4	287,7	162,9	196,6	179,6
Gaskets	37,6	41,9	34,2	31,7	32,2	35,7	41,6	51,5	46,6	44,4	54,7	59,2	70,2	71,2	80,7	82,0	80,5	89,8	93,8	99,2	109,0	139,6
Filters	26,3	29,6	16,8	18,6	17,1	19,4	27,8	44,9	38,8	30,7	30,8	29,5	35,6	36,6	47,2	73,0	81,5	74,7	81,0	82,4	84,9	130,2
Catalytic convertors	37,6	38,5	22,6	18,8	42,0	101,8	89,4	149,5	137,6	161,3	185,6	114,6	128,2	88,4	101,3	85,6	89,0	96,9	101,0	126,5	116,7	117,0
Shock absorbers	3,5	0,0	0,0	0,0	0,0	0,0	3,5	6,4	5,5	5,7	11,4	9,8	13,5	17,6	22,3	39,6	25,0	208,4	201,7	121,7	128,9	93,6
Ignition / starting equipment	14,3	16,8	18,3	22,3	19,3	33,2	26,5	28,6	30,9	35,2	40,0	38,2	37,8	50,6	52,6	43,8	33,3	44,2	45,6	35,0	48,2	88,2
Batteries	11,5	16,2	11,7	9,9	9,7	10,0	13,7	25,7	18,6	23,8	37,6	52,6	50,7	58,7	19,6	13,6	45,6	50,2	52,3	65,2	63,2	69,7
Clutches / shaft couplings	5,3	7,4	8,0	6,2	12,1	13,3	15,6	18,1	18,6	15,4	18,3	21,9	29,7	26,4	30,2	30,6	29,0	48,7	47,2	40,3	35,6	56,6
Silencers / exhausts	3,1	2,8	3,5	4,5	4,8	6,0	7,0	7,3	3,4	7,4	7,2	5,0	5,4	18,0	19,5	17,5	9,7	67,3	111,5	95,2	56,8	55,1
Radiators	8,6	12,7	8,8	16,0	12,0	12,3	21,0	21,6	12,6	13,6	23,8	20,7	25,8	22,9	22,5	24,0	15,1	24,9	42,1	30,3	49,4	50,3
Wiring	7,9	12,0	11,4	11,3	11,8	24,5	47,2	61,1	37,3	25,3	42,8	52,1	67,2	65,0	56,3	48,7	48,3	30,6	23,9	33,4	29,1	48,7
Automotive glass	6,6	5,6	5,1	7,0	6,2	10,2	12,4	13,0	19,1	19,7	20,5	20,8	20,8	28,5	30,1	32,3	29,9	27,2	23,5	17,4	20,3	48,2
Body parts / panels	3,4	4,8	6,8	7,1	14,1	37,5	50,9	57,3	33,6	34,4	23,0	23,0	24,3	25,0	27,9	40,9	38,0	34,2	41,0	30,4	31,8	42,3
Alarm systems	16,0	12,8	31,2	9,5	13,8	15,7	19,8	30,4	16,6	16,9	18,3	25,8	25,3	22,3	38,9	20,7	19,4	27,0	29,5	23,7	26,3	34,7
Lighting equipment / parts	8,2	7,6	7,7	7,6	9,2	13,7	15,9	20,7	19,7	18,5	19,4	25,2	27,1	31,4	29,0	29,0	37,7	27,8	30,6	19,8	28,3	28,8
Seats	1,7	5,7	3,5	3,7	3,5	3,1	5,5	4,8	1,9	3,0	9,4	8,6	6,4	5,9	4,9	6,7	8,2	9,3	10,4	9,2	13,7	26,9
Springs	1,6	3,0	2,3	1,8	1,7	2,3	4,5	2,8	2,2	3,7	16,8	14,9	8,9	9,3	11,0	7,7	9,3	13,0	15,3	13,3	17,9	24,6
Medium / Heavy vehicles	167,3	55,0	77,6	77,3	107,0	42,1	303,6	112,0	54,3	78,9	85,1	69,2	36,9	64,8	27,0	14,1	11,7	7,3	4,2	13,3	20,7	21,0
Road wheels / parts	2,2	1,7	3,1	4,0	5,0	4,7	7,0	9,4	27,0	35,8	27,9	20,0	19,9	35,9	28,5	18,5	12,7	13,6	15,3	12,5	24,3	13,6
Air conditioners	4,1	2,0	26,0	6,1	2,0	1,1	3,7	11,4	2,6	11,6	20,9	11,0	2,2	7,7	3,0	3,3	5,1	5,7	6,7	13,5	5,8	10,7
Stitched leather seats / parts	6,8	13,0	8,9	9,5	16,0	48,6	81,3	93,5	21,0	7,0	18,0	15,5	7,4	12,4	14,0	12,2	13,8	23,9	20,5	11,1	9,0	8,4
Jacks	1,1	0,4	0,9	1,7	1,0	3,3	2,4	1,9	2,8	1,9	1,5	1,7	14,8	7,1	1,4	2,2	1,8	3,6	2,7	1,8	2,3	3,4
Seatbelts	0,1	0,1	0,1	0,3	0,5	0,5	0,7	6,3	1,1	3,3	1,0	2,3	3,0	1,5	1,2	1,0	1,2	2,5	1,4	0,9	1,0	1,0
Car radios	0,9	1,3	5,1	7,1	4,0	2,2	3,0	3,6	2,4	1,6	1,8	1,3	3,2	1,5	1,7	3,3	2,1	1,3	1,0	0,4	0,6	0,6

NAFTA AND USCMA

The North American Free Trade Agreement (NAFTA) was enacted in 1994 and created a free trade zone for Mexico, Canada, and the US, which superseded the 1988 Canada-United States Free Trade Agreement. The NAFTA trade bloc formed one of the largest trade blocs in the world by gross domestic product. The goal of NAFTA was to eliminate barriers to trade and investment between the US, Canada and Mexico. The implementation of NAFTA on January 1, 1994, brought the immediate elimination of tariffs on more than one-half of Mexico's exports to the US and more than one-third of US exports to Mexico. Within 10 years of the implementation of the agreement, all US-Mexico tariffs were to be eliminated, except for some US agricultural exports to Mexico, to be phased out within 15 years. Most US-Canada trade was already duty-free. NAFTA also sought to eliminate non-tariff trade barriers and to protect the intellectual property rights on traded products. As of January 1, 2008, all tariffs and quotas were eliminated on US exports to Mexico and Canada under NAFTA.

The United States-Mexico-Canada Agreement (USMCA) entered into force on July 1, 2020, and is regarded as the most comprehensive and high-standard trade agreement ever negotiated. It updated, modernised, and rebalanced the NAFTA, which it replaced, in order to meet the challenges of the 21st-century economy. It will help drive economic prosperity, promote fairer and more balanced trade, and ensure that North America remains the world's most competitive region. For US exporters, Mexico's trade liberalisation efforts mean that the Mexican market is one of the most open and competitive in the world. Canada and Mexico were the US's largest and second-largest export markets, respectively, in 2022. Mexico and Canada were the first or second-largest destinations for goods exports for more than 40 US states.

The USCMA is sometimes characterised as "NAFTA 2.0", or "New NAFTA", since it largely maintains or updates the provisions of its predecessor with respect to intellectual property and digital trade. The USMCA is a mutually beneficial win for North American workers, farmers, ranchers, and businesses. The Agreement creates more balanced, reciprocal trade supporting high-paying jobs for Americans and to grow the North American economy. USMCA created one of the world's largest free trade zones, spanning roughly 500 million people and totalling over $26 trillion in GDP.

Key changes from its predecessor include increased environmental and working regulations; greater incentives for vehicle production in the US (with quotas for Canadian and Mexican automotive production); more access to Canada's dairy market; and an increased duty-free limit for Canadians who buy US goods online. An International Monetary Fund (IMF) working paper issued in late March 2019 found that the agreement would have "negligible" effects on the broad economy but the IMF study projected that the USMCA "would adversely affect trade in the automotive, textiles and apparel sectors".

The USMCA includes many innovative provisions designed to incentivise new US investments in the automotive sector, to promote additional purchases of US-produced automotive parts, to advance US leadership in automotive R&D, to support additional high-paying US jobs in the automotive sector, and to encourage OEMs and automotive component suppliers to locate future production of electric and autonomous vehicles in the US.

NAFTA's automotive Rules of Origin were regarded as outdated, permitted "free riding" by countries outside of North America, and had discouraged automotive manufacturing and investment in the US. The USMCA includes upgraded Rules of Origin for vehicles and automotive parts that promote reshoring of vehicle and parts production and incentivise new investments in the US automotive sector. These updates include the following:

- Elevates Regional Value Content (RVC) Requirements of 75% versus 62,5% in NAFTA.
- New requirements for a vehicle producer's use of steel and aluminium of which at least 70% must originate in North America.
- Eliminates loopholes that undermine RVC thresholds such as rules that allowed producers to deem non-North American content as originating, regardless of origin, which will reduce free riding and help ensure key automotive parts are manufactured in the region.
- Introduces a first-of-its-kind Labour Value Content (LVC) Rule requiring that a certain percentage of qualifying vehicles must be produced by employees making an average of US$16 per hour, helping level the playing field for US manufacturers and workers compared to lower wages in countries such as Mexico.

One of the biggest hurdles to the electrification of the automotive industry has been public adoption due to the significant price tag of battery electric vehicle (BEV) models. The US Inflation Reduction Act of 2022 (Public Law 117-169) amended the Qualified Plug-in Electric Drive Motor Vehicle Credit (IRC 30D), now known as the Clean Vehicle Credit, and added a new requirement for final assembly in North America that took effect on August 17, 2022. For new electric, fuel cell electric, and plug-in hybrid electric vehicles acquired, delivered, and placed in service after August 16, 2022, this final assembly requirement applies. For vehicles placed in service on or after January 1, 2023, the Clean Vehicle Credit provisions are subject to updated guidance from the Internal Revenue Service (IRS) and the US Department of the Treasury.

These provisions will move America closer to achieving its core mission of reducing dependence on oil in the transportation sector. The bill represents the first serious attempt by the US to take a comprehensive approach to the nation's energy security challenges. One provision that takes effect immediately is a requirement that a vehicle's final assembly take place in North America. As of

December 31, 2022, requirements on critical minerals and battery components have also been implemented.

With the Inflation Reduction Act of 2022, the US Internal Revenue Service (IRS) is issuing significant tax rebates for consumers, corporations, and government entities who move into battery-powered vehicles, incentivising more consumers to trade their ICE vehicle in for a BEV over the next decade. This new tax credit could help to drive EV prices down, increase EV adoption, and give OEMs the demand they need to transition to a BEV-heavy vehicle line-up, but that's only if they can quickly regionalise their supply chains to meet the new "manufactured in North America" clause.

Individual consumers who buy a new qualifying EV from 2022 until 2032 can receive a tax credit of up to US$7 500. Commercial entities and government agencies can also cash in on the incentive, receiving a tax break of up to 30% of the vehicle sale price or US$40 000. This will entice many businesses and government organisations to upgrade their fleet to new, battery-powered vehicles. Finally, specific organisations, such as public schools and local transportation services, could receive a tax rebate equalling 100% of the vehicle cost. These credits come with specific stipulations, though. The purchased vehicle(s) must meet two specific criteria to be eligible for the entire tax credit:

- Battery manufactured in North America. A certain percentage of the vehicle's battery components must be manufactured or assembled in North America. The required portion starts at 50% in 2023, increasing another 10% each year until it reaches 100% in 2029.
- Meets battery mineral sourcing requirements. Essential minerals necessary for the battery such as aluminium, cobalt, lithium, nickel, and graphite must be extracted, processed, manufactured, and assembled in the US (or a country under a free trade agreement with the US). The percentage of localised mineral sourcing starts at 40% in 2023 and rises by 10% each year, reaching 80% after 2026. (Starting in 2025, "qualifying vehicles' batteries cannot contain critical minerals extracted, processed, or recycled by a foreign entity of concern such as China, a mineral powerhouse).

The Inflation Reduction Act tax credit is designed to accelerate battery electric vehicles and plug-in hybrid vehicle sales while strengthening the US economy and positioning the US as a significant competitor to China for battery manufacturing. Not only will OEMs in the US need to source battery components closer to home, but foreign brands that depend heavily on US based sales will also need to shift their supply chain from Europe and Asia to North America to remain competitive in the market and gain the benefits of the tax break incentive.

The Inflation Reduction Act is seen as the biggest overhaul of US automotive policy in a generation. If all goes according to plan, it will transform what Americans drive on the streets and create economic injections for the states that manufacture those new vehicles and components. However, this new law is so ambitious, and the manufacturing deadlines are so tight that it's hard to imagine every goal being met on time. The incentives for EV consumers are large, but so are the strings attached for manufacturers and suppliers.

President Joe Biden has set a goal of making half of the nation's new sales zero-emission by 2030. The enacted Inflation Reduction Act aims to move consumers that way by providing tax credits to purchasers of new or used electric vehicles, but there are many caveats - on everything from the buyers' income level to which models can qualify - that many electric vehicles may not be eligible for the benefit.

The following table reveals the proposed bans or implementing 100% sales of zero-emissions vehicles in the USCMA region. California, the US's most populous state and the centre of the US car culture, is the most ambitious in terms of timelines and vehicles affected. Multiple states are also starting to adhere to California's Advanced Clean Cars II rule which requires zero-emission vehicles to comprise 35% of new cars and light trucks by 2026, and then 68% by 2030, before reaching 100% in 2035.

Country	Start year	Status	Scope	Details
Canada	2035	Climate plan	Diesel, petrol, non-electric	New light-duty vehicle sales. All light-duty vehicles with ICE engines will be phased-out and will be replaced with 100% electric vehicles by 2050.
Mexico	2040	Signatory of the Glasgow Declaration	Emitting	New vehicle sales by 2040 at latest
United States	2035	Imposed by US President Joe Biden as Executive Order 14057 that mandates all new light duty vehicles added to the government fleet are 100% zero emissions by 2027, with all new privately-owned light duty vehicles sold being 100% zero emissions by 2035.	Diesel, petrol, non-electric	Government acquisition of light-duty vehicles (2027) and government acquisition of all vehicle types and new car sales of privately-owned light-duty vehicles (2035). Entire fleet of government-owned vehicles with ICE engines will be phased-out and will be replaced with 100% all-electric vehicles by 2035-2040. All privately-owned light-duty vehicles with ICE engines will be phased-out and will be replaced with 100% electric vehicles by 2050.

The USCMA bloc operates as a region and as the dominant country in the region, developments in the US relating to legislation and trade arrangements also impact on the region. Total automotive exports to NAFTA/USCMA increased by 143,4% from R1,96 billion in 2000 to R4,77 billion in 2001 when AGOA commenced and by a further 449,7% from 2001 to 2022. Automotive imports increased by 729,5% from 2001 to 2022, proportionally much more than exports over the same period. As the main beneficiary of AGOA, the South African automotive industry's two-way trade with Mexico and Canada has also increased as part of the NAFTA/USCMA region. Exports of light vehicles and catalytic converters in particular benefitted while imports of light vehicles and original equipment components increased. The following tables reveals the impact of automotive trade under AGOA with NAFTA/USCMA, Mexico and Canada from 2001 through to 2022.

NAFTA/USCMA – AUTOMOTIVE EXPORTS

USCMA	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total	**4 772,2**	**6 394,3**	**5 475,9**	**4 453,1**	**3 590,4**	**6 247,8**	**8 900,9**	**18 764,4**	**16 086,7**	**16 584,8**	**20 914,8**	**20 900,8**	**19 298,1**	**18 901,8**	**22 761,0**	**24 372,2**	**19 948,0**	**10 872,5**	**12 123,3**	**16 627,4**	**20 317,4**	**25 753,9**
Light vehicles	2 359,7	3 754,0	3 419,5	2 524,4	802,5	2 810,2	3 895,5	14 654,7	13 335,2	13 454,9	16 336,9	15 928,8	14 951,1	13 471,2	15 684,9	17 403,9	15 238,0	5 933,6	6 535,0	10 250,0	12 731,6	16 370,0
Catalytic convertors	1 424,7	1 116,7	684,6	587,8	920,0	1 350,7	3 313,4	2 211,7	1 432,7	1 810,6	2 263,0	2 416,1	2 399,7	3 241,0	4 355,2	4 638,9	2 425,6	2 392,8	2 769,9	3 852,0	4 440,7	5 391,7
Engine parts	60,4	153,8	145,5	154,0	257,6	250,7	120,1	273,8	326,0	370,8	807,0	791,9	675,1	814,7	924,0	747,3	915,7	1 009,7	1 159,1	876,9	1 120,4	1 278,1
Other components	158,4	311,6	271,3	244,5	332,8	353,6	468,8	531,0	477,2	248,0	339,6	694,8	412,0	467,9	598,0	523,5	442,5	509,1	535,7	571,0	829,1	947,5
Tyres	63,5	130,8	82,6	53,5	59,6	129,8	71,6	145,1	53,8	27,0	106,7	128,9	58,6	48,4	136,5	147,2	69,3	37,5	164,2	297,5	387,5	714,7
Radiators	16,6	45,1	52,3	73,3	161,9	274,8	197,4	193,3	114,0	146,1	200,0	200,0	194,4	248,4	300,3	306,4	311,1	372,8	359,4	248,5	270,5	413,3
Silencers / exhausts	26,0	38,1	41,4	59,1	88,0	174,5	158,3	187,8	95,3	178,4	221,9	257,8	262,2	165,0	179,3	177,3	109,0	75,0	84,1	91,9	124,0	141,3
Automotive tooling	33,3	74,8	11,1	10,4	37,4	26,0	51,9	29,6	35,1	38,1	77,4	36,9	46,5	45,4	140,9	92,2	117,1	225,4	188,5	122,5	138,9	125,7
Axles	70,4	105,2	92,3	62,6	104,0	231,4	67,7	72,4	19,1	41,6	119,3	80,9	40,6	125,0	80,9	2,8	5,0	10,7	4,9	24,2	49,3	70,5
Clutches / shaft couplings	24,6	26,3	18,3	23,0	12,4	7,8	14,5	12,1	8,5	10,3	14,6	19,9	26,2	35,2	35,1	44,9	39,7	31,1	24,3	43,0	45,9	62,2
Gear boxes	0,9	0,2	0,2	6,0	32,1	41,1	21,3	20,1	5,6	25,3	31,0	41,4	33,7	49,4	59,6	26,9	47,2	51,2	56,0	36,4	54,8	59,8
Transmission shafts / cranks	3,0	5,3	5,5	13,3	17,8	17,3	10,6	13,5	11,2	8,9	20,4	28,0	9,9	20,8	24,3	41,3	36,7	34,3	56,2	27,8	33,0	39,7
Gauges / instruments / parts	15,3	20,9	17,1	14,1	16,1	25,6	21,1	20,0	19,7	17,9	50,4	54,1	18,7	30,8	55,0	30,1	49,1	32,9	28,0	15,3	11,3	28,7
Filters	10,6	14,6	11,2	14,6	17,4	16,4	30,5	35,4	18,8	37,5	20,1	39,5	25,0	3,5	1,9	3,5	3,8	8,9	9,0	13,2	18,9	21,0
Engines	3,5	6,3	1,9	2,3	10,7	39,3	38,7	2,3	2,3	2,1	44,2	13,4	6,5	3,5	15,4	19,5	41,5	20,4	28,3	23,0	5,1	16,0
Body parts / panels	14,7	15,6	0,4	5,2	3,3	39,8	7,8	12,5	4,0	1,2	3,0	3,4	1,3	3,4	0,5	4,8	2,6	5,4	8,5	3,9	1,1	12,3
Springs	19,7	5,4	0,3	0,0	0,1	0,0	0,6	0,1	2,2	0,2	0,5	0,8	0,4	0,3	0,5	0,4	0,1	0,3	0,6	0,4	0,8	10,7
Road wheels / parts	177,0	219,5	266,3	250,5	322,8	192,1	85,6	13,9	4,9	3,5	13,3	5,7	5,5	19,4	48,2	2,8	1,8	1,6	11,2	1,6	1,7	8,0
Gaskets	1,2	0,7	1,2	0,9	0,7	0,3	0,7	1,7	1,8	2,1	1,5	1,9	2,9	6,6	9,8	8,5	10,2	10,6	8,3	8,3	8,7	7,5
Brake parts	7,3	13,3	8,4	3,5	3,2	6,1	1,2	0,8	0,1	1,0	1,6	3,7	2,6	2,0	2,6	4,3	3,8	4,3	7,8	0,7	1,6	5,7
Shock absorbers	14,0	4,0	0,0	0,0	0,0	0,0	0,1	0,1	3,6	1,4	9,0	22,5	3,6	43,7	57,6	52,4	28,0	31,1	18,7	53,0	6,9	5,2
Stitched leather seats / parts	1,8	19,9	11,4	149,6	192,0	163,8	127,5	97,7	25,7	15,4	16,0	16,7	16,1	11,2	8,9	6,3	6,2	19,5	13,3	20,5	14,5	5,2
Alarm systems	10,6	14,3	10,7	11,5	1,8	21,3	14,0	9,7	5,3	5,3	3,7	5,5	5,8	1,5	3,3	1,3	1,0	1,9	4,7	1,9	1,7	4,0
Ignition / starting equipment	3,3	6,0	5,0	2,7	1,4	1,4	1,5	5,5	0,9	3,7	2,9	10,2	4,0	4,1	4,6	6,4	3,4	3,5	3,3	3,3	4,9	2,6
Original equipment components	0,0	0,2	1,0	0,0	0,0	0,1	20,7	0,2	0,1	0,2	0,8	2,7	3,7	3,4	4,0	0,9	1,2	0,5	4,4	1,9	0,1	2,5
Wiring	0,1	0,0	0,4	1,4	1,7	1,3	0,9	0,3	1,5	2,6	5,1	7,4	2,1	6,5	10,3	24,3	15,4	14,9	18,9	9,1	5,5	2,5
Lighting equipment / parts	0,6	2,3	2,7	1,1	8,9	23,4	61,5	55,7	22,5	37,3	19,7	12,9	24,6	8,7	3,0	0,8	0,9	4,9	1,7	4,0	2,9	2,4
Jacks	23,8	31,5	19,0	7,6	0,4	0,0	15,3	33,0	18,8	28,8	39,4	34,0	17,3	1,4	1,5	2,7	0,3	1,2	0,6	0,3	0,4	2,3
Automotive glass	115,0	97,8	81,5	52,7	30,3	26,2	21,2	11,8	8,5	3,8	1,3	0,5	0,1	0,4	0,8	1,9	1,3	1,7	1,3	1,3	0,7	0,7
Medium / Heavy vehicles	93,6	134,8	197,3	106,8	146,0	0,0	17,2	0,9	0,0	37,1	116,1	3,4	0,0	0,7	3,7	29,5	1,2	0,2	1,2	0,6	2,4	0,7
Seats	0,1	0,1	0,1	0,8	0,6	1,0	3,7	2,0	0,6	0,2	0,4	4,8	0,1	0,5	0,8	1,6	3,0	3,7	3,5	21,1	0,6	0,6
Seatbelts	12,6	14,5	10,8	12,8	2,8	1,0	0,9	0,0	0,0	0,1	0,3	0,0	0,0	0,0	0,0	0,2	0,1	0,7	0,1	0,1	0,0	0,5
Air conditioners	0,6	0,8	0,0	0,6	0,6	0,6	0,0	0,0	0,0	1,3	0,2	0,1	0,0	3,1	6,5	11,6	11,3	7,8	2,0	0,2	0,5	0,2
Batteries	2,0	3,3	0,0	0,2	0,6	0,0	0,0	0,0	0,1	0,0	0,0	0,3	0,1	0,6	0,1	2,6	1,6	2,3	0,0	0,1	0,1	0,1
Steering wheels / columns / boxes	3,7	6,4	4,5	2,4	2,6	20,2	38,5	115,6	31,6	21,9	27,5	31,7	47,5	14,2	2,9	2,9	2,9	10,9	10,2	1,7	1,3	0,1
Car radios	0,0	0,0	0,0	0,0	0,2	0,0	0,4	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,1	0,3	0,0	0,3	0,2	0,0	0,1

NAFTA/USCMA – AUTOMOTIVE IMPORTS

USMCA	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total	**2 624,7**	**3 170,4**	**3 207,9**	**3 207,6**	**3 578,4**	**4 776,1**	**7 043,1**	**7 817,1**	**4 764,8**	**6 238,3**	**9 144,8**	**10 715,3**	**11 776,8**	**13 402,3**	**13 730,7**	**12 987,6**	**13 078,1**	**16 087,8**	**16 080,8**	**13 176,0**	**17 934,3**	**21 772,1**
Original equipment components	310,9	277,7	478,8	453,7	933,7	1 681,8	2 541,7	2 790,9	987,5	786,9	1 650,9	1 768,7	1 782,9	2 643,8	2 100,3	2 006,6	2 777,6	5 076,9	6 290,9	5 317,9	7 505,8	7 396,4
Light vehicles	853,2	1 244,6	1 247,4	1 360,0	1 040,4	976,3	1 719,9	1 420,3	874,6	2 485,3	3 634,7	4 765,0	5 251,9	5 355,9	5 486,3	4 279,4	3 789,6	3 023,8	2 207,9	1 542,0	3 308,9	5 548,0
Other components	387,6	488,4	415,2	366,0	427,6	544,2	683,0	819,8	748,8	796,6	937,5	1 091,9	1 294,3	1 675,2	2 032,0	2 412,7	2 367,1	2 855,6	2 960,3	2 283,8	2 504,1	2 882,3
Body parts / panels	193,1	253,5	248,3	233,0	273,2	286,8	349,2	491,9	476,6	507,3	622,8	649,0	721,6	891,0	971,9	844,1	837,1	722,5	718,0	636,9	695,4	900,0
Transmission shafts / cranks	116,9	141,3	126,3	106,8	107,9	136,4	168,2	221,4	219,1	226,1	257,4	314,0	417,5	367,0	443,6	365,6	389,8	390,7	400,9	380,7	406,3	566,3
Axles	24,3	49,8	49,2	36,0	46,9	63,2	84,0	103,3	27,3	46,9	81,8	99,3	97,6	114,5	126,5	394,2	262,1	341,9	317,3	265,9	340,6	530,9
Gauges / instruments / parts	121,5	147,1	115,3	114,1	123,4	145,6	142,7	194,1	190,1	166,3	192,1	235,7	241,4	276,0	329,0	335,6	320,1	326,7	315,7	290,3	353,0	468,5
Automotive tooling	157,7	146,6	106,1	104,2	110,4	162,8	142,6	237,4	168,8	138,7	272,0	242,6	408,6	394,2	294,6	315,4	268,7	727,6	236,2	185,7	324,4	443,0
Steering wheels / columns / boxes	2,3	2,6	1,6	1,7	2,7	2,5	3,3	6,2	5,2	8,0	9,2	13,9	17,0	18,8	17,8	22,4	17,2	218,7	316,8	264,7	322,8	325,3
Engines	1,6	3,2	4,1	7,3	8,6	48,2	79,9	315,9	136,8	101,2	335,2	390,9	340,2	417,1	555,3	566,7	607,2	326,9	255,1	275,9	226,4	307,1
Tyres	22,7	35,7	27,9	51,8	44,4	105,6	129,7	141,3	155,2	196,0	235,2	272,0	289,9	263,4	330,2	354,5	284,2	440,7	328,4	182,4	245,1	246,4
Brake parts	22,8	33,5	35,9	38,9	47,2	45,7	36,4	38,8	30,3	30,6	48,0	30,2	50,2	65,8	75,4	84,6	77,4	125,6	101,8	101,9	123,7	222,5
Gear boxes	16,0	25,7	12,5	14,3	12,0	22,4	59,1	71,8	6,6	15,2	17,0	34,0	25,0	25,3	22,6	19,8	23,9	93,3	114,3	120,3	173,8	209,9
Filters	26,8	31,2	18,3	20,3	19,3	21,3	30,5	49,7	43,5	37,9	38,7	41,4	49,1	50,0	66,7	96,8	102,8	94,4	101,8	116,9	126,4	200,0
Ignition / starting equipment	16,0	18,8	19,9	26,2	23,7	39,7	35,6	36,9	42,4	58,6	64,1	67,4	63,3	83,3	92,9	86,2	87,6	92,5	88,9	67,5	96,4	149,3
Gaskets	42,6	44,8	36,4	32,7	33,7	36,3	42,6	52,7	47,9	46,6	56,7	60,8	72,3	73,6	83,6	84,3	83,8	92,8	99,8	105,2	117,3	149,0
Stitched leather seats / parts	6,9	14,8	10,4	10,6	23,3	68,5	83,0	126,6	39,9	29,9	39,0	44,6	39,4	42,5	61,8	65,7	63,0	138,0	161,5	117,6	138,0	148,2
Catalytic convertors	38,4	39,4	23,5	20,1	43,2	131,4	91,4	182,8	179,0	163,4	189,1	130,6	135,3	93,6	107,6	94,2	154,3	116,0	122,5	141,9	135,9	145,0
Shock absorbers	3,6	0,0	0,0	0,0	0,0	0,0	4,1	7,5	6,2	6,1	12,2	11,7	15,4	21,3	26,9	46,6	35,7	258,7	276,8	199,1	163,3	142,2
Radiators	8,7	12,9	9,4	16,7	12,7	14,5	24,4	23,6	14,5	15,4	25,6	21,5	27,0	24,7	24,1	25,5	18,1	47,7	67,0	57,2	102,7	118,9
Silencers / exhausts	3,4	5,2	5,5	4,9	4,9	6,1	7,1	7,5	3,8	7,5	7,3	6,3	5,7	18,6	20,5	18,0	11,6	69,6	113,8	101,2	79,2	85,8
Batteries	11,9	16,3	11,9	10,0	9,8	10,1	14,0	25,9	19,6	34,2	39,9	54,5	51,6	62,2	26,6	19,8	48,7	53,2	56,9	68,0	72,7	75,1
Clutches / shaft couplings	7,0	10,1	10,2	8,8	14,4	17,7	22,8	24,3	24,2	24,1	26,4	31,7	40,6	38,5	47,1	55,5	48,6	71,8	67,2	55,8	54,5	74,4
Wiring	8,5	12,6	12,4	12,9	14,0	28,3	51,6	66,5	43,3	35,4	53,8	65,4	83,6	80,4	82,5	74,3	75,8	55,7	52,7	54,5	47,7	73,8
Alarm systems	19,2	15,8	31,6	17,8	25,4	31,0	49,6	69,2	79,0	30,1	35,9	46,8	52,2	49,1	83,1	64,2	73,6	78,1	36,1	30,8	36,3	65,1
Lighting equipment / parts	8,8	8,5	9,0	9,6	11,4	16,3	19,7	25,1	24,5	23,8	28,2	33,6	38,9	47,0	46,8	48,0	58,9	49,7	52,9	38,4	52,8	59,0
Automotive glass	7,1	6,3	6,1	8,5	8,9	13,1	16,2	17,1	22,8	23,4	24,8	24,7	25,8	34,4	34,4	35,5	32,1	29,6	26,0	21,0	26,0	52,6
Body parts / panels	3,7	4,9	6,9	17,6	26,9	51,0	64,9	75,9	40,8	36,9	25,9	24,6	28,0	28,0	45,9	101,3	90,2	90,5	110,0	68,4	37,6	49,8
Springs	1,8	3,5	2,5	2,0	2,0	2,4	4,8	3,3	3,0	4,1	17,2	15,8	10,2	11,5	13,9	10,7	12,9	17,6	19,6	16,0	21,2	32,8
Seats	1,7	5,8	3,8	3,7	3,5	3,1	5,5	6,3	3,3	3,0	9,5	8,7	6,5	6,2	5,1	7,0	8,4	9,4	10,6	9,4	14,8	27,7
Medium / Heavy vehicles	167,3	55,0	77,6	77,3	107,0	44,2	305,6	115,2	56,7	86,7	92,7	72,0	37,6	65,8	30,5	14,1	11,7	7,4	4,2	13,3	21,6	24,3
Road wheels / parts	2,4	2,2	3,5	4,5	5,6	5,6	7,9	11,0	27,7	41,2	28,5	20,8	21,3	37,6	30,2	20,2	16,0	21,2	23,8	25,4	46,3	22,7
Seatbelts	0,1	0,2	0,3	0,5	0,7	0,9	1,1	7,0	1,8	3,9	1,9	2,9	3,5	2,2	1,8	1,6	2,1	11,1	13,6	3,5	2,4	12,3
Air conditioners	6,0	10,6	34,2	6,3	4,4	7,4	15,3	24,0	8,3	16,5	29,5	18,5	12,7	14,7	9,2	10,0	14,8	6,3	7,3	13,8	6,4	12,1
Jacks	1,1	0,4	0,9	1,7	1,0	3,3	2,4	1,9	2,8	2,6	1,8	1,8	14,9	7,2	1,8	2,3	2,3	4,0	2,9	1,9	2,5	4,6
Car radios	1,0	1,3	5,1	7,2	4,0	2,5	3,1	4,1	3,0	1,7	2,3	1,9	3,8	2,1	2,3	3,9	3,5	1,6	1,5	0,8	2,0	0,9

MEXICO – AUTOMOTIVE EXPORTS

Mexico	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total	**51,5**	**41,2**	**49,8**	**81,6**	**140,1**	**116,4**	**70,5**	**56,9**	**122,1**	**297,6**	**590,5**	**565,1**	**269,3**	**272,1**	**413,9**	**319,5**	**278,7**	**1 409,2**	**1 625,6**	**1 985,4**	**1 330,9**	**1 356,2**
Light vehicles	0,5	0,1	0,0	0,0	0,0	0,1	0,0	0,1	0,0	0,0	0,0	0,0	0,0	0,2	187,0	67,4	0,8	985,3	1 018,1	1 119,0	913,6	1 037,5
Radiators / parts	0,0	0,0	0,0	0,0	0,0	0,0	1,9	5,7	0,6	2,2	11,9	19,9	34,0	47,7	72,1	107,1	115,2	171,9	31,0	2,6	4,4	94,5
Silencers / exhausts	0,0	0,1	0,5	0,2	0,0	2,0	0,3	16,9	27,4	36,9	47,3	11,9	79,0	4,3	1,4	3,1	1,5	6,4	26,3	41,5	47,9	68,4
Automotive tooling	1,0	0,0	0,0	0,3	0,1	0,0	4,2	4,4	4,4	0,0	1,6	11,3	6,4	12,5	23,4	10,7	51,4	73,1	38,7	43,6	25,9	47,1
Tyres	0,2	0,0	0,0	6,3	2,4	0,0	3,0	0,5	0,3	1,0	1,1	8,2	0,7	0,8	2,2	1,4	1,2	4,6	8,3	71,7	32,5	36,5
Other components	19,3	15,6	23,2	20,7	12,2	13,1	18,9	22,7	20,7	45,0	60,0	59,1	71,2	79,8	75,2	30,8	28,6	24,1	14,3	14,7	14,5	28,0
Clutches / shaft couplings	0,2	0,3	0,5	0,9	2,1	1,0	4,0	4,7	3,4	5,1	5,0	7,2	8,7	8,7	12,1	12,6	13,2	14,1	9,2	23,1	21,6	26,3
Catalytic converters	0,0	0,0	0,0	0,2	1,4	3,9	0,9	0,0	63,8	184,7	461,8	440,5	64,2	110,6	33,8	72,7	52,1	125,0	454,5	608,2	260,9	8,9
Engine parts	0,5	0,0	0,2	0,0	11,8	0,7	0,6	0,1	0,0	0,0	0,2	3,4	2,2	0,4	0,0	0,1	0,2	0,4	5,5	11,3	5,8	3,3
Stitched leather seats / parts	1,5	16,1	8,2	8,4	0,6	5,0	2,6	0,0	0,1	0,1	0,1	0,0	0,0	0,0	0,0	0,1	0,0	2,7	9,3	3,0	0,0	1,9
Transmission shafts / cranks	0,0	0,0	0,0	0,8	0,0	0,0	0,0	1,1	0,0	1,5	0,0	0,1	1,2	4,4	1,6	1,3	1,5	0,0	0,5	1,4	0,0	1,6
Lighting equipment / parts	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,2	0,0	0,0	0,0	0,0	0,0	0,1	0,0	0,0	0,3	0,5	1,0	0,8
Shock absorbers	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,1	0,0	0,4	0,0	0,0	0,4	1,2	0,3	43,9	0,5	0,5
Automotive glass	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,3	0,2	0,1	0,3
Springs	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0	0,0	0,0	0,0	0,1	0,1	0,2
Axles	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,1	0,2	0,0	0,1	0,0	0,0	1,6	0,2
Alarm systems	5,2	3,7	0,3	0,0	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1
Gauges / instruments / parts	0,0	0,1	0,3	0,0	0,1	0,1	0,1	0,1	1,0	0,1	0,1	1,3	0,0	0,6	0,1	0,8	0,0	0,0	0,4	0,4	0,0	0,1
Body parts / panels	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0	0,1	0,0	0,0	0,0	0,1	0,1	0,1	0,0	0,1	0,1	0,0	0,4	0,1
Filters	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	16,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0	0,0	0,1
Ignition / starting equipment	0,0	0,0	0,0	0,0	0,0	0,0	0,2	0,1	0,0	0,0	0,0	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,2	0,0	0,0
Wiring harnesses	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Road wheels / parts	19,6	4,6	16,1	43,7	98,7	51,2	0,0	0,0	0,1	0,0	0,0	0,0	0,0	0,2	0,2	0,4	0,0	0,0	8,4	0,0	0,0	0,0
Engines	0,0	0,0	0,0	0,0	10,6	39,2	32,7	0,3	0,1	0,2	0,1	0,4	1,0	0,0	4,4	10,6	12,1	0,0	0,0	0,0	0,0	0,0
Gaskets	0,0	0,0	0,0	0,0	0,0	0,1	0,0	0,0	0,0	0,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Brake parts	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,1	0,1	0,1	0,0	0,0	0,0
Seats	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Car radios	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Air conditioners	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Gear boxes	0,0	0,0	0,1	0,0	0,0	0,0	0,1	0,0	0,0	0,0	0,0	0,0	0,4	0,0	0,0	0,0	0,0	0,1	0,0	0,0	0,0	0,0
Jacks	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Seatbelts	3,4	0,7	0,2	0,0	0,0	0,0	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Steering wheels / columns / boxes	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,2	3,7	1,1	0,8	0,2	1,1	0,0	0,0	0,1	0,1	0,0	0,0	0,1	0,0
Medium / Heavy vehicles	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,7	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Original equipment components	0,0	0,0	0,0	0,0	0,0	0,0	0,8	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Batteries	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0

MEXICO – AUTOMOTIVE IMPORTS

Mexico	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total	**115,8**	**79,5**	**94,9**	**97,6**	**195,4**	**491,4**	**311,1**	**663,2**	**343,8**	**794,4**	**579,5**	**850,5**	**1 362,4**	**1 201,8**	**1 503,9**	**1 081,8**	**1 571,7**	**2 791,7**	**2 433,0**	**1 875,1**	**2 170,5**	**3 053,9**
Light vehicles	58,9	11,2	31,8	19,7	14,8	6,5	4,2	56,8	27,8	554,9	293,6	512,3	824,5	549,7	670,4	363,6	811,5	1 411,2	932,7	640,2	581,9	1 005,9
Original equipment components	27,5	27,2	17,3	24,2	93,0	323,0	156,6	378,6	133,8	32,2	20,7	43,6	141,7	217,2	263,8	157,7	136,5	366,1	397,9	395,4	576,0	762,6
Other components	4,5	4,5	7,1	10,9	23,6	45,3	42,6	61,5	32,9	37,1	56,4	59,9	78,8	82,3	94,3	110,6	132,4	309,3	419,8	303,9	352,3	367,2
Engine parts	2,6	2,7	2,2	9,4	15,3	22,0	35,1	49,1	57,9	59,7	77,2	80,7	102,5	128,7	177,4	129,7	173,0	128,2	116,7	104,4	112,2	156,3
Stitched leather seats / parts	0,1	1,4	1,2	0,7	7,1	19,4	0,7	31,8	17,9	21,8	20,4	28,5	31,3	29,1	46,2	52,6	48,5	113,4	140,5	106,4	128,7	139,2
Filters	0,3	1,1	0,8	0,8	0,8	0,6	1,0	3,2	3,6	7,0	7,7	11,7	13,3	13,2	19,3	22,6	20,4	18,8	20,4	34,0	41,0	69,2
Radiators	0,1	0,1	0,1	0,5	0,6	2,0	3,3	1,8	1,6	1,6	1,5	0,7	1,0	1,2	1,4	1,3	2,1	22,1	24,1	26,5	52,6	68,1
Tyres	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,8	1,5	1,0	2,6	2,1	3,6	5,5	7,4	34,3	76,7	40,2	18,9	47,2	66,6
Ignition / starting equipment	0,0	0,0	0,1	1,4	1,9	2,8	5,0	5,9	8,8	19,5	22,0	24,7	23,5	31,4	39,4	39,4	52,5	47,4	40,4	31,5	45,1	59,9
Gauges / instruments / parts	10,3	19,1	19,7	11,8	9,4	9,6	12,4	10,6	9,1	10,8	13,3	11,7	18,9	25,3	34,2	27,0	21,2	37,2	33,9	33,2	40,9	53,2
Axles	0,4	0,7	2,2	4,4	7,6	1,3	10,5	15,1	1,9	7,2	3,9	5,0	9,7	11,7	12,0	45,0	3,5	81,7	30,0	2,1	11,9	51,3
Shock absorbers	0,0	0,0	0,0	0,0	0,0	0,0	0,3	0,2	0,2	0,3	0,4	0,5	1,2	2,2	2,6	4,5	7,5	46,7	69,9	74,1	30,0	43,9
Lighting equipment / parts	0,4	0,7	1,2	1,9	1,8	2,0	2,8	2,8	3,2	2,8	6,2	6,9	9,3	13,1	13,9	16,2	17,6	19,7	20,3	17,8	23,3	29,0
Silencers / exhausts	0,2	1,9	1,3	0,3	0,1	0,0	0,0	0,0	0,2	0,1	0,0	0,1	0,1	0,2	0,4	0,2	0,3	0,4	0,5	1,7	15,9	26,5
Catalytic convertors	0,2	0,1	0,4	0,8	0,9	28,6	1,4	0,3	0,2	0,6	0,5	1,2	2,5	2,0	2,8	2,5	2,6	12,9	17,1	10,4	13,4	23,7
Wiring	0,3	0,4	0,5	1,3	0,9	2,5	2,7	2,0	2,8	5,2	7,9	9,4	12,4	13,1	19,3	18,5	23,1	21,6	23,5	19,1	16,9	23,5
Clutches / shaft couplings	1,7	2,8	2,2	2,5	2,3	4,4	7,1	6,1	5,5	8,6	8,0	9,7	10,8	11,7	16,7	24,8	19,5	23,0	19,9	15,4	18,8	17,7
Transmission shafts / cranks	0,5	0,7	0,9	1,0	1,6	1,8	2,9	3,5	2,7	3,6	3,7	3,4	4,3	7,2	5,6	8,3	8,5	7,2	9,0	6,5	8,7	11,3
Seatbelts	0,0	0,1	0,2	0,2	0,3	0,3	0,4	0,7	0,7	0,6	0,8	0,6	0,5	0,6	0,6	0,6	0,8	8,7	12,2	2,7	1,3	11,2
Engines	0,1	0,2	0,2	0,2	0,0	0,1	0,7	0,2	1,3	2,4	14,3	11,8	34,2	21,2	38,1	19,4	11,4	5,6	4,3	5,0	3,7	10,8
Springs	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,2	0,4	0,3	0,2	0,4	1,0	1,8	2,6	2,6	3,3	4,4	3,6	2,4	3,0	7,6
Automotive tooling	0,2	0,3	0,3	0,6	0,6	1,0	1,8	2,9	13,2	0,9	3,3	6,6	19,0	11,3	9,5	1,1	17,8	3,4	17,8	2,5	3,9	7,1
Body parts / panels	0,2	0,1	0,1	0,4	4,0	12,6	12,9	16,9	5,5	0,4	0,6	0,6	1,4	1,6	2,3	2,7	3,0	5,2	17,1	3,7	4,3	6,8
Road wheels / parts	0,1	0,2	0,1	0,3	0,4	0,7	0,8	1,3	0,6	0,8	0,6	0,6	1,2	1,7	1,5	1,6	2,0	2,2	1,7	4,3	7,4	6,4
Batteries	0,3	0,1	0,1	0,1	0,1	0,0	0,1	0,1	0,5	1,8	2,0	1,8	0,8	3,5	6,4	6,1	2,9	3,0	4,6	2,8	9,6	5,3
Automotive glass	0,3	0,4	0,6	0,6	0,7	0,9	1,9	2,9	2,5	2,8	3,6	3,3	4,6	4,7	2,8	1,9	1,1	2,1	1,6	1,7	3,7	4,3
Gaskets	4,7	2,4	1,8	0,6	0,9	0,1	0,1	0,2	0,5	0,3	0,5	0,4	0,5	0,7	0,8	0,8	1,0	1,3	1,7	2,1	3,7	3,8
Alarm systems	1,1	0,2	0,0	0,0	4,1	0,2	0,7	0,1	0,2	0,3	0,5	2,5	1,6	1,5	0,8	0,6	1,3	1,2	0,9	0,8	2,8	3,7
Medium / Heavy vehicles	0,0	0,0	0,0	0,0	0,0	0,0	1,0	3,3	2,2	5,3	4,5	1,4	0,6	1,0	0,0	0,0	0,0	0,1	0,0	0,0	0,9	3,3
Gear boxes	0,0	0,2	0,2	0,0	0,1	0,6	0,4	0,1	0,1	0,1	0,2	0,7	0,7	1,2	1,7	2,7	4,2	4,1	1,5	1,1	2,1	3,1
Brake parts	0,2	0,3	0,9	2,9	2,7	3,0	1,1	0,5	0,6	0,6	2,9	2,2	1,9	1,4	2,2	2,3	2,2	3,3	4,0	3,0	3,8	3,0
Steering wheels / columns / boxes	0,3	0,0	0,1	0,1	0,1	0,2	0,1	0,4	0,2	0,3	0,6	4,2	5,7	6,0	8,3	6,6	3,8	3,2	4,2	0,7	1,3	1,3
Air conditioners	0,0	0,3	1,2	0,0	0,0	0,0	0,0	2,1	2,7	3,1	0,1	0,0	0,0	0,2	0,1	0,1	0,1	0,0	0,5	0,2	0,4	0,6
Car radios	0,0	0,0	0,0	0,1	0,0	0,0	0,1	0,2	0,3	0,0	0,5	0,6	0,6	0,6	0,6	0,7	1,4	0,3	0,6	0,3	1,3	0,3
Seats	0,0	0,1	0,3	0,0	0,0	0,0	0,0	1,5	1,4	0,0	0,0	0,1	0,1	0,1	0,1	0,2	0,1	0,1	0,0	0,2	0,1	0,1
Jacks	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1

CANADA – AUTOMOTIVE EXPORTS

Canada	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total	**42,9**	**80,5**	**64,9**	**171,1**	**228,2**	**283,8**	**1 826,0**	**459,8**	**670,8**	**491,8**	**1 187,1**	**465,9**	**242,0**	**1 324,8**	**1 400,2**	**1 450,2**	**848,0**	**158,6**	**166,4**	**108,7**	**136,9**	**274,0**
Other components	8,4	6,1	6,0	7,1	14,6	19,9	57,6	191,0	192,5	50,6	106,6	201,3	59,7	32,5	47,7	120,2	102,7	65,9	61,3	40,1	63,3	132,2
Tyres	0,0	0,0	0,2	0,0	0,1	0,8	3,8	0,6	1,3	2,0	11,3	9,8	0,6	0,0	0,8	0,2	0,6	0,0	2,1	6,7	23,9	86,9
Automotive tooling	1,9	19,3	0,7	1,4	0,5	7,7	2,5	4,8	10,3	15,8	4,6	1,9	0,6	1,8	0,9	1,1	2,2	1,4	6,2	4,1	5,2	16,2
Springs	0,0	0,0	0,0	0,0	0,0	0,0	0,2	0,1	2,2	0,2	0,1	0,6	0,0	0,3	0,2	0,0	0,0	0,0	0,0	0,0	0,0	10,2
Engine parts	0,2	0,6	0,2	0,1	0,6	0,0	2,5	9,3	2,9	1,4	0,5	1,0	1,4	0,3	1,4	2,9	14,2	1,7	6,6	8,9	8,4	10,0
Engines	1,1	0,0	0,0	0,1	0,0	0,0	0,0	0,0	0,0	0,0	41,0	6,8	0,0	0,0	0,0	0,0	0,0	3,5	0,0	0,0	0,0	7,5
Catalytic converters	0,0	0,0	0,1	0,3	0,2	72,5	1 463,3	47,3	427,5	147,6	210,3	214,9	168,5	225,9	258,5	274,3	48,5	48,9	42,6	37,7	29,7	3,7
Gauges / instruments / parts	8,6	13,5	10,0	6,1	6,4	4,2	0,4	0,7	1,4	0,7	1,5	3,0	1,1	1,6	2,7	0,5	0,8	1,3	3,5	3,6	0,8	3,0
Transmission shafts / cranks	0,1	0,2	0,3	0,2	0,5	2,8	1,8	3,4	1,9	1,7	7,3	4,9	1,8	0,5	0,9	4,0	0,9	0,8	12,3	0,7	1,5	2,7
Lighting equipment / parts	0,4	0,1	0,2	0,0	0,1	1,7	7,9	8,0	2,6	0,4	0,7	0,2	0,6	0,6	0,5	0,0	0,0	2,1	0,1	0,3	0,0	0,6
Gaskets	0,0	0,0	0,1	0,1	0,1	0,0	0,0	0,0	0,3	0,1	0,2	0,2	0,2	0,1	0,1	0,5	0,3	0,1	0,0	0,0	0,6	0,3
Light vehicles	0,9	0,7	1,5	3,0	4,0	0,0	134,1	7,1	0,0	225,9	675,5	1,0	0,1	1 051,0	1 073,6	1 012,4	652,1	1,4	2,2	3,0	1,1	0,3
Ignition / starting equipment	0,0	0,0	0,0	0,0	0,0	0,3	0,4	1,0	0,2	0,4	0,6	1,6	0,1	1,6	0,1	0,0	0,1	0,0	0,0	0,1	0,3	0,2
Road wheels / parts	3,3	3,2	2,5	0,7	1,6	0,7	0,6	1,4	0,0	1,1	1,2	0,7	0,3	0,0	0,5	0,0	0,0	0,0	0,0	0,0	0,0	0,1
Silencers / exhausts	3,7	5,6	4,5	4,6	16,3	19,5	7,3	6,5	0,6	0,5	0,4	1,6	0,0	1,6	0,4	0,3	0,3	0,0	1,0	0,0	0,0	0,0
Alarm systems	0,4	1,1	0,5	0,7	0,0	0,2	0,2	2,5	0,5	0,2	1,0	1,9	2,1	0,3	0,1	0,1	0,0	0,0	1,9	0,0	0,0	0,0
Automotive glass	9,8	9,7	5,8	1,4	0,4	0,0	0,0	0,0	0,0	0,2	0,0	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Radiators / parts	2,7	12,1	20,7	3,4	1,8	0,0	0,0	0,0	0,1	0,0	0,2	0,2	0,0	0,0	0,2	0,0	0,3	0,1	0,6	0,0	0,0	0,0
Axles	0,0	0,0	0,0	0,0	0,0	0,6	0,0	0,3	2,4	0,0	0,1	0,5	0,1	0,1	0,0	0,0	0,0	0,1	0,0	0,0	0,0	0,0
Brake parts	0,0	1,0	0,0	0,0	0,1	0,1	0,1	0,2	0,0	0,0	0,1	0,7	0,1	0,3	1,3	2,8	2,9	0,3	0,0	0,0	0,0	0,0
Stitched leather seats / parts	0,0	0,0	2,8	137,6	180,2	152,3	123,3	91,6	20,4	1,1	1,3	1,0	1,7	0,7	0,8	0,9	0,6	1,6	0,4	0,6	0,2	0,0
Seats	0,0	0,0	0,0	0,0	0,2	0,0	1,7	0,2	0,0	0,0	0,3	4,1	0,0	0,4	0,0	1,4	2,8	3,2	2,8	0,3	0,0	0,0
Air conditioners	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	3,0	3,8	7,0	8,7	6,7	0,0	0,0	0,0	0,0
Body parts / panels	0,1	0,0	0,0	2,5	0,1	0,4	0,5	0,0	1,5	0,0	2,9	2,8	0,0	0,0	0,1	2,4	0,0	0,2	1,2	0,0	0,0	0,0
Car radios	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0	0,0
Clutches / shaft couplings	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Gear boxes	0,1	0,0	0,0	0,0	0,0	0,0	1,5	1,2	0,2	0,5	0,4	0,3	2,2	1,0	0,2	0,2	0,1	0,0	0,6	0,2	0,0	0,0
Jacks	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Seatbelts	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Shock absorbers	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1,1	0,0	0,0	0,0	0,3	0,0	0,0	0,0	0,0	0,0	1,1	0,1	0,0	0,0
Steering wheels / columns / boxes	0,0	0,0	0,5	0,0	0,0	0,0	16,1	81,9	0,0	2,9	0,0	1,1	0,0	0,5	2,7	2,5	0,3	10,5	8,7	0,0	0,0	0,0
Wiring harnesses	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,8	1,1	3,6	2,8	0,5	0,7	2,4	15,4	9,4	7,8	7,9	2,2	1,8	0,0
Medium / Heavy vehicles	0,0	4,4	6,6	0,0	0,0	0,0	0,0	0,7	0,0	37,1	115,6	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0	0,0	0,0	0,0
Original equipment components	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	3,0	0,0	0,0	0,0
Batteries	0,2	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Filters	1,0	2,7	1,8	1,5	0,3	0,0	0,0	0,0	0,0	0,0	0,0	0,8	0,0	0,0	0,3	1,3	0,1	0,4	0,0	0,0	0,0	0,0

CANADA – AUTOMOTIVE IMPORTS

Canada	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total	**74,2**	**82,4**	**57,4**	**77,3**	**81,9**	**367,7**	**1 146,4**	**1 089,7**	**331,4**	**177,0**	**242,6**	**218,3**	**348,4**	**382,3**	**391,4**	**433,5**	**555,4**	**500,9**	**389,5**	**305,1**	**298,8**	**388,4**
Other components	28,1	17,8	12,1	14,4	17,2	23,6	31,3	39,4	35,1	37,1	41,9	62,1	80,4	124,1	126,1	141,7	124,7	137,1	140,2	88,6	114,6	155,3
Original equipment components	2,6	1,1	1,1	6,9	5,6	248,7	1 016,7	877,6	107,7	2,8	0,9	3,2	2,5	0,6	1,4	0,4	120,6	134,2	80,0	55,0	44,1	61,4
Transmission shafts / cranks	2,2	4,0	6,6	3,3	4,4	5,6	10,1	13,5	13,6	14,1	13,5	14,8	22,6	14,5	19,4	21,4	17,1	14,0	24,9	20,9	25,6	35,8
Alarm systems	2,1	2,8	0,4	8,3	7,5	15,1	29,0	38,7	62,3	13,0	17,1	18,4	25,3	25,3	43,4	43,0	52,9	49,8	5,7	6,3	7,3	26,7
Automotive tooling	14,5	12,4	6,2	9,8	9,6	18,3	10,4	24,1	31,3	12,9	33,7	15,0	18,7	22,2	19,1	76,4	36,0	41,9	9,8	30,1	19,7	25,0
Gauges / instruments / parts	8,0	8,4	3,2	4,8	6,1	6,3	7,6	11,1	8,9	8,6	10,6	9,8	10,1	12,1	12,0	12,7	20,0	13,0	14,7	13,2	19,0	21,7
Engine parts	5,2	17,3	9,2	5,9	6,4	7,6	7,8	14,8	8,1	11,7	14,9	16,4	22,4	31,4	29,4	35,3	32,8	25,9	21,7	21,4	16,5	21,2
Gaskets	0,3	0,5	0,4	0,5	0,6	0,5	0,9	1,0	0,8	1,8	1,5	1,2	1,6	1,7	2,1	1,5	2,2	1,7	4,3	3,9	4,6	5,6
Engines	0,1	0,1	0,0	1,6	1,5	0,5	0,1	3,0	0,1	3,7	0,1	0,0	0,3	0,6	5,3	5,0	0,0	0,1	0,7	0,2	0,7	5,3
Shock absorbers	0,1	0,0	0,0	0,0	0,0	0,0	0,2	0,8	0,4	0,1	0,3	1,3	0,8	1,4	1,9	2,4	3,2	3,6	5,2	3,2	4,5	4,6
Catalytic convertors	0,5	0,9	0,5	0,4	0,2	1,0	0,6	33,1	41,1	1,5	3,0	14,8	4,6	3,3	3,4	6,2	62,8	6,2	4,4	5,0	5,8	4,3
Silencers / exhausts	0,1	0,4	0,7	0,0	0,0	0,1	0,1	0,2	0,2	0,1	0,1	1,2	0,2	0,4	0,6	0,3	1,5	1,9	1,8	4,3	6,5	4,2
Road wheels / parts	0,2	0,3	0,2	0,1	0,2	0,2	0,2	0,3	0,1	4,6	0,0	0,2	0,1	0,1	0,2	0,1	1,3	5,4	6,8	8,6	14,5	2,7
Axles	0,4	0,8	0,7	0,3	1,1	2,1	0,6	1,8	2,1	3,0	2,5	4,9	1,8	33,6	3,5	2,3	2,7	1,9	1,6	0,3	0,1	1,7
Wiring	0,3	0,2	0,5	0,3	1,2	1,3	1,7	3,4	3,2	4,9	3,2	4,0	4,0	2,4	7,0	7,2	4,4	3,4	5,3	1,9	1,6	1,7
Brake parts	0,3	1,4	2,1	2,2	0,8	1,4	0,3	0,5	0,7	1,7	3,2	0,8	4,5	2,0	0,2	0,7	0,7	0,3	0,1	0,3	0,6	1,5
Ignition / starting equipment	1,6	2,0	1,6	2,5	2,5	3,7	4,1	2,4	2,7	3,9	2,1	4,5	1,9	1,4	1,0	3,1	1,9	0,9	2,9	1,0	3,0	1,3
Lighting equipment / parts	0,2	0,1	0,0	0,1	0,3	0,6	1,0	1,6	1,6	2,5	2,6	1,6	2,5	2,5	3,9	2,9	3,5	2,2	2,0	0,8	1,2	1,2
Jacks	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,6	0,3	0,0	0,0	0,0	0,3	0,1	0,4	0,3	0,1	0,0	0,0	1,1
Air conditioners	1,9	8,3	7,0	0,2	2,4	6,3	11,6	10,4	2,9	1,7	8,4	7,5	10,5	6,9	6,1	6,6	9,6	0,6	0,1	0,0	0,1	0,8
Body parts / panels	0,0	0,0	0,0	10,1	8,8	1,0	1,1	1,7	1,8	2,1	2,2	1,0	2,3	1,5	15,6	57,6	49,2	51,1	51,9	34,3	1,4	0,7
Seats	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,1	0,0	0,0	0,0	0,1	0,0	0,1	0,1	0,1	0,2	0,0	0,9	0,7
Stitched leather seats / parts	0,0	0,4	0,3	0,3	0,3	0,5	1,0	1,2	0,9	1,1	0,7	0,6	0,8	1,0	1,6	1,0	0,7	0,8	0,6	0,1	0,3	0,6
Springs	0,1	0,5	0,2	0,2	0,3	0,1	0,2	0,2	0,4	0,2	0,2	0,5	0,3	0,3	0,2	0,3	0,3	0,2	0,6	0,3	0,3	0,6
Filters	0,2	0,5	0,8	0,9	1,4	1,3	1,7	1,6	1,1	0,3	0,2	0,2	0,2	0,2	0,2	1,1	0,9	0,9	0,3	0,5	0,4	0,6
Gear boxes	0,0	0,1	0,1	0,1	0,1	0,3	0,3	0,5	0,1	1,0	0,4	0,1	0,3	0,2	0,8	0,1	0,2	0,5	0,8	1,2	0,6	0,5
Radiators	0,0	0,1	0,4	0,1	0,1	0,2	0,1	0,2	0,3	0,2	0,2	0,1	0,2	0,6	0,2	0,2	0,9	0,7	0,8	0,4	0,6	0,5
Steering wheels / columns / boxes	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0	0,1	0,4	0,5	0,4	0,3	0,4	0,4	0,4	0,3	0,3	0,3	0,6	0,4
Tyres	0,9	1,2	2,2	2,7	0,8	16,7	3,6	4,6	1,5	1,8	4,8	3,1	4,1	4,4	8,2	1,7	2,9	0,7	0,5	0,6	1,3	0,2
Seatbelts	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,1
Clutches / shaft couplings	0,0	0,0	0,0	0,1	0,0	0,0	0,1	0,0	0,0	0,1	0,1	0,1	0,1	0,4	0,1	0,2	0,2	0,1	0,1	0,1	0,1	0,1
Automotive glass	0,1	0,3	0,5	0,9	2,1	2,0	1,9	1,2	1,2	0,9	0,8	0,6	0,4	1,2	1,4	1,2	1,1	0,4	0,9	1,9	2,0	0,1
Light vehicles	3,9	0,2	0,4	0,2	0,0	0,3	1,0	0,1	0,2	27,4	69,1	28,2	124,3	85,6	72,0	0,3	0,2	0,1	0,0	0,0	0,0	0,0
Batteries	0,1	0,1	0,1	0,0	0,0	0,1	0,3	0,0	0,5	8,6	0,3	0,0	0,0	0,0	0,6	0,1	0,1	0,1	0,0	0,0	0,0	0,0
Car radios	0,0	0,0	0,0	0,0	0,0	0,3	0,0	0,3	0,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Medium / Heavy vehicles	0,0	0,0	0,0	0,0	0,0	2,1	0,9	0,0	0,2	2,6	3,2	1,4	0,0	0,0	3,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0

AFRICAN CONTINENTAL FREE TRADE AREA (AfCFTA)

At the time when AGOA was enacted, there was no continent-wide development strategy to which all African Union member states subscribed. However, Agenda 2063, adopted by the AU Summit in January 2015, now provides the critical compass for Africa's future development. At the heart of Agenda 2063 is Africa's integration and industrialisation agenda with areas like the African Continental Free Trade Agreement (AfCFTA), value added industry, and the movement of people as some of the key priorities. Aligning AGOA with Africa's preferred approach requires looking beyond trade to include additional complementary factors such as technology, human capital, and enhancing productive capacities. In turn, this requires inviting the US to incentivise American trade support institutions and companies to share technology in a modality that yields results for all, while advancing Africa's industrial drive with a focus on value addition, diversification, and transformation, away from exporting raw materials.

Africa, enabled by rapid technological change and demographic shifts, is primed for a major socio-economic and structural revolution. Africa's robust growth, promising future, and swiftly evolving economic structure all inspire intrigue from international players. Africa has the fastest growing population in the world and this young, growing workforce will be complemented by a rapidly expanding middle class with trillions of dollars in buying power in the coming decades. Africa and the world will look very different in 2050. These trends represent a significant opportunity for African countries and the US to shape a transformation on the continent that ensures prosperity and equitable growth for all.

The AfCFTA, implemented on 1 January 2021, has created the largest free trade area in the world. Once fully implemented, Africa will be the fifth-largest economy in the world, with a combined GDP of more than US$3,4 trillion. This agreement holds the power to unleash unparalleled economic progress and prosperity on the continent like never before. If Africa can increase its regional trade shares to levels similar to that of Asia and Europe via the AfCFTA and other integration efforts, it has the potential to attract new investments, strengthen growth, create millions of new jobs, and reduce poverty. The UN Conference on Trade and Development (UNCTAD) estimates that the agreement could enhance intra-Africa trade by about 33% and cut the continent's trade deficit by 51%. Policymakers across the continent believe that the AfCFTA is the antidote to a stagnant manufacturing growth, as the trade agreement will galvanise domestic and regional consumption as consumers substitute non-African exports for tariff-free regional goods. Increased consumption should spur investment in high-productivity sectors, like manufacturing.

The main objective of the AfCFTA is to create a single continental market for goods and services, with free movement of businesspersons, enabling investments, and thus paving the way for accelerating the establishment of a Customs Union in the future. The AfCFTA entered into force on 30 May 2019, the operational phase was launched on 7 July 2019, and trading under the AfCFTA commenced on 1 January 2021, committing countries to eliminate 90% of tariffs on goods, progressively raising trade and services, and addressing a host of non-tariff barriers.

The AfCFTA offers an opportunity for Africa to confront significant trade and economic development challenges. These challenges include market fragmentation, small national economies, over-reliance on primary commodity exports, narrow export base, lack of export specialisation, under-developed regional value chains and high regulatory and tariff barriers to trade. The AfCFTA could only prove effective should there be an increase in “productive investments” with improvements in productive capacity. This will assist to attract businesses, to attract foreign direct investment and to create more jobs. Ultimately, these trade benefits and the development of regional value chains will require competitive firms which, in turn, is reliant on productive investment. These gains would come, in part, from decreased tariffs, which remain stubbornly high in many countries in the region. Even greater gains would come from lowering trade costs by reducing non-tariff barriers and improving hard and soft infrastructure at the borders - the so-called trade facilitation measures. Africa currently contributes only about 2% to global manufacturing and 3% to global trade. A 2021 report from both the AfCFTA Secretariat and the US Development Programme (UNDP) identified 10 value chains, including opportunities in vehicles and lithium-ion batteries, emerging from the exchange of tariff and services offers amongst AfCFTA member countries, which can inform business with a level of certainty, on where to invest for the AfCFTA markets.

Currently, intra-Asia trade is at 52%, intra-North America trade is at 50%, intra-Europe trade is at 70%, while intra-Africa trade is between 15% and 18%. Notably, intra-Africa trade tends to be more heavily focused on high-skilled, technology-intensive goods and manufactured goods, which implies that regional integration is crucial for promoting economic diversification away from commodities, and thus resilience to commodity price shocks. Manufacturing makes up just 14,8% of total exports destined for non-African countries. However, manufacturing constitutes about 41,9% of intra-African exports, and intermediate and final goods feature more prominently. The vision for intra-Africa trade is the free movement of made-in-Africa products. Producing more of what Africa consumes and consuming more of what Africa produces will facilitate the development of supply chains that will offer small companies and small countries opportunities to leverage their strengths and specialisations, and feed into large value chain networks that create more value through production, processing and distribution. The aim is to achieve a qualitative shift in the nature of intra-African trade and not merely a conduit for increased trade between African countries of goods imported from elsewhere. Thus, the AfCFTA is a promising, realistic way African economies can utilise a more diverse regional trade portfolio as a vehicle for transformation and diversification. Diversified economies tend to have service plus manufacturing value added as a share of GDP.

Given that Africa has more land-locked states than all other developing regions combined, it makes for perhaps the most complex regional trade environment in the world, in which variable tariff rates and expensive land crossings make market access an even larger challenge to Africa's own industrial development. It is therefore recognised that economic integration is not an event, but rather a process. The Africa Regional Integration Index 2019 report observed that no African country can be considered well integrated into its region. Overall, the Index showed that the levels of integration on the continent were relatively low with an average score of 0,327 out of 1. For Africa to succeed in its long-standing efforts towards closer economic integration, the following recommendations should be considered:

- Improve regional networks of production and trade by enhancing countries' productive, distributive, and marketing capacities;
- Build innovative, regional value-chain frameworks in different sectors using improved technology, higher-quality inputs, and updated marketing techniques;
- Fully implement the AfCFTA to remove tariff and non-tariff barriers, which remain a major challenge for regional integration;
- Enhance African workers' competencies to match the technology and production capacities of today and tomorrow to succeed in the global economy;
- Improve infrastructure through increased public-private partnerships, tapping into national resources and using regional and global infrastructure development funds and other innovative financing tools, accompanied by rigorous competition and transparency in procurement and construction processes; and
- Implement the Protocol on the Free Movement of People, which will enhance economic growth through increased opportunities for tourism, trade and investment, human capital mobility, and allow firms to find skills more easily, in turn driving productivity.

The AfCFTA, a growing consumer class, and expanding infrastructure will drive growth in business spending, now projected to reach US$8,2 trillion by 2050 of which 80% of this sum will be spent by just four sectors, which will be led by construction, utilities, and transportation at US$1,8 trillion. The other three sectors - agriculture and agro-processing, wholesale and retail, and manufacturing - are all projected to be trillion-dollar industries in Africa by 2050. Africa will also have an enormous labour force of 1,56 billion people by 2050, roughly the same size as China and the Americas put together. The World Bank stated that the AfCFTA could enhance regional income by 7%, or US$450 billion, by 2035. If fully implemented, the arrangement also has the potential to lift 68 million people out of moderate poverty and 30 million people out of extreme poverty over the same period.

Regional integration, if properly supported and implemented, can have great benefits for the US. The US should expand its investment in sectors that support Africa's integration agenda. Helping close the physical and digital infrastructure gaps could enhance US-African trade, benefiting not only African exporters but also offering business opportunities for US companies. Since most manufactured goods are covered under AGOA, sub-Saharan African countries could stand to benefit from forming closer ties to US companies as they expand their manufacturing production. Globally, Africa's young workforce and consumer market represents a significant competitive advantage for the continent. Increasing income levels and consumer spending will represent catalysts that further push Africa into the 4IR. Africa's high- and middle-income groups are projected to increase by 100 million people by 2030. The US can take advantage of the implementation of the AfCFTA via targeted investment and lending to help US multinationals to prepare for the change in demand for regionally sourced products and inputs that will accompany recent trends. The US can also target and expand its infrastructure and electrification projects to support industries under the AfCFTA.

Africa is already home to hundreds of companies with billion-dollar revenue streams, but its evolving economy promises to pave the way for the emergence of diversified multinationals in emerging sectors. Tariff preference margins are valuable in supporting African exports, but they may not be enough for an era in which the needs are for larger-scale production, faster delivery, lower-cost logistics, efficient and pro-innovation telecom and Internet policies, and policy frameworks that ensure low-cost access to inputs and high-quality, technologically sophisticated investment.

Non-Western countries have significantly increased their trade with and involvement in Africa over recent years. China has become Africa's largest trading partner and creditor. New partners like India and the Arab States are more aggressively engaging Africa economically. By contrast, the US has taken a step back in its economic relationship with Africa, with loans, aid, trade, and foreign direct investment (FDI) inflows all falling in recent years. Considering these trends, the US should take action to improve its position on the increasingly influential and globally immersed African continent. The US should target investment and aid to areas that allow the US to leverage the increasing regional trade on the continent and promote US-Africa business integration. This represents a unique opportunity for US investors with potential for a much higher return due to the larger market while also contributing to establishing Africa as a base for global markets.

The AfCFTA could play a major role in AGOA's path forward. AGOA could help to foster the development of regional value chains in co-operation with the AfCFTA. To date, 46 member states, including those in four Customs Unions, namely the East African Community (EAC), the Central African Economic and Monetary Community (CEMAC), the Economic Community of West African States

(ECOWAS), as well as SACU, the latter in February 2023, have submitted their 90% tariff liberalisation offers. At the end of 2022, 37 Member States were verified by the AfCFTA secretariat to be in accordance with the agreed modalities and were given provisional implementation.

The importance of regional integration in Africa is premised on the conviction that it can play a pivotal role in diversifying economies away from over-dependence on the export of a few commodities, which characterises a number of African economies. This is gaining even greater importance in view of the aftermath COVID-19 global pandemic, as regional integration, particularly through the implementation of the AfCFTA, is expected to contribute to the economic recovery from the crisis.

Regional integration is a key priority for the African Union (AU) under the New Partnership for Africa (NEPAD), “Agenda 2063”, and the regional economic communities (RECs). The African Development Bank (AfDB) and the United Nations Economic Commission for Africa (ECA) are both mandated to support regional integration in Africa, in line with AU’s Agenda 2063. Specifically, regional Integration brings the AfDB's High Five objectives (High 5s) together in support of the AU Vision for 2063 to capitalise on opportunities. These include:

(i) larger, more attractive markets;
(ii) linking landlocked countries to regional African markets and beyond;
(iii) support for intra-African trade and investment;
(iv) an improved business environment for private sector investment and knowhow; and
(v) broader economic and human development benefits that come from the free flow of people, ideas, cultures, skills development, and general sharing of knowledge and information.

The COVID-19 pandemic and further supply chain disruptions in 2022 have concurrently brought with them multiple opportunities for Africa to prioritise manufacturing on the continent, ultimately diverting from imported products in a bid to reconstruct its own independent manufacturing base. Among the multiple benefits of manufacturing is the industry’s aptitude to create employment for a vast number of low-skilled workers, which is essential for reducing poverty. The capacity of sub-Saharan African countries to expand manufacturing production beyond their domestic markets will ultimately determine the future of this manufacturing renaissance. It needs, however, to be recognised that Africa is not comprised of homogenous countries. The continent is hugely diverse in social, cultural, economic and power source terms.

The 55 African member states are made up of 34 least developed countries, 16 land-locked developing countries, and six small island developing states. Some smaller country economies that are diversified have governments working to attract investment, building key infrastructure, enhancing manufacturing and services, and are expected to achieve above 6% economic growth rates. The laggards are some big African nations that rely mainly on resources for growth amid the challenging political and security environments.

Key strategies that can contribute to the growth of manufacturing in Africa include the following:

- Infrastructure development: Improving infrastructure is crucial for attracting manufacturing investments. This includes investing in reliable and sustainable power supply, transportation networks, logistics and industrial parks. Governments can work towards developing and maintaining infrastructure, while also partnering with private sector entities to bridge any gaps.
- Access to finance: Ensuring access to finance is essential for entrepreneurs and businesses to establish and expand manufacturing operations. Governments and financial institutions can create favourable lending policies, provide incentives, and offer loans at reasonable interest rates. Encouraging the development of local capital markets can also help to mobilise investment for the manufacturing sector.
- Promoting industrialisation policies: Governments can implement policies that prioritise the growth of the manufacturing sector. This includes offering tax incentives, reducing bureaucratic hurdles, streamlining business registration processes, and providing supportive regulatory environments. Establishing special economic zones or industrial clusters can also attract manufacturers by providing infrastructure, tax breaks, and access to markets.
- Skills development and education: Investing in education and skills development programmes is crucial to equip the workforce with the necessary skills for modern manufacturing. Governments and organisations should focus on vocational training, technical education, and partnerships with the private sector to align skills with industry needs. This can help create a pool of skilled workers, attracting investors seeking a qualified labour force.
- Regional integration: Promoting regional integration and trade agreements can enhance manufacturing competitiveness. Simplifying trade procedures, reducing tariffs, and harmonising regulations within regional economic blocs can encourage cross-border investments, increase market access, and foster regional value chains.
- Technology and innovation: Embracing technological advancements and promoting innovation can enhance manufacturing capabilities. Governments can support research and development initiatives, foster collaboration between academia and industry, and provide incentives for technology adoption. This can help African manufacturers compete globally and move towards higher value-added production.
- Collaboration and partnerships: Collaborative efforts among governments, international organisations and the private sector are crucial for driving manufacturing growth in Africa. Encouraging foreign direct investment, attracting multinational corporations and establishing

partnerships with experienced manufacturing nations can bring in expertise, technology and market access.

- Sustainable manufacturing: Incorporating sustainable practices in manufacturing processes can contribute to long-term growth. Encouraging eco-friendly technologies, promoting resource efficiency, and enforcing environmental regulations can not only protect the environment but also attract socially responsible investors.

It is important to note that each African country has its own unique circumstances, challenges, and opportunities. Strategies for promoting manufacturing growth should be tailored to the specific context and involve a comprehensive approach that addresses infrastructure, finance, policies, skills, technology, sustainability and partnerships.

AFRICA AUTOMOTIVE INDUSTRY

The African continent, with the largest free trade area geographically, and most diverse set of ecosystems represents a lucrative and growing regional market as the next frontier of automotive growth. With a potential 850 million consumers on the continent and a steady rise in consumer spending, the untapped demand on the continent is yet to be realised. However, low purchasing power, the absence of suitable vehicle financing options, and fierce competition from low-cost, unregulated imported used vehicles remain the main factors inhibiting new vehicle sales in Africa.

According to the International Organisation of Motor Vehicle Manufacturers (OICA), vehicle production in Africa showed the highest percentage increase of all regions, increasing by 12,7%, from 907 302 units in 2021 to 1,02 million units in 2022. However, vehicle production is only expected to reach the pre-pandemic level in 2023, with vehicle-skewed production fluctuations based on country demand. The continent's market share comprised 1,2% of global vehicle production in 2022. South Africa with 555 889 units, accounted for 54,4% of Africa's total vehicle production, and Morocco with 464 864 units, accounted for 45,5% of Africa's total. Regarding passenger car production, Morocco with 404 742 units once again topped South Africa's 309 423 units produced in 2022.

New vehicle sales in Africa declined by 4,8%, from the 1,15 million units in 2021 to 1,1 million units in 2022. In South Africa, the continent's dominant market, new vehicle sales increased year-on-year by 14,0% in 2022, while in Egypt new vehicle sales declined year-on-year by 37,0%, and in Morocco by 8,0%. The economic shock caused by the war in the Ukraine and Chinese COVID-19 lockdowns disrupted supply chains and supressed demand for African commodities in 2022. The disruptions compounded some of the continent's most pressing policy challenges, including the global pandemic's social and economic legacy. Spiking interest rates, coupled with rising inflation and exchange rate pressure, have caused difficult financial conditions for the region. However, according to a report by Mordor Intelligence, the African automotive market that was valued at US$30,44 billion in 2022 is expected to reach US$42,06 billion in 2023. The following tables reveal Africa's vehicle production and sales for 2021 and 2022, as well as the vehicle production and sales for the top countries in Africa for 2021 and 2022.

Africa vehicle production and new vehicle sales – 2021 to 2022

	2021	2022	% change 2022/2021
Vehicle production	907 302	1 022 783	+12,7%
Vehicle sales	1 145 007	1 090 662	-4,8%

Source: OICA

Vehicle production and sales – top African countries – 2021 to 2022

Country	Vehicle production		Vehicle sales	
	2021	2022	2021	2022
South Africa	499 087	555 889	464 493	529 562
Morocco	403 007	464 864	175 435	161 409

Source: OICA

Automotive manufacturing is a major and very dynamic industrial sector contributing significantly to an economy. Africa remains largely outside this global system, other than being a major recipient of its redundant pre-owned vehicles. Up to 85% of vehicle sales consist of used vehicles in most sub-Saharan countries, driven by affordability challenges and weak regulation, with many countries allowing very old vehicles with low emissions. The challenge for the continent remains to push for more sustainable mobility and avoid the risk of becoming the dumping ground for the world's unwanted used ICE vehicles as a result of the transition to new energy vehicles. African prosperity, growth and development, industrialisation, market integration and cross-border infrastructure development should create a dynamic for greater prosperity from which all African economies should benefit. At present, intra-Africa trade is low mainly due to a lack of awareness on export opportunities, trade preferences, e-commerce, non-tariff barriers, and regulations, mainly standards. Infrastructure development remains a key driver for progress across the African continent.

Developing value chains in Africa is essential for the growth of the automotive industry on the continent. Regional integration and value chains will only develop when leading car manufacturing countries in Africa such as South Africa, Morocco and Egypt support other automotive progressive African countries such as Ghana, Tunisia, Kenya, Rwanda, and Ivory Coast to spur their respective automotive industries through investments and the sharing of knowledge. The coming into effect of the AfCFTA offers an excellent platform for the development of regional value chains on the continent. At the AfCFTA Council of Ministers meeting on 28 and 29 January 2022, the delegates specifically addressed the automotive sector and its potential for value-chain driven industrialisation on the continent. Furthermore, the council noted that a US$1 billion financial facility had been made available by Afreximbank, dedicated to the automotive sector value chain. The United Nations Conference on Trade and Development (UNCTAD) estimates that partial tariff liberalisation could increase intra-African exports by as much as US$9,2 billion by 2025. This will be dominated by the automotive sector, with an estimated increase of close to US$2 billion.

Market size poses a major current constraint and is exacerbated by the ubiquitous importation of used cars. Industrialisation will also depend on infrastructure, investment, human capital and skills and the general policy environment. Infrastructure, including transport and utilities, is a significant barrier to trade across Africa. Many countries are landlocked and not well connected to either neighbours or larger automotive purchasing hubs, which means that exports will likely face additional transaction costs for vehicle transportation as well as additional time for vehicles to reach their consumer markets. The road transport infrastructure is relatively limited and is often geared towards the extractive industries, whereas water and electricity provision continue to suffer from interruptions and high costs. There is also a significant skills constraint that needs to be overcome to enable at-scale production of vehicles in Africa.

The AfCFTA is a game-changing economic initiative which will enable greater industrialisation by creating regional production hubs to serve the entirety of Africa. The continent is often referred to as the "factory of the future". From an automotive perspective, ultimately regional markets will trade vehicles and components. In this context, OEMs will play a critical role in developing regional value chains and to increase technological content of a domestic automotive industry, by fostering localisation of production of tier 1, 2 and 3 suppliers. With an integrated market under the AfCFTA, abundant labour force, a wealth of natural resources, and a growing middle class, African countries are increasingly turning their attention to support the emergence of their automotive industries. However, unlocking the great potential on the continent requires an accommodative regulatory and policy environment. The essence of a successful automotive development policy is to induce the OEM into a dynamic investment path that moves, over time and with achievable volumes of demand, from semi-knocked down (SKD - light manufacturing) to completely knocked-down (CKD - significant industrialisation) to integrated production plants (advanced manufacturing).

African prospects for the automotive industry mean attracting investment in assembly. The AfCFTA potentially offers an expanded regional market to attract such investment. It would also be important that Rules of Origin (RoO) limit the importation of semi-knocked down (SKD) vehicles. The heart of the industry lies in the component sector. In turn, this requires large scale assembly plants to justify investment in significant local content. The AfCFTA creates the possibility for this to happen through expanded assembly across the continent. Many parts of Africa have large markets for motorcycles. This may represent an important development opportunity within the broader automotive sector. For automotive value chains, issues such as the import of used cars, tax agreements and investment incentives will need to be addressed at the regional level. There is clearly ample potential for automotive sector value-chain driven industrialisation under the AfCFTA and within a policy regime that takes into account the need for an appropriate RoO policy, tariff policy and regional industrial policy.

The AfCFTA allows for preferential access for member states, provided they have obtained a certain level of local production of local content. This is critical. If this is not done, a country would open its economy to other countries, which would be very destructive for countries trying to industrialise. Rules of Origin are essential administrative building blocks to ensure there is indeed industrialisation. Clear definitions are required of what the necessary local content is, what processes are accepted or not, what the accumulation rules are, and what certification should be accepted. The manufacture of vehicles requires sophisticated and complex customs and administration systems.

Currently the continent has low automotive vehicle ownership rates as well as low levels of production, however, multinational vehicle manufacturers are beginning to set up production plants across the continent. There is growing interest by multinational car firms and by policy makers in a range of countries. Most importantly, closer regional integration could create a new dynamic for the industry. Africa has a range of producing and non-producing countries, which can be grouped into three categories:

- Large scale producers and exporters – South Africa and Morocco.
- Small scale and aspiring producers – Algeria, Egypt, Ethiopia, Ghana, Kenya, Nigeria and Tunisia.
- Importers – all other countries (some of these have small scale component production and some have aspirations in assembly e.g., Namibia and Zimbabwe).

Production is, therefore, not only very limited but highly concentrated in a few countries. Importantly, most countries rely on used car imports for a supply of cheap transport.

The independent African Association of Automotive Manufacturers (AAAM) was established in November 2015. It is the only African body focusing on the expansion and deepening of the automotive industry across the continent, by working with governments to shape and implement policies that will attract investors, unlock the economic potential of the continent and align a global network of stakeholders committed to the development of the automotive industry in Africa. To this end, the AAAM is currently assisting several prospective African countries with the formulation of automotive policy development options aimed at replicating an automotive ecosystem similar to the South African model, involving OEMs, suppliers, financiers, government and other relevant industry role-players.

The aim is the establishment of a sub-Saharan African automotive development plan or Automotive Pact, built around South Africa, Ghana, Nigeria, Kenya, Egypt, and potentially, one or two other larger economies. The proposed African Automotive Pact is one way of ensuring greater co-operation between key African countries in efforts to develop both the consumer market on the continent – in part by addressing the large level of second-hand car imports – and also to increase the production capacity across a few hubs in south, east, west, and north Africa, and drawing in components from a wider pool of countries. The potential growth of up to five-million new vehicles sold in Africa by 2035 requires the implementation of effective and progressive automotive policies and ecosystems across the continent where hub countries and regions will assemble vehicles, supported by surrounding economies sharing in the value chain.

The automotive sector could play a leading role in driving regional integration. The “hub and spoke” model developed by the AAAM argues that assembly in “hub” economies could be supplied by “spoke” economies in surrounding countries. The advantage is that the gains of the automotive industry would be spread. The reigning level of tariffs in the automotive sector in Africa are quite high. This implies that, under the AfCFTA’s free trade regime, meaningful preference margins could be established for preferential trade arrangement members, giving their intra-African exports a competitive advantage over those originating in the rest of the world. This could also incentivise OEMs to establish local assembly operations in African countries, to take advantage of these preference margins. The AAAM argues that a simple Rule of Origin-based system is not sufficient and favours a separate plurilateral agreement for the automotive sector. It has worked on bilateral arrangements, for example between Ghana and South Africa, as building blocks towards a broader Auto Pact which would be based on trade-related investment measures (TRIMs) based with participant countries specialising in a few models and importing other requirements.

The AAAM has worked in Nigeria, Ghana, Kenya, Egypt and Ethiopia, and more recently, with other member states including Ivory Coast, Rwanda, Gabon, Namibia, Botswana and Lesotho. Building the automotive market also hinges on having the correct policies in place and the AfCFTA has been one of the drivers of this, providing a mandate to industrialise the continent. The continent has enjoyed a competitive advantage in terms of its raw materials, which it must capitalise on in terms of manufacturing such components as batteries for battery electric vehicles. Africa’s industrialisation can play a vital part in the global NEV value chain once the trade regime is enacted.

As demand for the minerals used for batteries and electric vehicles surges, Africa’s abundant deposits of lithium, copper, cobalt, and other minerals will render the region strategically positioned to build new energy vehicles (NEVs), ultimately enabling the continent to become a meaningful player in their manufacture. With the global transitioning to NEVs, Africa can position itself to be a key global supplier of materials and products with a resulting increase in vehicle production, but not if countries do not have rules for free trade to enable the transit and export of goods across the African continent. Global competitiveness will only be achieved if Africa becomes a single market. The importance of market integration for global competitiveness and economic growth, and the establishment of a continental value chain for the automotive sector, leveraging the AfCFTA rules of trade, and free trade overall, allow for more innovation and investment to move significantly beyond the production of one million vehicles annually. There are considerable economic benefits to having a fully-fledged integrated automotive manufacturing sector. It requires advanced manufacturing technologies, while it also creates a deep value chain and skilled employment. It will be in South Africa's national interest to develop the new car market in Africa and to be part of a larger automotive regional production system.

The AAAM aims to fast-track the development of bilateral automotive sub-sector agreements between a core group of countries under the larger AfCFTA, with the support of the AfCFTA Secretariat. Most important in such bilateral agreements is to enable less industrialised member states to develop and fully integrate into the automotive value chain. The AAAM envisages establishing vehicle manufacturing hubs in selected countries, with neighbouring countries then becoming part of the value chain through, for example, the supply of semi-processed raw materials or component manufacturing. More efficient supply chains will make countries' products more competitive, open up access to new markets and trade routes and increase their national economic resilience. Harmonised African automotive standards are also essential for the long-term success of the Auto Pact. According to the AAAM, the concept of an African Auto Pact provides a very concrete example of how such an Industrial Partnership Agreement (IPA) could work. The essence of an IPA is for groups of African economies to build the complex environment for modern industrialisation in a detailed and collaborative sectoral production and trade system, rather than this being done economy by economy and in some ill-defined concept of industrialisation. What is at the heart of an IPA is to see industrialisation in Africa, within the modern context defined above, as requiring the development of both a production and trade system within Africa rather than being solely a process of opening up market access. This focuses attention on the wider environment of infrastructure, investment and institutions that are essential for industrialisation. It considers very real and specific sectoral differences.

The Auto Pact would be a plurilateral agreement within the IPA umbrella and members would self-select in regard to participation. Such agreements exist in the WTO system. With regards to the automotive sector, member states could then trade within the AfCFTA market access provisions or in terms of the plurilateral Auto Pact agreement. South Africa is the only country in sub-Saharan Africa where vehicle manufacturing has reached the scale able to drive a cumulative process of linkage building. South Africa is, therefore, playing a mentoring and knowledge-sharing role for African countries in terms of car assembly operations in their industrialisation policies.

When export-oriented industries, such as the automotive industry benefitting from AGOA expand, the value and distribution chains for these industries may also expand. This can lead to increased regional integration because exporting firms seek to widen the source inputs and services for production and distribution within the region. Regional integration is important to sub-Saharan African economic development as it supports development by expanding markets and trade, lowering risks, and encouraging co-operation and regional stability. Two forms of regional integration most directly tied to AGOA are intra-sub-Saharan Africa trade and intra-sub-Saharan Africa investment. AGOA's continuation post-2025 and South Africa's eligibility are, therefore, imperative in view of the leading role the automotive industry plays in regional integration.

AGOA AND AFRICA

Africa, at 28%, is one of the largest regional voting groups in the United Nations (UN). Africa's economic transformation, spurred by its young and rapidly urbanising populations, digitalisation initiatives, abundant natural and human resources, and a continent-wide commitment to free trade, has proceeded rapidly. The number of sub-Saharan Africans reaching working age will exceed that of the rest of the world combined by 2035, presenting big opportunities for growth, but also bigger markets for US goods. That in turn will mean more investment opportunities for American firms.

US economic policy towards Africa is critical given the continent's rising economic relationships with other trade partners such as the EU, China, Russia, and India, among others. As these demographic and relational shifts have occurred, the US has lost ground commercially in Africa over much of the last decade. While trade and investment flows have declined since 2014, encouragingly, both showed an uptick in 2021. This comes at an opportune time for the US, as Africa's consumer market is rapidly growing, accelerated by the recently implemented AfCFTA. This presents a unique opportunity to create a stronger US-sub-Saharan Africa partnership with the continuation of an enhanced AGOA post-2025.

African economies have also been impacted by multiple factors following the recovery from the COVID-19 pandemic in 2021, leading to a slowdown in growth. These factors include the effects of climate change, ongoing COVID-19 risks and the spillover from rising geopolitical tensions, including conflict and insecurity on the continent as well as Russia's invasion of Ukraine. According to the African Development Bank, the projected average growth rate of real GDP for the continent slowed down to 3,8% for 2022, from 4,8% in 2021, and will stabilise at an average of about 4% over 2023 and 2024. The projected growth for 2023 and 2024, however, will be higher than the projected global economic growth averages of 2,7% in 2023 and 3,2% in 2024.

African economies remain locked in production patterns dominated by extractive sectors with their exports concentrated in basic unprocessed commodities with minimal value addition. The continent's economic future depends to a large extent on its ability to add value to its vast natural resources and agricultural commodities, as well as on its ability to diversify its exports. Africa is home to about 30% of the world's mineral reserves, 8% of its natural gas reserves and 12% of oil reserves. It also has 40% of the world's gold, up to 90% of its chromium and platinum and the largest reserves of cobalt, diamonds, platinum and uranium in the world. The continent is rich in renewable energy resources and leads the world in various metals essential for energy transition, including cobalt, lithium and platinum metals. Copper and cobalt deposits in the Democratic Republic of Congo and Zambia, lithium reserves in Zimbabwe and platinum and manganese seams in South Africa are seen as key to providing the materials needed for everything from solar panels to electric vehicle (EV) batteries.

As the energy transition gathers pace and developed, the market for critical minerals used in electric vehicles, solar panels and wind turbines has doubled over the past five years, reaching US$320 billion in 2022.The market has seen a tripling in overall demand for lithium, as well as the 70% jump in demand for cobalt and the 40% rise in nickel demand. Growth is expected to continue amid record deployments of clean energy technologies such as solar and batteries as countries seek to diversify their supply of critical minerals away from Russia and China. The production of certain critical minerals in the manufacture from solar panels to wind turbines to electric vehicles is expected to rise up to 500% by 2050, according to the World Bank. Bloomberg estimates the global market opportunity for electric vehicles at US$7 trillion by 2030 and US$46 trillion by 2050.

Although many of the minerals are found in sub-Saharan Africa, the bulk of funding will have to come from international investors who want to grow in the renewable space or play a role in the renewable space or in the mining of those critical minerals. These resources, and the commitment to co-operation, are crucial components of the urgently needed global energy transition. Sub-Saharan Africa and southern Africa are endowed with enormous and rich mineral resources required in the manufacture of lithium battery technology. The following mineral resources are available to develop an EV battery supply chain:

- Nickel – South Africa the 9th largest global producer with some in Zimbabwe.
- Manganese – South Africa with 70% of the world's manganese with some in the DRC and Gabon.
- Cobalt – DRC with more than 60% of the global supply (and exporting 85% to China), with some in Namibia.
- Lithium – Zimbabwe the 5th largest producing country in the world with some in South Africa and Namibia.
- Graphite – Mozambique with 20% to 40% of global reserves, with some in Tanzania, Zimbabwe and Madagascar.
- Copper – Available in South Africa, the DRC, Namibia, Zambia and Zimbabwe.

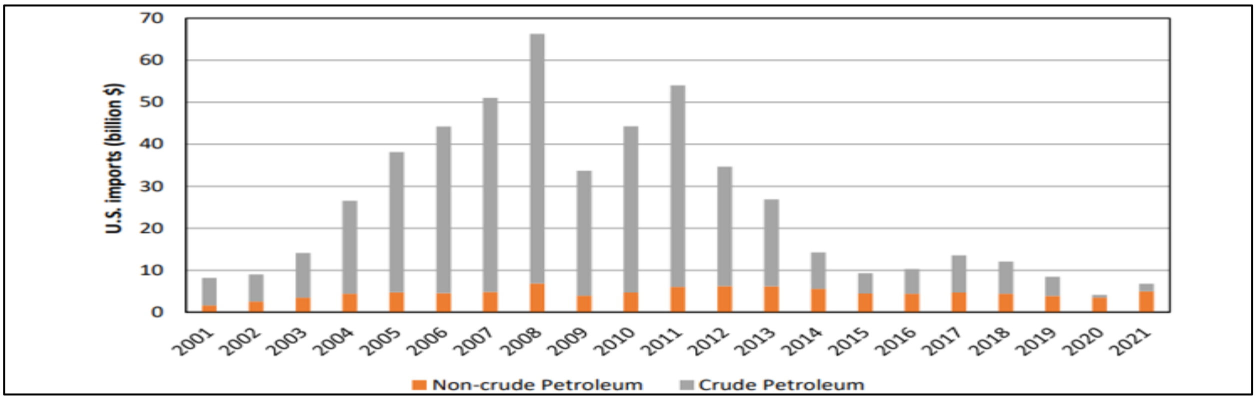
Benchmark Minerals Intelligence estimates that over 300 new mines for graphite, lithium, nickel and cobalt will need to be built over the next decade to meet NEV and storage battery demands. As a result of rising demand and tight supply chains, prices of these raw materials will continue to surge.

The US has signed a memorandum of understanding (MOU) with the Democratic Republic of Congo (DRC) and Zambia to strengthen EV battery value chains. Under the terms of the MOU, the US will support the commitment between the DRC and Zambia to develop jointly a supply chain for EV batteries. The MOU supports the DRC's and Zambia's goal of building a productive supply chain, from the mine to the assembly line, while also committing to respect international standards to prevent, detect and take legal action to fight corruption throughout this process.

Only sub-Saharan African countries are eligible to be beneficiaries of AGOA, and the legislation outlines requirements that candidates must fulfil, such as upholding the rule of law, human rights and liberalising their economies. The US Trade Representative's (USTR's) Office of African Affairs develops and co-ordinates US trade and investment policy for the 49 countries of sub-Saharan Africa. It leads the negotiation and implementation of US trade and investment policies and objectives in the region. The Administration seeks both to expand markets for US goods and services in sub-Saharan Africa and to facilitate efforts to enhance African economic development through increased global, regional, and bilateral trade. Many of the fastest growing economies in the world are in sub-Saharan Africa, according to the International Monetary Fund.

The value of imports under AGOA and GSP amounted to US$8,2 billion in 2001, peaked in 2008 at US$66,3 billion, but declined to US$6,7 billion in 2021. Crude petroleum prices ultimately drove changes in the value of imports under AGOA during certain peaks and steep declines over the period. However, demand for US imports of crude petroleum has declined sharply from 2018 to 2020. US imports under AGOA, excluding petroleum, amounted to US$1,6 billion in 2001, peaked in 2008 at US$6,9 billion, and then remained somewhat lower, ranging from US$3,5 to US$6,2 billion through 2021, when it amounted to US$4,2 billion. Non-crude imports under AGOA and GSP maintained a steady upward trend until the global financial crisis in 2008/2009, and then followed another upward trend until 2012. From 2013 to 2020, non-crude imports averaged US$4,6 billion each year until the latest uptick to US$5,0 billion in 2021. The most recent increases in non-crude petroleum imports under AGOA and GSP could be attributed to increased imports of minerals and metals, transportation equipment, and apparel products from AGOA beneficiaries.

US imports under AGOA and GSP by product type – 2001 to 2022



Source: USITC Dataweb

Over the past two decades, Nigeria and Angola, and to a lesser extent Chad and the Republic of Congo were the main sub-Saharan Africa oil exporters to the US but in recent years, the share of oil exports has declined significantly. South Africa, Kenya, Ethiopia (suspended, as of 1/2022), Lesotho, Ghana, and Madagascar have been among the leading non-oil AGOA exporters. South Africa's exports are relatively diversified, while for countries such as Kenya and Madagascar, the apparel sector dominates. Kenya has also become a significant exporter of agricultural products to the US, such as nuts.

In 2021, US imports under AGOA and GSP totalled $6,7 billion, up 59,5%, compared to US$4,2 billion in 2020. Imports, excluding crude petroleum, were valued at $5,0 billion. The increase could be attributed to an increase in imports of energy-related products which totalled US$1,88 billion in 2021, up 165,9% compared to US$703 million in 2020. However, non-oil AGOA trade rose by 40,5% to US$4,8 billion in 2021, compared to US$3,5 billion in 2020. Ten AGOA beneficiary countries each exported more than $100 million worth of qualifying goods to the US under AGOA/GSP in 2021. A further eight countries each exported more than $10 million in AGOA goods in the same year. Top AGOA products in 2021 were mineral fuels, motor vehicles and parts, woven apparel, knit apparel, ferro-alloys, and macadamia nuts. South Africa surpassed Nigeria in 2020 to become the major African exporting country under AGOA. The top five AGOA users in 2021 were, in order:

- South Africa (US$2,7 billion in 2021 compared to US$1,9 billion in 2020)
- Nigeria (US$1,4 billion in 2021 compared to US$499,0 million in 2020)
- Kenya (US$522,7 million in 2021 compared to US$437,1 million in 2020)
- Ghana (US$324,6 million in 2021 compared to US$136,2 million in 2020)
- Angola (US$300 million in 2021 compared to US$144,3 million in 2020)

From 2001 through to 2021, US imports from AGOA beneficiaries under AGOA and GSP comprised only 1,3% of US total annual imports by value on average. US imports under AGOA and GSP are concentrated in just a few source countries and provide limited representation of the AGOA beneficiaries. In 2021, five of 39 AGOA beneficiaries - South Africa, Kenya, Lesotho, Madagascar, and Ethiopia - accounted for 81,7% of US non-crude petroleum imports under AGOA and GSP with South Africa alone accounting for 54,2% of US imports under AGOA and the GSP. In 2021, textiles and apparel imports comprised the largest share of US non-crude petroleum imports under AGOA and GSP. Sectors with products subject to higher average US tariffs used the programme more effectively, that is, a higher share of eligible imports claimed preferences. Some recent changes in the top five source countries of imports entering under AGOA and GSP have occurred as a result of changes in country eligibility for benefits and large increases in imports under AGOA from these countries.

The American consumer market remains a unique potential driver of African light manufacturing expansion. Total US imports of goods and services increased by US$556,1 billion, or 16,3% in 2022, to a record US$3,96 trillion. Though sub-Saharan Africa’s presence in the US market has grown in absolute terms under AGOA, it remains small in relative terms, only comprising 0,95% in 2021 with AGOA preferences comprising 0,20% of global US imports. Over recent years there has been a growing US interest in Africa as a trade and investment partner and as a largely untapped market for US goods and businesses. Prosper Africa, launched in December 2018, combines about 15 US government departments to improve the US-Africa business climate and to facilitate transactions. Congress has also requested that the USTR conduct an in-depth fact-finding on AGOA, to be completed early in 2023.The following table reveals total US exports to and imports from 49 sub-Saharan African countries as well as AGOA imports from sub-Saharan African countries eligible for AGOA benefits from 2001 through to 2021.

Trade between the US and sub-Saharan Africa – 2001 to 2021.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total goods trade (exp+ imp)	28.3	24.0	32.5	44.4	60.6	71.3	81.8	104.7	62.0	82.1	95.5	72.1	63.3	52.3	36.9	33.7	39.0	40.9	36.7	32.7	44.8
Total U.S. goods exports	7.0	6.0	6.9	8.6	10.3	12.1	14.4	18.6	15.1	17.1	21.2	22.5	24.0	25.5	18.0	13.5	14.1	15.9	15.7	13.5	16.5
Total U.S. goods imports	21.3	17.9	25.6	35.9	50.3	59.2	67.4	86.1	46.9	65.0	74.3	49.6	39.3	26.8	18.8	20.2	24.9	25.1	21.0	19.2	28.2
Trade balance	-14.4	-11.9	-18.8	-27.3	-40.0	-47.1	-53.0	-67.5	-31.8	-47.9	-53.2	-27.1	-15.3	-1.3	-0.8	-6.7	-10.8	-9.2	-5.3	-5.7	-11.7
AGOA imports (incl. GSP)	8.2	9.1	14.1	26.6	38.1	44.2	51.1	66.3	33.7	44.3	53.8	34.9	26.9	14.2	9.3	10.4	13.7	12.0	8.4	4.2	6.7
AGOA oil imports	6.8	6.9	11.2	23.1	35.2	41.0	47.7	61.2	30.3	40.2	48.8	30.1	22.0	9.9	5.1	6.5	9.5	8.0	4.6	0.7	1.9
AGOA non-oil imports (incl. GSP)	1.4	2.2	2.9	3.5	2.9	3.2	3.4	5.1	3.4	4.0	5.0	4.8	4.9	4.4	4.1	4.2	4.3	4.0	3.8	3.4	4.8
AGOA apparel imports	0.4	0.8	1.2	1.6	1.4	1.3	1.3	1.1	0.9	0.7	0.9	0.8	0.9	1.0	1.0	1.0	1.0	1.2	1.4	1.2	1.4

Source: US International Trade Commission and US Department of Commerce.

AGOA received strong bipartisan support early on, with policymakers and trade officials pointing to a spike in US imports of African goods as proof of its success. AGOA trade benefits show that they have contributed to reduce poverty and create jobs in certain countries, particularly for women. AGOA has also been linked to greater Africa FDI inflow. Some analysts say the programme has assisted several African countries diversify their economies. By providing new market opportunities, AGOA has enhanced economic growth, promoted economic and political reform, and improved US economic relations in the region. AGOA has also created more jobs and enhanced industrialisation.

However, although AGOA has increased total sub-Saharan African exports to the US, data on utilisation rates has caused some to question why certain countries are able to capitalise on AGOA more than others. These differences are likely the result of the interaction of various factors, including the business environment, competing interests, lack of credit, lack of internet, lack of capacity building, lack of a structured framework at the national level, lack of government investment, costs, and bottlenecks. One factor to be considered is whether or not a country has developed a specific and unique AGOA utilisation strategy. Given the large differences in utilisation rates across the continent, the 2015 reauthorisation of AGOA included a recommendation from Congress for countries to develop “utilisation strategies” that would maximise their ability to use and benefit from AGOA.

Up to 2022, beneficiary countries that have developed utilisation strategies included Botswana, Burundi, eSwatini, Ethiopia, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Rwanda, Senegal, Sierra Leone, Tanzania, Togo, and Zambia. As a result, most of these countries have seen increases in exports ranging from 2% to 3 000%. Although this positive correlation is noteworthy, the relationship between having a developed strategy and seeing positive outcomes is complex and likely not linear or directly causal. A country that already has the resources, political will, private sector support, or other factors may be more likely or inclined to support AGOA and, therefore, be more likely to develop a utilisation strategy.

The dangers to sub-Saharan Africa of over-reliance on resource exports and lack of a more diversified export strategy are, to some extent, already playing out in the slowdown African trade experienced in 2022, attributable to lower commodity prices, rising borrowing costs, and weaker growth in major trading partners. Africa’s overall competitiveness remains constrained by small and fragmented markets, weak institutions, an infrastructure deficit, and other factors. Disparities across countries are wide, but many countries have taken major steps forward. The region’s weak overall competitiveness and declining commodity prices - a key driver of Africa’s growth - make it far from certain that sub-Saharan Africa will be able to sustain its growth in the future, weather external shocks, and leverage on its young and growing population.

In response to the demands by African countries to support their efforts to build their capacity to export to the US, the US government is providing technical assistance to AGOA eligible countries to assist them benefit from the legislation. The US Agency for International Development (USAID) and the Millennium Challenge Fund provide funding for trade related capacity building to support AGOA. In 2011 the US Administration also created the African Competitiveness and Trade Expansion (ACTE) initiative with an annual budget of US$30 million. Three African Trade Hubs were created by the ACTE initiative, in Ghana, Kenya and Botswana, to support capacity building and exports of AGOA beneficiaries into the US.

Another key concern for smaller African countries remains the attractiveness of AGOA and resulting over-reliance on this programme. Lasting export diversification is still a major problem for improving AGOA utilisation rates and translating gains into sustainable economic growth and development. If these countries fail to diversify their markets, or at the very least their product offering to the US, the benefits enjoyed over the past 22 years under AGOA will risk their economies narrowly intertwined with only one partner.

TRADE LIMITATIONS RELATING TO THE US

AGOA assisted to generate increased trade, investment, and job creation in both the US and sub-Saharan Africa and created government-to-government and business-to-business dialogues whose continuity and depth enhanced US-sub-Saharan African economic relations. However, AGOA also has its limits in increasing and diversifying two-way trade. As with any temporary, unilateral preference programme, AGOA cannot produce the kind of certainty, durability and depth in the US-sub-Saharan Africa trade and investment relationship that parties on both continents need in the long term. In essence, AGOA remains a temporary measure.

The scheduled expiration of AGOA in 2025 makes the future of US-Africa relations uncertain which may result in reduced intra-regional investment or continuity of business. For firms integrated across country borders, AGOA's positive regional integration effects can be suddenly lost when a country loses AGOA benefits if it is deemed to be out of compliance with eligibility criteria or graduates from GSP and loses AGOA benefits. When this happens, cross-country value chains can be broken. Furthermore, investments decline, or investment decisions are put on hold when AGOA is near the end of an authorisation timeframe and renewal is uncertain.

Countries recognise that over-reliance on AGOA benefits is not sustainable and holds potential disaster for economies. It is currently unclear to predict the position of the US government on matters of the extension of AGOA and the tools that might be used. This was deepened by the change in Administration of the US government. AGOA concerns raised included the asymmetric power balance between sub-Saharan African countries and the US as the US can threaten with sanctions. Barriers in the US, such as stringent sanitary and phytosanitary measures, labelling requirements, higher tariff barriers for African manufactured products and the fact that important sub-Saharan African export products are excluded from AGOA as obstacles to African countries optimally utilising AGOA. Participants also graduate out of AGOA if per capita gross national income reaches US$12 535, the World Bank's lower limit for high-income countries and it was questioned whether there were alternatives to the US's measurement of GDP per capita and whether those alternatives were researched.

The outsized roles of oil and apparel in African export growth have raised questions about whether AGOA can diversify the region's economies and increase its competitiveness in global markets. There are concerns about Africa's continued dependence on low-value-added products and natural resources. Many of AGOA eligible countries have failed to use the programme effectively. Few beneficiaries have moved into the value-added manufacturing the legislation hoped to spur. Over three quarters of duty-free non-petroleum exports to the US under AGOA during 2014-2021 came from just five countries. Additionally, AGOA does not include fast-growing sectors such as digital and financial services. Despite AGOA's benefits, less than 1% of US imports originates from sub-Saharan Africa. Meanwhile, African trade relationships with other countries, particularly China, have greatly expanded while India, Japan, the Middle East and the EU have deepened their influence in the continent. Trade between Africa and China jumped to a record of US$260 billion in 2022 and continues to grow. A growing number of African countries were already exporting more than 90% of their products to China tariff-free. The region produced about 4% of China's imports and roughly the same portion of those for the European Union (EU).

Individual sub-Saharan African beneficiaries are annually reviewed for whether they should still be eligible for AGOA benefits. The 2015 AGOA Act provides for the "withdrawal, suspension or limitation of preferential tariff treatment" to ensure "compliance by the country" with US objectives on trade and investment in addition to "termination" of eligibility that was already provided for in the 2000 Act. For a country to become an AGOA beneficiary, the US president must determine that the country fits certain rigorous criteria. These requirements undermine the space for sub-Saharan African countries to come up with independent policies appropriate to their circumstances and make it difficult for countries to diversify into new industries, which often initially need nurturing. In early 2022, the US removed Ethiopia, Guinea, and Mali from AGOA, citing human rights abuses and military coups in violation of the programme's rules. Ethiopia's disqualification of AGOA in 2022 resulted in an estimated 100 000 jobs lost, of which the majority women working in textile factories. In the case of Madagascar, which, after having its AGOA preferences rescinded in 2009, also lost an estimated 100 000 jobs, primarily due to the sharp decline of the textile industry and experienced an 11% drop in the country's GDP. Given that AGOA is an Act of US Congress rather than an agreement, there is no clear and transparent legal dispute resolution mechanism as found typically under negotiated trade agreements. Instead, the US can unilaterally extend or remove AGOA, with crippling results for countries.

Eligibility on a country-by-country basis can be detrimental in working against regional integration - one of AGOA's intended goals. This is because one country's removal can have a ripple effect on a trading partner once their input is not AGOA-eligible, and there is no tool currently in place to lessen these effects. Unless all countries in the region, including the various trading and political partners and alliances, share the same treatment under AGOA the preferences offered can be counterproductive because they inhibit the natural development of integrated value chains in the region. Granting all countries in the region, that are compliant with basic human rights and standards of governance, equal trading access, will act as a stimulus for integrated growth and sustainable value chain development.

The 2015 AGOA Act also provides for the private sector or “any interested person, at any time” to file a petition with respect to the failure of “compliance” of a country, “with eligibility requirements” and to petition the USTR in this regard. When the US agreed to renew South Africa’s participation in AGOA in 2015, it stipulated as a condition that their government could conduct what is called “out-of-cycle” reviews to assess continued eligibility for benefits. Such an “out-of-cycle” review was done in 2015 when South Africa nearly lost its key AGOA benefits triggered by US poultry, pork, and beef producers who complained that South Africa was violating AGOA by blocking imports of their products. South Africa eventually negotiated its continued participation in AGOA by lifting 15-year-old anti-dumping duties for a quota of 65 000 tons of chicken portions a year and also lifted health restrictions which continued to block poultry, pork, and beef imports. This was the first time a country had been given provisional extended participation in AGOA, subject to review. South Africa could either be wholly excluded from further participation in AGOA, or only from certain benefits, if the US was not satisfied with its performance.

The experience of South Africa in the process of negotiating its inclusion in AGOA and the special 30 day out-of-cycle process that South Africa was subjected to as a condition for its inclusion in the newly extended AGOA was examined with a view to drawing lessons for the rest of sub-Saharan Africa. An analysis of the negotiations to conclude AGOA and resolve the special “out of cycle” review process highlighted the changing nature of the US view on trade with South Africa and the increasing pressure that was applied to ensure reciprocity. The initial issues in the negotiation focused on the anti-dumping duty on poultry exports to South Africa. However, the issues were extended to include those raised by the US lobbies, which included their concerns with South Africa’s animal health regulations on poultry, beef and pork; policies on Intellectual Property Rights; regulations on Black Economic Empowerment; policies on Investment; and the draft Private Security Bill.

The 2015 AGOA Act raised at least three important policy questions. Is AGOA still a one-way preferential trade programme without cost? Does it still facilitate a co-operative trade and development relationship with the US? For how long will the US still allow non-reciprocity in trade with sub-Saharan African countries? Initially AGOA was a one-way non-reciprocal arrangement that was to facilitate the increased integration of African countries into global markets, but it seems it has now transitioned to become a programme that the US seeks to be paid for. AGOA preferences into the US now have a price tag. Sub-Saharan African countries will no doubt have to consider the cost of this attrition and uncertainty on their trade and investment with the US and many will look to the new emerging countries to support their development projects and programmes where the demands on reciprocity are not as sharp or aggressive.

The option of falling back on the current GSP with the US could be a consideration but the GSP has been criticised by academic observers and the private sector as being unreliable and subject to similar conditionalities as AGOA. In addition, the GSP has a more limited number of product lines with a very limited number of clothing, textiles and automobile tariff lines covered. A number of regulatory hurdles, including the Rules of Origin make the GSP programme of the US more administratively cumbersome. Thus, for South African exporters to the US, the prospect of falling back to GSP will in effect be similar to falling back to a non-preference relationship with the US, subject to normal duties. For South African exporters into the US market, it will mean competing with countries that have free trade agreements with the US. South African companies will have to consider the impact of such a situation on their competitiveness in the US market. This option will entail significant costs for the South African economy. Those industries that have gained increased access into the US market as a consequence of the market access concessions of AGOA could suffer as competitor countries compete with South African products due to better preferential access to the US market and reduce South Africa's market share in the US market.

Although AGOA removes US import duties on eligible goods shipped from a qualifying sub-Saharan African AGOA beneficiary country**,** subject to Rules of Origin, AGOA does not remove possible quantitative restrictions (quotas**)** on imports into the US. There are potentially three types of import quotas that are administered by the US Customs and Border Protection Agency. These are (1) absolute quotas, (2) tariff-rate quotas (TRQs), as well as (3) tariff preference levels (TPLs). However, AGOA does provide for expanded access by eliminating, for AGOA beneficiaries, the quantitative limits on GSP benefits that were applicable to some GSP beneficiaries.

AGOA legislation also does not provide a waiver from any other trade-related obligations and therefore exports to the US market will always be subject to compliance with US trade laws. If exports do not comply, US authorities can be petitioned to invoke measures to address situations of unfair trade and the resultant injury to local industries. Under Section 232 of the Trade Expansion Act, the US President has broad power to adjust imports - including through the use of imposing unilateral import restrictions - if excessive foreign imports are found to be a threat to US national security. Section 232 duties must be paid on imports subject to Section 232 even if trade preferences apply and GSP and AGOA-eligible goods that are subject to Section 232 duties or quotas may not receive relevant duty preferences in accordance with 19 USC 2463(b)(2). Investigations may be initiated based on an application from an interested party, a request from the head of any department or agency or may be self-initiated by the Secretary of Commerce. The Secretary's report to the President, prepared within 270 days of initiation, focuses on whether the importation of the article in question is in such quantities or under such circumstances as to threaten to impair the national security. The President can concur or not with the Secretary's recommendations and take action to "adjust the imports of an article and its derivatives" or other non-trade related actions as deemed necessary. In this regard the US had already concluded Section 232 investigations on steel and aluminium for exclusions and imposed ad valorem tariffs of 25% on steel imports and 10% on aluminum imports from most countries under Section 232 of the Trade Expansion Act of 1962.

On 23 May 2018 the US Secretary of Commerce initiated an investigation under Section 232 to determine the effects on the national security of the imports of vehicles, including cars, SUVs, vans and light trucks, and automotive parts into the US. If the Secretary found that vehicles and/or automotive parts were being imported into the US in such quantities or under such circumstances as to threaten to impair the national security, the Secretary would recommend actions and steps that should be taken to adjust vehicle and/or automotive parts imports so that they will not threaten to impair the national security. The Department of Commerce, which has statutory responsibility for such investigations, submitted its report to the President on February 17, 2019, but it has not been made public. At present analysts debate that the Administration's authority under this investigation had now expired, given statutory timelines for action.

The Section 232 automotive investigation was a component of a broader Administration agenda related to US trade and the automotive industry, including: (1) expanding domestic automotive manufacturing; (2) addressing bilateral trade deficits; and (3) reducing disparities in US and trading partner tariff rates. At 2,5%, US passenger car tariffs are lower than some trading partners, including the EU where the passenger car import tariffs are 10%. US tariffs on light trucks, including pick-ups and sport utility vehicles, are much higher at 25%.

Public comments received on the Section 232 automotive investigation at the time included that higher automotive tariffs could have significant effects on the US economy, depending on their breadth and duration. Economic studies estimated that automotive tariffs would generally lower overall US GDP relative to a baseline without the tariffs, though the magnitude depends on modelling and assumptions. Economists also generally argue that using tariffs to encourage domestic production could lead to an inefficient and less productive allocation of resources. The uncertainty created by the existing and potential tariffs on vehicles and automotive parts might also reduce investment in the domestic market. Ultimately, the tariffs could increase the price of motor vehicles sold in the US, prompting some consumers to delay purchases or purchase used cars instead of new vehicles, and generating inflationary pressures. Retaliatory tariffs could also make US-produced vehicles and automotive parts less competitive in foreign markets, leading to a reduction in US exports. The US motor vehicle industry had voiced strong and united opposition to potential tariffs, and several Members of Congress had voiced concerns. To date the Administration has not complied with congressional requests and statutory requirements to release the automotive investigation report, citing executive privilege due to ongoing negotiations. If Section 232 duties were to be imposed on automotive imports, including those from South Africa, AGOA benefits for South Africa would be significantly eroded, taking into account that Section 232 tariffs effectively suspend AGOA preferences.

It should be noted from the above that just as beneficial as a trade arrangement such as AGOA is for a country and an industry, any uncertainties relating to the relations and arrangements could negatively impact on future investments decisions and export contracts. For the automotive industry in particular, which has a long term view, preferential access via trade agreements enjoyed by South Africa have proved to be a decisive factor in export-oriented investment decisions in new generation models and in the allocation of export contracts.

AGOA POST 2025

At its inception, AGOA was widely viewed as a first step toward permanent free trade agreements (FTAs) with sub-Saharan African countries, which would provide additional certainty for investors by locking in trade benefits. The 2000 AGOA Act foreshadowed what was to be increasingly emphasised in the 2015 Act, that is, the objective of the US to negotiate reciprocal trade agreements with African countries. Currently no FTAs have been concluded on a bilateral basis between the US and sub-Saharan African countries. The US and Morocco, however signed an FTA on June 15, 2004, which entered into force on January 1, 2006. The Southern African Customs Union (SACU) and the US attempted to negotiate a free trade agreement (FTA) between 2003 and 2007. Negotiations with SACU members, including South Africa, fell through, in part due to disagreements over intellectual property rights and foreign investment rules. However, significant changes that have taken place in Africa in the past decade. The USTR has heard interest from some countries, such as Kenya and Mauritius, in engaging in discussions about a possible free trade agreement. Under President Donald Trump, the US began drafting an FTA with Kenya, but the deal is currently on hold while the Biden administration reviews US trade policy. President Biden has sought to revamp the Trump-era Prosper Africa initiative, which aims to boost trade and investment with the continent.

Various Trade and Investment Framework Agreements (TIFAs) have been concluded with a number of African partner countries, inter alia with Angola, Ghana, Liberia, Mauritius, Mozambique, Nigeria, Rwanda and South Africa, as well as various regional country groups, such as the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the West African Economic and Monetary Union (WAEMU). Discussions and negotiations with the Southern African Customs Union (SACU) group are ongoing. TIFAs function to provide strategic frameworks and principles for dialogue on trade and investment issues between the US and the other contracting parties to the TIFA. These agreements generally go beyond the bilateral investment treaty (BIT) model.

In December 2022, the US hosted the second ever US-Africa Leaders' Summit attended by 49 African delegations, most at the presidential level. During the Summit, both public and private sector leaders emphasised the importance of increasing trade, investment, and commercial ties between the US and Africa and increasing Africa's ability to compete in world markets. African Trade Ministers have adopted an official position that AGOA should be renewed for at least 10 years no later than September 2023.

Many experts say that AGOA has failed to live up to expectations as sub-Saharan Africa's exports to the US have declined over recent years to below what they were when AGOA commenced. Other experts say the programme lacks provisions to help US exporters and investors compete with their counterparts in Europe and elsewhere. The removal of several countries from AGOA also added to the uncertainty about the programme's future. Moreover, African trade relationships with other countries, particularly China, have greatly expanded. The EU, another major trade partner, has signed economic agreements with regional blocs in western, eastern, and southern Africa in which both sides offer preferential treatment on tariffs for certain goods.

AGOA can, therefore, do more to effectively support Africa in reaching its full potential for trade-led growth and sustainable development. AGOA could be enhanced based on lessons learned over the past 22 years to shape a more mutually beneficial partnership. Research revealed that the scope of AGOA could be expanded to include services exports from Africa. Sectors in which African countries have growing capacity include professional services, consulting services, business-processing outsourcing, and digitally enabled services, among others. The AGOA eligibility criteria should also be reviewed to offer the private sector more predictability and certainty. Technical AGOA enhancements could positively impact its success such as for the annual AGOA eligibility review to be once every three years and to modify graduation criteria for AGOA countries, amongst others. Furthermore, AGOA should be maintained as a non-reciprocal trade arrangement that offers African countries duty- and quota-free market access. Potential reciprocal trade arrangements could be pursued with countries or regions that are ready to take the next step once AGOA has been extended for another minimum 10 years.

AGOA's successor should feature bilateral trade concessions, recognising Africa's dynamic trade environment and growing capacity to both consume and export products. Furthermore, the strategy should focus on ways the US can facilitate ties between American companies and their African counterparts to accelerate trade and investment in the context of the single continental market created with the AfCFTA. Extending AGOA supports ongoing African economic and business reforms, capitalises on considerable infrastructure investment, and improves the business climate for growing US investments into the continent. AGOA exports can quickly grow into a broader partnership that can lead to investment and trade in both directions, creating more jobs and economic growth in both the US and Africa.

Early and long-term AGOA renewal is critical recognising these mutual benefits of expanding US-sub-Saharan Africa trade. It is critical that AGOA be renewed as soon as possible – ideally in 2023, but certainly well before AGOA's current expiry in 2025. Renewing AGOA in 2023 will send a powerful message to companies encouraging them to proceed with new investments and expansions now, rather than waiting until 2025 to see if it gets renewed. This will help overcome the dip in orders and investments that each previous period of uncertainty about AGOA renewal has seen, amplifying the impact of this AGOA renewal and converting trade years into investment years. A delayed renewal will have significantly less benefit, as companies would have had to shut down production or shift production to alternative countries. If any production were to shift back to AGOA countries, it would take time to resume manufacturing capacity levels. Securing a lengthy AGOA renewal in 2023 will increase company interest in pursuing opportunities to invest in and source from Africa. Renewal for less than 10 years does not provide companies with the longer-term horison they need to plan and execute investments, develop sourcing networks and distribution channels, nor does it drive vertical integration of the continent to allow greater country participation. Longer term AGOA will also provide predictability to the more than 450 000 American workers, 150 000 from American exports and 300 000 tied to US imports, whose jobs are linked to US-African trade. One of the motivations by African countries when arguing for a 10-year extension of AGOA as opposed to shorter cycles of renewal is that it would give greater certainty to both domestic and American investors that they would be able to generate a return on their investment in that period and also invest in sectors that had longer lead times in terms of market access.

AGOA renewal in 2023 will maximise the potential of Africa benefiting from newly occurring shifts in regional and global supply chains. Companies are looking to Africa to take advantage of its abundant supply of natural resources and large and youthful labour pool while building more resilient supply chains. Providing continued long-term duty-free access to the US market will give Africa a competitive advantage as these new global trading shifts occurs. Given newly occurring shifts in regional and global supply chains, AGOA's particular importance will be enhanced in the coming years for both the US and sub-Saharan African countries. Long-term renewal of AGOA supports economic integration under AfCFTA, one of America's top strategic goals in Africa. Noting the successful steps already underway to implement the AfCFTA, it was widely recognised that the removal of barriers and harmonisation of trading rules would not only facilitate greater intra-African trade but would also offer a timely opportunity for the US to enhance its key role in Africa's regional and global value chains. In this context, continued access to the US market under AGOA is more important than ever.

In assessing the programme's future, it is important to acknowledge where AGOA has achieved success and the lessons learnt from the past 22 years to shape a mutually beneficial partnership. While the legislation's unilateral trade preferences have provided economic benefits for countries across sub-Saharan Africa, AGOA as a whole remains underutilised. To ensure continuity in US-sub-Saharan African trade ties, the US must grapple with the legislation's potential reauthorisation as soon as possible, with a particular focus on how the utilisation of AGOA might be improved. African countries had lobbied hard in Washington for the extension of AGOA, arguing that their economies were still at an early stage of development and that demanding reciprocity would be premature. It is believed that just a renewal of AGOA would not be enough to achieve its ambitious vision. AGOA's benefits for the US and Africa have been unevenly distributed across countries, regions, communities, and sectors.

The AGOA Renewal and Enhancement Alliance recognises that it may be simplest for Congress to just renew AGOA for another 10 years as written. While that option is better than no renewal or a delayed renewal, there is an opportunity to increase AGOA utilisation. Proposals based on extensive research done in the AGOA space identified the following enhancements under an extended AGOA-plus model:

- The US administration should double down on its partnership with AGOA beneficiaries and ensure that each country makes greater use of the programme, including through national AGOA strategies, in a manner that promotes regional and continental value chains.
- Include eligibility for north African countries that meet AGOA eligibility criteria – thereby taking advantage of the AfCFTA continental market and linking sub-Saharan Africans to Morocco which is the only African nation with an FTA with the US.
- The role that the AfCFTA can play in widening and deepening AGOA's successes, and the importance of value-adding activities being located in African countries should be investigated.
- Promote the use of African inputs and intermediary products into final products assembled for shipment to the US from AGOA eligible countries and thus support AfCFTA implementation.
- Modify graduation criteria for AGOA countries.
- Harmonise AGOA eligibility reviews with other US Government programmes (e.g., GSP), and converting the annual AGOA eligibility review to once every three years.
- Consider a provision allowing cumulation from all AU members that have ratified AfCFTA.
- Reduce or eliminate areas of uncertainties to make AGOA less burdensome on the US Government to administer.
- Communication to US investors needs to increase and improve to provide them with information about how US firms may prosper in Africa and help prepare multinationals for the change in demand for regionally sourced products and inputs.
- Explore trade frameworks with those African nations that are ready to move beyond unilateral preference programmes.
- Make AGOA a permanent duty-free preference programme.
- Considering of Economic Partnership Agreement (EPA) style agreements with sub-Saharan Africa, either as tariff-only agreements or with a very limited set of tariff-plus obligations. Given the recent African experience with such agreements with the EU, there is likely to be higher confidence among sub-Saharan African countries that they will be able to negotiate similar agreements with the US as well. This could serve as a stepping-stone towards a more comprehensive agreement.
- A mega-regional free trade agreement building on the AfCFTA could also be pursued. This could have the benefit of assisting to support and strengthen the regional economic communities (RECs) or the African Union's (AU's) own regional integration efforts, and of

putting the US into negotiations with countries that already have a track record of negotiating with each other.

If Congress reauthorises AGOA for 10 years, US and African policymakers should work over the next 10 years to ensure that a new trade policy framework can be put in place to protect and grow the US-sub-Saharan African relationship. The 2015 Act states that it is the policy of the US to: “seek to deepen and expand trade and investment ties between sub-Saharan Africa and the US…” by among other things.. “negotiate agreements with individual sub-Saharan countries … as well as Regional Economic Communities” and “to promote full implementation of commitments made under the WTO Agreement”. The Act therefore underlines that the objective of the US is to take the first opportunity available to seek to negotiate reciprocal free trade agreements with sub-Saharan African countries. A reciprocal trade agreement that builds on AGOA would deepen the parties’ trade relationships and provide long term certainty, although it might be challenging. The US feels that it has a moral right to seek to advance its own trade and investment interests in Africa since, in its view, the EU has already negotiated and concluded several EPAs with individual countries and sub-regions in Africa. These European agreements are different in many ways from traditional US agreements. They have a significantly narrower focus, dealing primarily with tariffs and matters directly related to trade in goods. They are asymmetrical, with the EU and African partners taking on different levels of tariff commitments, and often with significantly less than full tariff reductions or product trade coverage on the African side.

It should, however, be recognised that sub-Saharan Africa is comprised of a diverse group of countries at differing levels of development, wealth, and readiness for expanded trade engagement. A more targeted, tailored, and incremental approach, focusing on the most forward-leaning countries in the first instance, but creating an open platform for later comers, may be more effective. For others that have more limited capacity or need additional time, and possibly additional technical support, a staged approach may offer a way forward, starting with agreement in certain building blocks or policy areas to which additional blocks could be added over time, made progressively higher in terms of standards, and made more binding. An approach of building blocks could assist to expand trade and attract investment.

There are a wide range of agreements for South Africa and African countries to consider: Trade and Investment Frameworks, Bilateral Investment Treaties, Preferential Trade Agreements or ultimately a Free Trade Agreement (FTA). The agreement to be made depends on the range of issues up for negotiation (e.g., trade in goods, trade in services, and investments, amongst others) and differs in level of complexity. Taking on all of Africa at once with one single approach is unlikely to be effective. For larger countries, such as South Africa and perhaps a handful of others, negotiating bi-laterally might be an option, although South Africa will have to negotiate as part of the SACU in accordance with the renewed 2004 SACU Agreement. Smaller countries, which will likely have less leverage in negotiations, should look to negotiating within groups. Already several key regional economic communities (RECs) exist within Africa that could be used as a basis for negotiations.

Considering Africa's growing role in the global economy, the US needs to take action to address its declining competitiveness on the continent both for diplomatic and economic reasons. The US increasingly sees Africa as essential both as a growing market and strategic economic and political partner. The Biden administration, with the support of Congress, has taken several steps to ramp-up private sector engagement in Africa. This includes working with Prosper Africa, technical and advisory support for the African Union's (AU) implementation of the AfCFTA; the Partnership for Global Infrastructure and Investment (PGII); the upcoming US-Africa Business Forum; and the ongoing implementation of the African Growth and Opportunity Act (AGOA).

On December 14, 2022, the US and AfCFTA signed a three-year Memorandum of Understanding (MOU) on Co-operation for Trade and Investment between the US and the AfCFTA during the 2022 US-Africa Business Forum focusing on bilateral trade, investment into Africa, trade facilitation, and digital trade along with the development of relevant AfCFTA instruments. The MOU will unlock new opportunities for trade and investment between Africa and the US to promote sustainable trade and economic integration in Africa and between the US and AfCFTA member states. It established annual high-level engagement between the US and the AfCFTA Secretariat, as well as quarterly meetings of technical working groups (TWGs), to discuss issues to be identified by the participants.

With greater regional integration through value chains, Africa will have an overall larger supply market, manufacturing specialisation will accelerate, and Africa's industrialisation will become more globally competitive. Stronger manufacturing industries will provide jobs for a number of low-skilled workers – particularly those that are not integrated in the formal economy – which then increases average household incomes, boosts domestic demand, and more broadly stabilises economies against external shocks and contributes to innovation and diversification. Industrial development represents one-quarter to one-third of job creation in other regions, meaning that greater development in Africa, the continent with the highest projected population growth, will create new opportunities and jobs leading to poverty alleviation.

The automotive industry is very aware of the opportunities under the AfCFTA to extend its production and value chains across the region to reap the harvest of improved competitiveness and exports into the global economy. In this regard, South Africa is playing an instrumental role in the Auto Pact under the AfCFTA framework. Strengthening a critical sector such as the automotive industry with its significant synergies with most other sectors of the economy would typically support the development of other sectors servicing global markets, while also expanding the market for exports of US goods and services. From a country as well as automotive perspective, allowing AGOA to expire or to exclude South Africa, the continent's most advanced economy, from the trade arrangement would have a detrimental effect on other economies on the continent given the extension of the country's value chains throughout the region, significantly diminishes AGOA's value to sub-Saharan Africa, and substantially reduce intra-African trade and regional integration. It is therefore imperative for South Africa and its automotive industry to be included in an extended AGOA post-2025 and for the US and SACU governments to commence with potential negotiations bi-laterally in pursuing an amicable permanent trade arrangement option.

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