



# RUSSIAN ROULETTE

US preferential trade agreement Agoa is a gift for Africa — but, for SA at least, it's a gift that may *not* keep giving if it keeps up its Russia game

**T**he African Growth & Opportunity Act (Agoa) is a US statute that provides preferential trade terms to 35 countries in Sub-Saharan Africa. South Africa, however, is putting this relationship at risk by cosying up to Russia. There is no upside to this; the country will only be able to trade down with this move.

South Africa has certainly not taken full advantage of Agoa since it was introduced in 2000, but the privilege has been used well by some sectors. Exports of cars made in South Africa are a big win, for example, and we also send wine and citrus to the US duty free.

Still, in 2021 South Africa exported \$15.7bn of goods to the US, of which only \$2.7bn met the criteria for Agoa's zero-duty policy. (Some metals and mineral exports are not eligible under Agoa.)

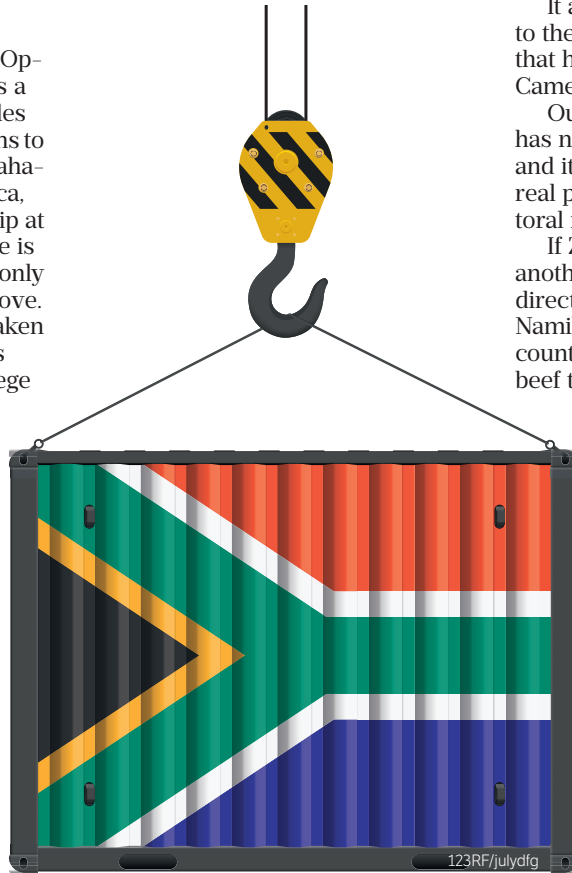
Some of our major failures to take advantage of Agoa lie in agricultural products and clothing.

For example, the government side of our farming systems simply has not met the necessary standards. Just look at the number of vacancies for state veterinarians and you'll understand why. They are required to verify that certain standards are met to allow exports to the fussy US. And, as it stands, we can't manage our domestic herds well enough to validate some clearances. This should be corrected.

Our textile industry is just as disappointing. Other African nations sell clothing into the US under Agoa, but South Africa cannot compete with less developed nations on the continent.

Despite such notable failures, it makes no economic sense for South Africa to risk losing the privileges Agoa offers by forging stronger relations with Russia.

South Africa needs Russia like a fish



needs a bicycle. We trade very little with the country: in 2021, we exported only \$410m of goods to Russia against the \$15.7bn to the US. And our exports to Russia — mostly fruits, nuts and citrus — fell to \$282m in 2022.

In addition, while Russia accounts for just 1.3% of global goods imports, Uncle Sam remains the world's largest importer, at 13% in 2021.

### Time is running out

Were Joe Biden's government to revoke our special status, it wouldn't be without precedent. Other African nations that have earned Washington's ire have been given the boot. Just last year Ethiopia lost its designation under Agoa, chiefly because of evidence of

human rights violations in the turbulent northern region of Tigray. This devastated industrial parks across the nation.

It added the Horn of Africa country to the long list of African states that have faced suspension, including Cameroon, Guinea and Mali.

Our troubled neighbour Zimbabwe has never been an Agoa beneficiary, and it won't be eligible until it makes real progress on human rights, electoral reform and more.

If Zimbabwe is a cautionary tale, another neighbour offers South Africa direction and inspiration. Late in 2019 Namibia became the first African country to gain permission to export beef to the US. If Namibia can do it, so can we.

The Agoa benefits are set to expire in 2025. There are two no-brainer steps we should take to best exploit them before then.

First, no more military exercises with Russia; there is nothing to gain from these. In a context where much of the world sees Vladimir Putin's regime as the instigator of a war of aggression, all this does is alienate us from more important trading partners.

Second, we need to focus on complementarity. Once the special trade treatment runs out, all that matters is supply and demand. What can South Africa produce that others will want to buy at an enticing price? US buyers of cars and wine have no sympathy for suppliers whose cost bases are elevated because of electricity constraints, busted railway lines and red tape. South Africa, in other words, has to get competitive.

This second step is hard work that will take years. But the former is quick and easy: no more military games with countries that start wars. **X**

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