IN THE MEDIA | 3 NOVEMBER 2026

Losing AGOA: What is really at stake?

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On 2 November, the United States announced its intention to remove South Africa and Rwanda from the African Growth and Opportunity Act (AGOA)[1], effective 1 January 2027. The decision follows an annual review of the countries' eligibility. In South Africa's case, Washington cited concerns over trade and investment barriers, corruption and US national security and foreign policy interests. Although AGOA itself has been extended until the end of 2028, South Africa is set to lose its preferential access two years earlier.

South Africa has historically been one of AGOA's biggest beneficiaries. It was the largest by value of exports under the programme in 2025. Yet questions about its continued eligibility are not new. As far back as 2014, there were calls for South Africa to 'graduate' from AGOA, given its status as an upper-middle-income economy, and potentially move towards a more reciprocal trade arrangement with the US. While the current political tensions have brought these questions to a head, the debate about South Africa's place in the programme has been ongoing for more than a decade.

The announcement is another setback in an already strained bilateral relationship. But what is really at stake? While the additional tariff costs may be less dramatic than the headlines suggest, the consequences for certain industries, workers and future investment could be considerably more significant.

We have received quite a few questions about AGOA in recent weeks, particularly what losing preferential access would mean for South African exporters and the broader economy. With the decision now announced, we thought it useful to address some of these questions.

What does losing AGOA actually mean?

First, South Africa is not being excluded from the US market. Exporters can continue selling their products to American customers, but goods that currently benefit from AGOA could face higher import duties.

[1] Introduced in 2000, AGOA is a unilateral US trade preference programme that provides eligible sub-Saharan African countries with duty-free access to the American market for thousands of qualifying products, subject to rules of origin and other eligibility requirements. The programme is intended to support trade, investment and economic development in the region.

Importantly, much of AGOA's benefit has already been eroded by the tariffs introduced during the second Trump administration. Certain vehicles and components, as well as metals, already face substantial sector-specific tariffs, while many other products are subject to additional duties of 12.5%. AGOA does not remove these additional tariffs. What it can still remove is the ordinary most-favoured-nation (MFN) duty.

For products that (for now) still benefit from AGOA, exclusion will generally mean paying the ordinary US import tariff on top of other applicable duties. These ordinary tariffs vary by product, but estimates suggest that the remaining preference amounts to around 3 percentage points on average. The additional tariff disadvantage is therefore considerably smaller than the increases South African exporters have already faced under the Trump administration.

While the additional tariffs associated with AGOA exclusion may be relatively modest, they come on top of an existing competitive disadvantage. Consider South African wine exporters, whose products are generally subject to an additional US tariff of 12.5%, compared with a total tariff of 10% on competing wines from France and Italy. Unlike the EU arrangement, South Africa's additional tariff does not incorporate ordinary import duties. Losing AGOA would therefore further widen this gap for wines that currently benefit from preferential treatment, although the additional duty is relatively small for many wines. The broader concern is that South African exporters are being asked to compete in an important international market on increasingly unequal terms.

Fortunately, some of South Africa's largest exports to the US, including important platinum-group metals, already face zero ordinary import duties. Losing AGOA would not introduce a new ordinary tariff on these products.

The distinction is important as the loss of AGOA is not the same as the loss of the entire US export market, nor should the impact of tariffs already in place be counted again.

Who stands to lose?

The US accounted for around 7% of South Africa's merchandise exports in 2025. However, this aggregate figure hides considerable differences between industries, products and individual exporters.

Automotive manufacturing has historically been a major beneficiary of AGOA, but much of its preferential advantage has already been undermined by the additional US tariffs. Agriculture presents a more nuanced picture. According to **Wandile Sihlobo**[2], South Africa's agricultural exports to the US totalled approximately US$504 million in 2025, down by just 3% from 2024 despite considerable tariff uncertainty and periods of significantly higher duties. This resilience partly reflects the adjustments exporters have already made, including changes to supply chains and investments in developing alternative export markets. However, performance varied considerably through the year, and the sector's ability to absorb further shocks will depend on continued efforts to diversify markets and secure more favourable trading conditions.

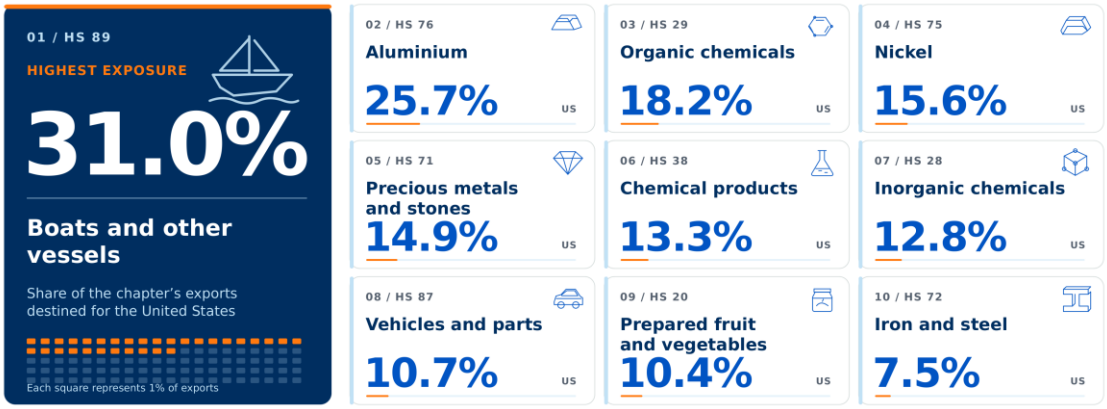
The loss of remaining preferences could nevertheless be significant for particular products and producers. In agriculture, even relatively small changes in competitiveness can affect margins

[2] South Africa’s Presidential Envoy on Agriculture and Land. Chief Economist, Agricultural Business Chamber of South Africa. Senior Fellow, Department of Agricultural Economics, Stellenbosch University.

and employment across farms, packhouses and transport operations. Similarly, the consequences for individual manufacturing plants and their suppliers may be substantial even if the aggregate impact on the economy is relatively limited.

The real question is therefore not only how much export revenue South Africa might lose, but where those losses would likely occur and how much domestic economic activity and employment depend on them.

Figure 1. US dependence differs across export chapters (pre-Trump 2.0 tariffs)



Source: SARS; 2023–2024 annual average. Chapters with at least US$250 million in world exports and US$50 million in US exports; ten highest US shares. HS chapters describe goods, rather than domestic industries.

Can other markets replace the US?

Diversifying our export markets is sensible, but it is neither an immediate solution nor a reason to abandon established trading relationships.

South Africa exports very different products to different destinations. China and India predominantly purchase minerals and other commodities, while the US is an important market for certain manufactured and agricultural products.

Preliminary BER analysis of detailed trade data[3] illustrates this distinction. In 2023/24, the European Union accounted for more than half of South Africa's vehicle and parts exports, compared with just 0.2% destined for China. Existing export relationships cannot automatically absorb displaced sales. A vehicle manufactured for the US market cannot simply be redirected to China without considering consumer demand, specifications, international production arrangements and prices.

There is also an important distinction between the benefits of diversification for the economy as a whole and its implications for individual industries and communities. Even if increased coal exports to India, for example, more than offset the loss of agricultural exports to the US in value terms, that would offer little immediate relief to a seasonal worker on a citrus farm in the Western Cape. Aggregate export gains do not necessarily compensate for losses in employment and income in the affected sectors and regions.

[3] Research note forthcoming

There are opportunities to expand agricultural exports to Asia and the Middle East, while regional African markets remain particularly important for manufactured goods. China, for example, introduced zero-tariff access for qualifying South African exports in May 2026, with negotiations under way to secure a longer-term trade arrangement through SACU. This is a welcome opportunity, but preferential access does not automatically translate into demand for South African products. Developing new markets takes time, and diversification should complement, rather than replace, efforts to preserve access to existing customers.

What else should we consider?

There is another dimension to AGOA's value that is harder to quantify. Preferential market access is valuable not only because it reduces tariffs, but also because it can influence investment decisions.

As **Prof Johan Fourie**[4] points out, economic research has shown that uncertainty about future trade policy can discourage investment and reduce trade, even before tariffs actually change. This is particularly relevant to industries such as automotive manufacturing, where companies make substantial investments years before a new vehicle model enters production.

AGOA has always been a unilateral preference programme, subject to eligibility reviews and periodic renewal. Its increasingly uncertain future, combined with the broader deterioration in US trade relations, may already have reduced its value for businesses making long-term decisions.

An additional tariff of a few percentage points may be manageable for some exporters. But the inability to plan confidently around future market access can be much more damaging, particularly when multinational companies have alternative locations for new investments.

What matters now?

The direct, additional tariff shock from AGOA exclusion is likely to be considerably smaller than the disruption already caused by recent US trade measures. Its incremental impact on aggregate economic growth is therefore likely to be relatively modest, although the consequences for individual industries, workers and communities could be significant. The direct implications for inflation and the rand should also be limited, but a further deterioration in bilateral relations could weigh on investor sentiment and potentially affect the exchange rate.

While the announced exclusion is set to take effect in January 2027, it does not necessarily rule out a future restoration of preferences. Such an outcome would depend on developments in the bilateral relationship and subsequent US eligibility decisions, making it difficult for exporters to plan around.

The priority must be to preserve and negotiate market access wherever possible, while developing new export opportunities. There is also much that South Africa can do domestically. More reliable logistics, efficient ports, lower operating costs and a predictable business

[4] Professor of Economics and Chair of Economics, History and Policy at Stellenbosch University. Director of the Laboratory for the Economics of Africa's Past (LEAP).

environment would improve exporters' competitiveness regardless of developments in Washington.

However, expanding access to new markets also requires greater alignment between South Africa's trade and industrial policies. While we are looking to countries such as China and India to absorb more of our agricultural exports, South Africa's industrial policy continues to emphasise localisation and import substitution, often relying on protective measures against these same trading partners. Negotiating improved market access will inevitably involve balancing these competing priorities. Diversification should therefore be about developing new export opportunities within a coherent trade policy framework, rather than simply finding alternative destinations for products previously exported to the US. In the meantime, targeted support for the most exposed firms and workers could help cushion the adjustment.

Ultimately, the longer-term economic cost of deteriorating US trade relations could extend well beyond the additional tariffs associated with AGOA exclusion. Continued uncertainty risks undermining investment decisions and export opportunities that South Africa can ill afford to lose

A forthcoming BER research note will examine South Africa's exposure to the US market in greater detail, including product-level trade patterns, alternative export destinations and the potential additional costs associated with losing preferential market access.

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