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EXECUTIVE SUMMARY

In this e-file, we focus on the growing risks facing South Africa's trade landscape, particularly in light of the U.S. tariff increases and the potential loss of AGOA benefits. We explore the structural fragilities in key sectors such as automotive manufacturing and steel production. This update also considers the limits of intra-Africa trade, and the untapped potential within the BRICS organisation. We also highlight how our team is well positioned to assist clients in navigating these uncertain trade conditions through strategic legal support.

CUSTOMS AND INTERNATIONAL TRADE

US TARIFF SHIFT PUTS PRESSURE ON SA TRADE – TIME TO DIVERSIFY AND ADAPT

The United States (U.S.) proposed tariff hikes have introduced uncertainty into global trade relations. For South Africa, the stakes are particularly high. In 2024, South Africa exported $14.7 billion worth of goods to the U.S., more than double the $5.8 billion worth of American goods we imported. The African Growth and Opportunity Act (AGOA) has been instrumental in this trade relationship, providing duty-free access to the U.S. market for a wide range of South African exports. If the U.S. implements the tariff hikes, this could lead to uncertainty around the renewal of AGOA, due in September this year.

A potential withdrawal of AGOA, or even a downgrade in the associated trade benefits, could pose a significant threat, not only to export volumes but also to key economic sectors that depend on access to the U.S. market for their survival. The consequences could be far-reaching, potentially setting South Africa's trade and industrial progress back by decades, especially when combined with the deteriorating road, rail, and port infrastructure that already severely hamper efforts to expand export capacity.

Automotive Industry: A High-Stakes Sector

The U.S. is South Africa's third-largest destination for automotive exports, with approximately R35 billion worth of vehicles shipped in 2024, accounting for 6.5% of total vehicle exports. Although an increase in tariffs may not directly impact local businesses, in an industry defined by razor-thin margins, even a modest rise could have significant consequences. It could prompt original equipment manufacturers (OEMs) to exit the South African market, triggering downstream effects for local manufacturers who produce parts for theses OEMs. This, in turn, would result in a severe loss of employment opportunities.

Considering decades of industry knowledge sharing, South Africa should have the capabilities to develop a domestically produced vehicle, especially with the broader African continent presenting a clear demand for affordable and reliable transportation.

While Europe remains a mature market and Africa shows promise, particularly in the commercial vehicle segment, these destinations cannot absorb the volume or provide the same profit margins as the U.S. Especially considering that the EU is making moves to restrict the importation of motor vehicles and plans to ban the sale of internal combustion engines altogether by the year 2035.

However, the National Treasury has committed approximately R1 billion to support the local production of new energy vehicles, battery development, and related manufacturing initiatives. In 2023, the Department of Trade, Industry and Cooperation (DTIC) released its Electric Vehicles White Paper, setting out a strategic roadmap to transition the domestic automotive industry from predominantly producing internal combustion engine vehicles to a more diverse portfolio that includes electric vehicles by 2035. Whether these efforts will be sufficient to maintain South Africa's competitiveness in the global market remains to be seen.

Steel Industry Collapse

Moreover, steel production – essential for the automotive, construction, agriculture, and broader manufacturing sector – is in crisis. ArcelorMittal South Africa (AMSA), the largest steel manufacturer in South Africa had plans to cease long steel operations in Newcastle and Vereeniging due to persistent financial losses, a decision which would jeopardise approximately 3,500 jobs. This highlights the fragility of the sector amid weak domestic demand, import pressures from China, and the rise of local scrap-based mini-mills.

The Minister of Trade, Industry and Competition, Minister Tau, recently stated at a media briefing that the government is collaborating with AMSA to tackle the systemic issues within the steel industry and ensure the longevity of these vital operations, with the Industrial Development Corporation (IDC) having already provided R380 million in February and pledging a further R1 billion working capital facility to maintain operations. However, various stakeholders like the National Employers' Association of South Africa (NEASA) believe these measures will merely postpone the inevitable closure as the industry cannot compete in the current market. This marks a turning point for what was once a booming industry and speaks volumes for our non-participation in the manufacture of finished products from locally sourced raw materials (iron ore), even at the most basic level.

A Global Trade Network—But Not a Safety Net

While the U.S. remains a critical partner, it is not South Africa's only one. The South African Revenue Service (SARS) published trade statistics report for the year 2024 that shows the country's top export destinations are:

- China (10.2%)
- Germany (7.7%)
- United States (5.7%)
- Mozambique (5.6%)
- India (5.3%).

Interestingly, Mozambique is the only African country listed among the top export destinations, further highlighting the limited progress made by African nations in advancing local beneficiation and developing export trade networks.

The same report showed that in March 2025, South Africa recorded a trade surplus of R24.8 billion, with total exports of R172.5 billion and imports of R147.7 billion. This includes trade with the BELN bloc: Botswana, Eswatini, Lesotho, and Namibia. Additionally, export flows for March 2025 (R172.5 billion) were 4.5% higher compared to R165.1 billion recorded in March 2024, with the top five export commodities being: mineral products, precious metals and stones, base metals, machinery, and electronics and, prepared foodstuffs.

While encouraging, these figures also reveal South Africa's vulnerability and the report glosses over persistent structural issues in the economy. For one, South Africa's overreliance on raw material exports, many of which have limited shelf lives, exposes the country to short-term price shocks and long-term viability risks. Without substantial localisation strategies, this model has limited longevity.

South Africa's ability to pivot to new markets will also depend on its ability to address domestic barriers and attract foreign investment in diversified trade. And here lies a deeper concern. South Africa regularly requests skills development and intellectual property (IP) transfer from foreign investors, but what does the country offer in return? Investors need clarity, incentives, and assurance that their IP and capital will be protected and rewarded. Without this, the value proposition becomes difficult to justify.

To build a more resilient trade economy, it is important to prioritise support for small and medium-sized enterprises (SMEs), particularly those focused on producing and exporting finished goods. This approach not only adds value domestically but also holds far greater long-term potential than the continued export of raw materials.

Intra-Africa Trade and BRICS Opportunity

The African Continental Free Trade Area (AfCFTA) is a trade agreement formulated to establish a single market for goods and services within Africa by reducing trade barriers and boosting intra-Africa trade. In 2024, the World Bank estimated that the AfCFTA could raise Africa's exports to the rest of the world by 32% by 2035. While intra-Africa trade is promising, many African countries lack the infrastructure necessary to facilitate trade. Additionally, informal trade, characterised by undocumented cross-border transactions and general corruption at border posts create challenges to formalising intra-Africa trade.

However, South Africa's role in BRICS may offer some relief. While China and Russia dominate the conversation, India deserves more strategic attention. India has successfully developed a robust local production ecosystem, and South

Africa would do well to study and adapt these approaches. The potential for collaboration, particularly in technology and manufacturing, could yield long-term industrial, financial and employment benefits.

How can we assist?

Harty Rushmere has a long-standing history of supporting clients across a wide range of sectors in trade and industry. In addition to our core commercial legal services, we offer specialised technical and advisory support in the areas of customs and excise, international trade and WTO trade remedies.

Our clients include manufactures engaged in local and international trade as well as industry associations advising local stakeholders within the broader trade environment. Harty Rushmere is well equipped to assist our clients with a multitude of customs related queries including but not limited to, registration, licensing, accreditation, business-centric strategies, training, rebate applications, tariff classification, compliance and correspondence with government bodies like SARS and ITAC (International Trade Administration Commission), anti-dumping and countervailing, IP and brand protection in light of counterfeit goods.

Contact Us

Tel : +27 (0)11 884-0792
E-Mail : rodl@harty.law / natasha@harty.law
Unit 5, 1st Floor, Block A, Upper Grayston Office Park
150 Linden Street, Simba, Sandton
www.harty.law