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TARIFF TURBULENCE: THE CONSEQUENCES OF UNITED STATES TARIFF INCREASES FOR SOUTH AFRICAN EXPORTS

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The International Economic Partnership (IEP) is a programme which works through the global economic governance system to strengthen the influence of coalitions between South Africa, the UK and other low or middle-income countries, to bring about better pro-poor, inclusive policymaking, and a stronger economic recovery from COVID-19. Specifically, the programme aims to forge new ways of collaboration between the UK and South African governments by supporting South Africa's G20 presidency in 2025, unlocking structural barriers to growth and promoting economic policy coordination. The IEP is implemented by DNA Economics, Economic Research Southern Africa (ERSA) and the Overseas Development Institute (ODI) and runs until 2027. This research paper has been delivered as part of this partnership.

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Terms and abbreviations

Term/Abbreviation	Definition
AfCFTA	African Continental Free Trade Agrea
AGOA	African Growth and Opportunity Act
AMCHAM	American Chamber of Commerce
ASEAN	Association of Southeast Asian Nations
BaTiS	Balanced Trade in Services
BEA	Bureau of Economic Analysis
BoP	Balance of Payments
CES	Constant Elasticity of Substitution
CMS	Constant Market Share
CSPV	Crystalline Solar Photovoltaic
DTIC	Department of Trade, Industry and Competition
ESI	Export Similarity Index
EU	European Union
FTA	Free Trade Area
GDP	Gross Domestic Product
GSP	General System of Preferences
HPAI	Highly Pathogenic Avian Influenza
HS	Harmonized System
HTS	Harmonized Tariff Schedule
IEEPA	International Emergency Economic Powers Act
JSI	Joint Statement Initiative
MFN	Most Favoured Nation
NEDLAC	National Economic Development and Labour Council
NTB	Non-Tariff Barrier
OECD	Organisation for Economic Co-operation and Development
PGMs	Platinum Group Metals
RoO	Rules of Origin

Term/Abbreviation	Definition
SA	South Africa
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAM	Social Accounting Matrix
SARS	South African Revenue Service
SoEs	State Owned Enterprises
SPS	Sanitary and Phytosanitary
SSA	Sub-Saharan Africa
STIP	Strategic Trade and Investment Partnership
TBT	Technical Barriers to Trade
TiCM	Trade in Critical Minerals
TIDCA	Trade, Investment, and Development Cooperative Agreement
TIFA	Trade and Investment Agreement
UK	United Kingdom
US	United States
USA	United States of America
USITC	United States International Trade Commission
USMCA	United States Mexico Canada
USTR	United States Trade Representative
WITS	World Integrated Trade Solution
WTO	World Trade Organization

1 Executive Summary

The imposition of widespread import tariffs by United States (US) President Donald Trump in 2025, invoking powers under Section 232 and the International Emergency Economic Powers Act (IEEPA), has introduced significant disruptions to global trade. South Africa (SA) is among the countries directly affected, with major export products such as vehicles, steel, and aluminium now subject to tariff hikes ranging from 25% to 50%. Additionally, a 10% reciprocal tariff on all imports into the US has been imposed, with a 30% rate scheduled to take effect from 1 August 2025 unless an alternative agreement is negotiated. These measures pose serious risks to South African exports, undermining the competitiveness of key sectors and eroding the benefits of preferential access under the African Growth and Opportunity Act (AGOA).

This paper utilises multiple data sources, including the United States International Trade Commission (USITC), UN Comtrade, South African Revenue Services (SARS) and the World Trade Organisation (WTO) - Organisation for Economic Co-operation and Development (OECD) Balanced Trade in Services (BaTiS) database, to conduct a comprehensive analysis of the implications of the recent US tariff increases for South African exports. The analysis is carried out with an in-depth examination of bilateral trade between the US and South Africa, a detailed assessment of the tariff proclamations that have altered US duties on South African imports, and a simulation of the potential impact of these tariff changes on South Africa's exports both to the US and to third country markets, specifically Sub-Saharan Africa (SSA).

Several key findings follow from the analysis:

Trade flows

The US is a major trading partner for South Africa, accounting for 8.5% of the country's non-gold merchandise exports in 2024. The US is also a major source of goods imports for South Africa, ranking amongst the top 4 origins, depending on year.

There are significant discrepancies in trade data reported by the US and SA that affect the size of SA's measured trade deficit with the US. In 2024, the US reported imports from SA at $14.72 billion and exports to SA at $5.8 billion, implying an $8.9 billion deficit. In contrast, SARS reports lower export values to US at $8.4 billion and higher import values from US at $6.6 billion, resulting in a $1.8 billion deficit. A large part of the data discrepancy can be attributed to gold, which is not reported in SA export statistics, and to a lesser extent PGMs and vehicles. US imports also appear to be inclusive of processing trade, which raises reported imported values from SA of primary metals and stones (e.g. diamonds).

The focus on goods trade ignores the important contribution of large surpluses in services trade and primary income transfers to the current account balance. In both instances, the US runs a $1.3 billion surplus with SA. The current account deficit, inclusive of trade in goods and services together with the primary and secondary income accounts, is $7.1 billion. The calculation of the deficit has a substantive implication for the derivation of the reciprocal tariff. The reciprocal tariff of 30% calculated by the US government, falls to 22% and 18% with the inclusion of services and income transfers, respectively.

SA's export profile to the US is heavily concentrated in a few sectors, particularly vehicles and platinum group metals (PGMs), leaving it highly vulnerable to sector-specific tariff actions. SA is also a major exporter of critical minerals to the US, with exports of Zirconium, PGMs, Manganese and Titanium accounting for between 12% to 42% of US imports of these products from the world.

SA is one of the main beneficiaries of AGOA, with US imports reaching $3.8 billion in 2024. The benefits are highly concentrated, with passenger vehicles (1500-3000cc) accounting for over 61% of imports of AGOA, followed by ferrochrome, jewellery (mainly gold necklaces), citrus and yachts and recreational vessels. Over half (60%) of US non-gold imports from SA are in products that already face zero-tariff Most Favoured Nation (MFN).

Preferential access under AGOA, however, is poorly utilized, with fewer than half of all imported products from SA listed as eligible for access under AGOA entering the US duty-free. The product utilisation rates only exceed 60% for fruit & vegetable products, animal or vegetable fats & oils and food, beverages & tobacco. In value terms, however, products entering under the agreement account for 94% of the total value of US imports of AGOA eligible products from SA. Low utilisation rates may reflect the inability of domestic firms to meet the rules of origin (RoO) requirements for products to enter into the US under AGOA preferences.

Finally, average tariff preference margins on US imports from SA under AGOA are low (2.9%). US imports of vehicles, for example, benefitted from a tariff preference margin of only 2.5% in 2024, while the duty saved on imports of citrus is equivalent to 1.6%.

Tariff increases

Manufacturing products face larger tariff increases than commodities, which may reinforce the commodity-dependency of the South African export bundle. Over 40% of US imports from SA are unaffected by the Section 232 or reciprocal tariffs. These products include gold, PGMs (platinum, rhodium, palladium), ferrochromium, ash and residuals, and titanium ore. A quarter ($ 2.2 billion) of US imports of non-gold goods from SA in 2024 are affected by the Section 232 tariffs on automobiles & parts (25% tariff) and steel and aluminium (50% tariff).

Together, the Section 232 and reciprocal tariffs sharply increase average tariffs on US imports from SA. The Section 232 tariffs on steel, aluminium, copper and vehicles and 10% reciprocal tariff raise the weighted average tariff on US imports from SA from 0.4% to 10.6%. The average tariff rises further to 16.9% when the reciprocal tariffs are increased to 30%. The majority of products imported from SA, however, face the full increase in reciprocal tariffs. The new tariffs effectively nullify the tariff preference provided under AGOA.

SA is particularly vulnerable to increases in the reciprocal tariff. SA ranks 114th out of 221 countries in terms of the severity of tariff increases on US imports under the current 10% reciprocal tariffs. However, SA's ranking worsens to 22nd most affected should the reciprocal tariffs be imposed in full. Amongst Southern African Customs Union (SACU) members, Lesotho and Botswana are the most affected (37% to 50% increase), while Eswatini is the least affected (10% increase).

Impact of US tariffs on US imports from SA

The direct and indirect diversion effects of increased tariffs on US imports from SA is modelled using a multi-country product-level partial equilibrium model. The model is based on 2024 import data for 5495 products and 230 countries, an import demand elasticity of 1.19 and trade diversion elasticities of substitution that range from 2.7 to 11.5.

Depending on the assumptions, SA stands to lose up to $2.4 billion (30% decline) in non-gold imports by the US following implementation of the full reciprocal tariffs. This loss is equivalent to a 2.4% decline in total non-gold exports declared by SA. The median product experiences a 52% reduction in US imports, and exports discontinue for over 110 products.

The direct losses to SA from the 30% reciprocal tariff are exacerbated by a diversion of US imports towards countries facing lower reciprocal tariffs that account for a third to nearly 60% of the aggregated decline in US imports from SA. In chemicals, food (food, beverages, tobacco and vegetables), and animal products, the diversion effects account for 80% or more of the total decline in US imports from SA. However, SA, benefits from a small positive diversion of US imports from China to SA ($55 million to $117 million) in the face of the 20% "Fentanyl" tariffs and 34% reciprocal tariffs imposed on China.

The decline in the aggregate US import value from SA can largely be attributed to the passenger vehicles and other transport equipment ($863 million, or 43% decline). Proportionate declines are larger for chemicals ($363 million, 59%), food, beverages and tobacco ($181 million, 67%), vegetables ($184 million, 65%) and animal products ($37 million, 72%).

The negative trade effects are substantially smaller on aggregate under the universal 10% reciprocal tariff ($1.2 billion, 14.6% of US non-gold imports from SA), but not for vehicle products and base metals that remain subject to the Section 232 tariffs. These lower effects are associated with the lower tariff, but also lower diversion effects on aggregate. Base metals, mineral products, plastic products, fats & oils, and clothing & textiles, amongst others, experience positive diversion effects offsetting some of the direct import losses, given the higher tariffs on US imports from China.

US imports from SA sustain approximately 64,500 direct jobs, with a disproportionate number (49,500 or 77%), relative to the rest of the economy, of these workers being male. The high male-intensity of US imports from SA reflects the importance of precious metals and vehicles in the import bundle.

Up to 22,000 jobs, or 34% of initial jobs sustained by US imports from SA, are directly threatened by the tariff increases. Lower exports feed into reduced domestic production and, through this, result in job losses in the affected industries. In terms of numbers, male workers account for most (15,600 or 71%) of the decline in jobs, but in percentage terms, female workers are the most affected with 44% (compared to 32% for men) of initial jobs sustained by US imports from SA directly threatened. This bias against female workers arises from the exemption from reciprocal tariffs of precious metals that are male-intensive in the production process, and account for a high share of US imports from SA. Looking at job losses by education, workers with primary schooling (4,000, or 45% initial employment) and middle school education (7,900, or 37% initial employment) experience the largest declines in employment. The skill and gender bias of job losses may exacerbate SA's high levels of income inequality.

Concerns around indirect effects, specifically, the deflection of Chinese exports to third markets following high US tariffs on China, are found to be less significant. Despite rising exports from China to Africa in early 2025, the overlap between South African and Chinese exports in SSA markets is limited. SA's export structure is relatively distinct from China's, and preferential trade access under regional agreements like the Southern African Development Community (SADC) Free Trade Area (FTA) helps buffer potential crowding-out effects. As a result, estimated losses from Chinese trade deflection into African markets are negligible, amounting to less than 1% of SA's regional exports.

In light of these findings, the report stresses the urgency of a coordinated policy response. Key recommendations include engaging with US authorities and US companies in SA to secure exemptions and ensure the renewal of AGOA beyond 2025; providing targeted support to vulnerable export sectors; diversifying export destinations beyond the US; improving the accuracy and credibility of bilateral trade data; and enhancing domestic trade competitiveness.

1 Introduction

International markets are in turmoil following the imposition by the United States (US) President, Donald Trump, of widespread increases in import tariffs on all US trading partners. South Africa (SA) has not been immune to these tariff increases, with exporters of vehicles, steel and aluminium products facing tariff increases of between 25% to 50%. As with almost all other countries, SA exporters have also been affected by the reciprocal tariffs imposed in April 2025 in an attempt to reduce the US goods trade deficit. While the baseline tariff of 10% currently applies, South African exporters face the possibility of a 30% reciprocal tariff over and above existing duties from 1 August 2025.

The implications for South African exporters, however, remains unclear. SA's direct vulnerability to the tariffs depends on a combination of how exposed South African exporters are to the US market and the coverage and size of the tariff increases. While the high share in South African exports to the US of gold, platinum group metals (PGMs), and ferrochromium reduces the impact of the reciprocal tariff on aggregate SA exports as these products are exempt from the tariff increases, other exported products are fully exposed to the reciprocal tariff. Further, tariffs on passenger vehicles, which account for close to 20% of SA non-gold exports to the US, and are a major beneficiary of the African Growth and Opportunity Act (AGOA), have increased by 25% under Section 232 of the Trade Expansion Act of 1962. The tariff on automobiles in effect made the preferential access under AGOA superfluous.

SA is likely to also experience significant indirect effects. US importers may divert their imports away from SA towards other countries where reciprocal tariffs are lower. For example, SA is likely to lose market share in citrus exports to Chile and Peru, where reciprocal tariffs are lower at 10%. Indirect losses through diversion of trade will be exacerbated if competing countries are able to negotiate better access to the US market than SA through trade deals. The likelihood of a tariff war and global recession has also risen considerably, which will depress demand for South African exports. As countries face higher tariffs to access the US market, they may deflect their exports towards other markets, including SA and Sub-Saharan Africa (SSA), exposing domestic producers and our exporters to the region to greater competition.

Governments clearly need to respond. Formulating responses, however, is made complicated by the uncertainty and variability with which US tariffs have been set. More information on the possible implications of the tariffs for South African exports is also required. This will assist the government in negotiating with the US to minimise the adverse effects on the SA economy, as well as provide guidance on where domestic support is required.

This paper contributes towards this goal. It provides a detailed analysis of the implications of the various tariff increases for South African exports to the US. This includes a detailed review of bilateral trade between the US and SA, an assessment of the various proclamations raising US tariffs and how they have affected the level of US tariffs imposed on imports from SA.

The paper also uses a multi-country (221), multi-product (over 5000) partial equilibrium trade model to simulation of the possible impact of the tariff increases on US imports from SA. The model captures the direct effect of US tariffs on imports from SA, as well as the indirect diversion effects associated

with different tariffs imposed on competing countries. The simulations cover the Section 232 tariffs, the country-specific reciprocal tariffs scheduled to be implemented on 1 August 2025, as well as the US trade deals with the United Kingdom (UK), European Union (UN), Japan, Philippines, Indonesia and Vietnam. In addition, a Constant Market Share (CMS) analysis is conducted to assess the potential crowding-out effects for SA exports in SSA markets arising from the deflection of Chinese exports away from the US to alternative markets.

Overall, we find that SA could experience a decline in annual exports to the US of up to $2.4 billion if the country-specific reciprocal tariffs are introduced. While the decline in value is concentrated amongst passenger vehicles, the effect of the tariffs are broad based, with the median product imported by the US from SA experiencing a 52% reduction. There are exceptions – US imports of PGMs, ferro-alloys, base metals (e.g., zinc, manganese), wood products and nickel are unaffected as these products are (currently) exempted from the tariff increases.

SA is also shown to be particularly vulnerable to increases in the reciprocal tariff above 10%. SA is ranked 22nd out of 221 countries in terms of the increase in tariffs, should the country-specific reciprocal tariffs be imposed in full. Relatively large increases in tariffs expose SA exporters to an additional adverse effect, namely the diversion by US consumers towards varieties produced in countries facing lower tariffs. In some scenarios, more than half of the $2.4 billion decline in US imports from SA can be attributed to diversion effects.

While AGOA provides preferential access, the preference margins are overwhelmed by the new tariffs. SA exports under AGOA in 2024 benefited from an aggregate preference margin of 2.9%. For vehicles, the preference margin is 2.5%, while citrus only benefits by 1.9%. These margins are insignificant in comparison to the 30% reciprocal tariff that may be imposed. The tariff increases will further undermine the effectiveness of AGOA in boosting SA exports.

Given its size and the relatively large increases in US tariffs imposed (currently 30%), deflection by China of its US exports to third country markets has the potential to crowd-out SA exports in these markets. Evidence has already surfaced of Chinese exports to the US being deflected towards third-country markets of key importance for SA exporters (Bao, 2025; Miao, 2025; Shepherd et al., 2025). However, our analysis shows that these effects are likely to be small in the case of exports destined for SSA, despite large decreases in US imports from China. SA and China appear to export very different products to countries in SSA. Those products facing large declines in US imports, do not overlap strongly with current exports by China to countries in SSA. Overall, we estimate that the crowding out effects from China in SSA is less than 1% of current imports by these countries from SA.

The remainder of this paper is structured as follows. The next section presents a background analysis of SA trade with the US. This is followed by an analysis of the effect of the tariff changes on US tariffs imposed on imports from SA, and then a set of simulations to calculate the potential impact of the tariff increases on SA exports to the US. A study of the potential crowding-out effects from China follows. The paper ends with a conclusion and set of policy recommendations.

2 South African trade with the United States

This section presents a background overview of bilateral trade and tariffs between the US and SA. The overview commences with a discussion on data discrepancies between US and SA reported trade data as this has an important bearing on the calculation of the reciprocal tariffs, and on the analysis of the composition of bilateral trade. The overview then presents an analysis of the product composition of bilateral trade between the US and SA. It ends with a presentation of US tariffs and the contribution of the AGOA towards SA exports.

2.1 Data discrepancies and the US trade deficit with SA

Key findings:

1. There are significant discrepancies in trade data reported by the US and SA that affect the size of the measured trade deficit and therefore the implied reciprocal tariff.
2. A large part of the data discrepancy can be attributed to gold and, to a lesser extent, PGM products and vehicles.
3. The focus on goods trade ignores the important contribution of services trade, for which the US runs a $1.3 billion surplus with SA, to the trade balance.
4. The US also runs a $1.3 billion surplus in primary income transfers (returns to investment) with SA through the current account.
5. The inclusion of services trade and income transfers from the current account reduces the calculated reciprocal tariff from 30% to 18%.

A key concern of the Trump Administration is the presence of bilateral trade deficits between the US and partner countries. The bilateral trade deficits formed the basis from which the country-specific reciprocal tariff rates announced on 2 April 2025 were calculated. The reciprocal tariffs were set at half the tariff value that was estimated would be required to eliminate the bilateral trade deficits.[1] These estimates were calculated using import and export data, as reported by the US and available from the USITC.

However, there are significant discrepancies in trade data reported by the US and SA that affect the size of the measured trade deficit and therefore the implied reciprocal tariff. In 2024, the US reported imports from SA at $14.72 billion and exports to SA at $5.8 billion, implying an $8.9 billion deficit. Using these values, the reciprocal tariff calculated according to the formula equals 30% for South Africa. Contrary to the US reported data, the South African Revenue Services (SARS) reports lower export values to the US at $8.4 billion and higher import values from the US at $6.6 billion, resulting in a $1.8 billion deficit.[2]

1 For the calculation and assumptions see

https://ustr.gov/sites/default/files/files/Issue_Areas/Presidential%20Tariff%20Action/Reciprocal%20Tariff%20Calculations.pdf

2 SA export data are obtained from the SARS. The values presented here exclude exports by SA that do not originate in the country.

As discussed in Annex A, a large part of the discrepancy is due to gold trade and substantially higher US reported import values for PGMs ($987 million) and diamonds ($980 million) from SA. SA does not report on bilateral exports of gold, whereas the US reports imports of $3.47 billion worth of gold from SA in 2024. This alone, accounts for 56% of the discrepancy in SA reported exports and US reported imports. In addition, the US data appears to include precious metals and diamonds that are processed in SA using raw materials imported from Africa. SARS excludes goods imported and exported for processing from its trade statistics. Finally, there are data discrepancies for products such as passenger vehicles (product 8703 of the Harmonized System (HS) classification), where US reported imports of $2.42 billion from SA exceed the SARS reported exports of $1.66 billion to the US. For some products like unwrought aluminium (HS 7601), SA reported exports ($443 million) exceed those reported by the US for home consumption ($1 million).

The focus on goods trade ignores the important contribution of services trade to the trade balance. The US is a major exporter to SA of services including transport, finance, telecommunication and intellectual property. According to US Bureau of Economic Analysis (BEA) data the US exports $3.5 billion of services to SA, whereas imports of services from SA are lower at $2.2 billion, resulting in a $1.3 billion trade surplus with SA. If services are included with goods trade, then the trade deficit as reported by the US falls from $8.9 billion to $7.6 billion (Figure 1).

Figure 1: US reported bilateral current account balances with South Africa, 2024

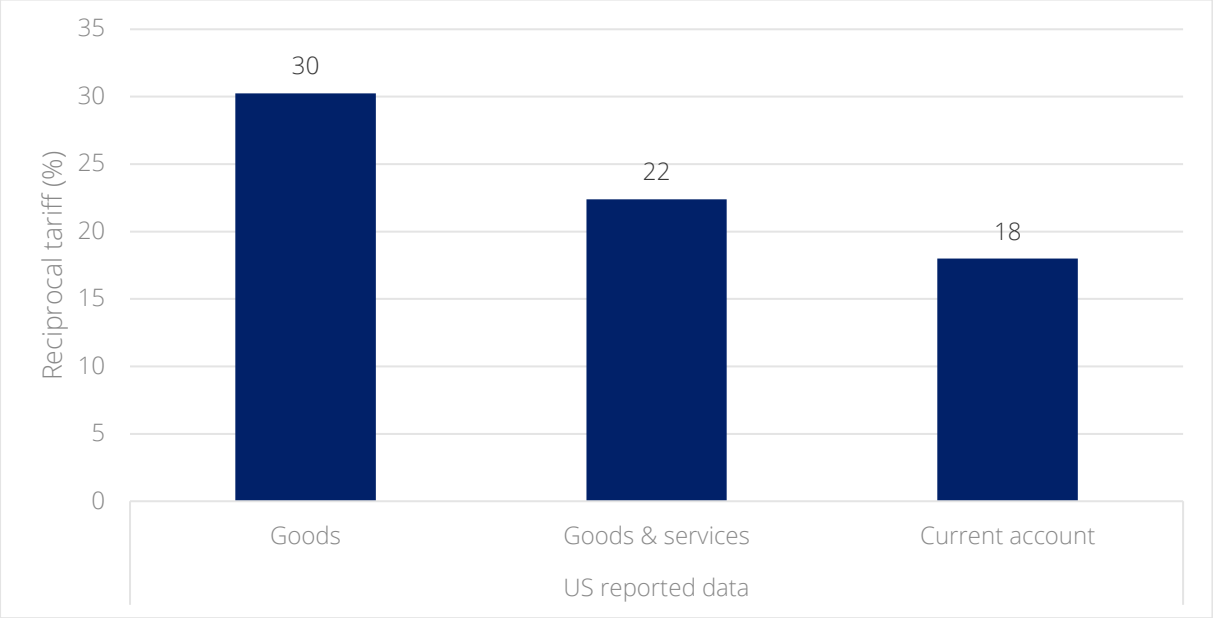
Source: US Bureau of Economic Analysis data

The US also runs a $1.3 billion surplus in primary income transfers with SA reflecting net positive returns to US investments in SA. According to the US balance of payments data, the inflow of investment income into the US from SA equalled $2.7 billion in 2024, largely due to positive returns from portfolio investments. Primary income payments were lower at $1.4 billion in 2024, leading to a net inflow of $1.3 billion to the US from SA through the primary income account. Also important for

the current account are secondary income transfers covering remittances, aid, taxes, donations, etc, where payments to SA ($1.2 billion) exceeded receipts ($0.5 billion) by $0.7 billion.[3] Extending the trade balance to include primary and secondary income flows further reduces the US deficit with SA to $7.1 billion (Figure 1).

If services trade and income payments were included, the reciprocal tariff would fall from 30% to 18%. A broader consideration of the deficit to include services trade and income transfers has a substantive implication for the implied reciprocal tariff (Figure 2). The reciprocal tariff based on goods trade as reported by the US was calculated as 30%. The inclusion of services reduces this to 22%, while the inclusion of net income transfers lowers the calculated value to 18%.

Figure 2: Sensitivity of the implied reciprocal tariff to inclusion of services and income transfers, 2024



Notes: Bilateral services trade values and primary and secondary income transfers are obtained from the US BEA. Following the approach used by the US administration, the reciprocal tariff is calculated as the deficit over the value of payments to SA divided by 2. E.g. the reciprocal tariff using the current account balances (18%) is calculated by dividing the net payment through the current account ($7.1 billion) by the value of imports of goods and services and income payments ($19.6 billion), and dividing this further by 2.

3 According to the BEA, "Secondary income (current transfer) receipts and payments include U.S. government and private transfers, such as U.S. government grants and pensions, fines and penalties, withholding taxes, personal transfers (remittances), insurance-related transfers, and other current transfers."

2.2 Composition of US - SA trade

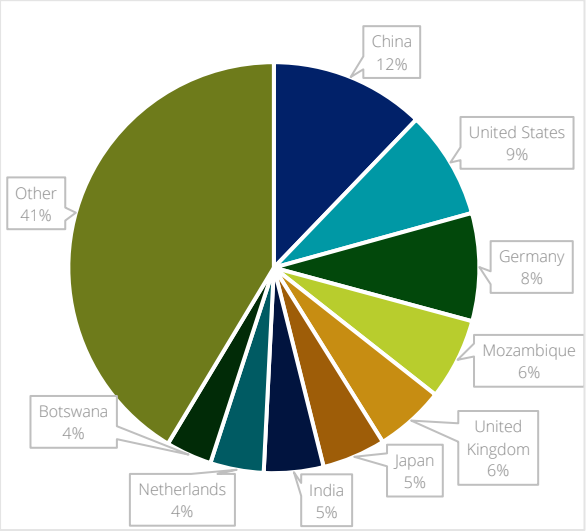
Key findings:

1. The US is the second largest destination for SA's exports after China, totaling $8.4 billion (8.5%).
2. SA's export (excluding gold) profile to the US is heavily concentrated in a few sectors such as precious metals & stones ($3 billion; 36% share), vehicles & parts ($1.7 billion; 21%), and aluminium, iron and steel ($0.95 billion; 11%).
3. SA imports from the US are less concentrated and more manufacturing intensive than exports, with machinery & equipment (20% share) the top imported product.
4. SA is a major source of US world imports of critical minerals such as Zirconium, PGMs, Manganese and Titanium.

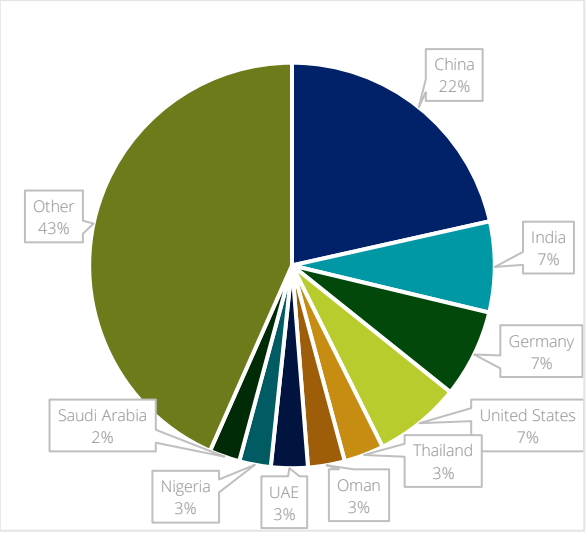
The US is the second largest destination for SA's exports after China, accounting for 8.5% (or US$ 8.4 billion) of the total value of non-gold exports reported by SA in 2024 (Figure 3a). In terms of imports, the US is the 4th largest origin (6.9% share) after China, India and Germany, as reported by SA (Figure 3b), although import values from the latter two countries ($7 -7.3 billion) are very similar to those from the US ($6.98 billion).

Figure 3: Country destination and origin of SA reported non-gold exports and imports, 2024

(a) Non-gold exports



(b) Imports



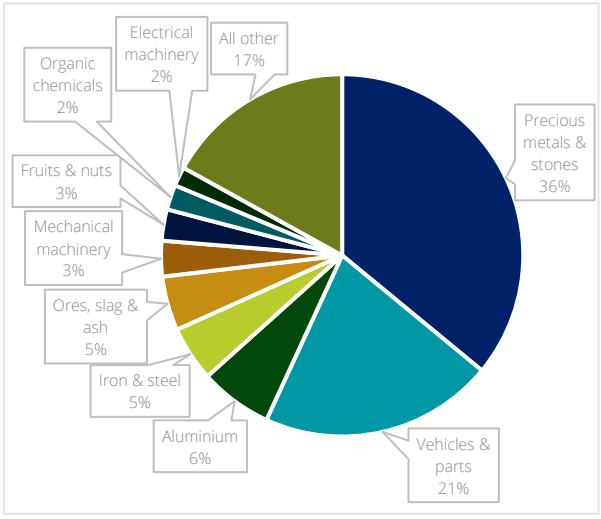
Notes: Based on export data reported by SARS for 2024. Exports of gold (HS 7108) are excluded. Non-gold exports are valued at $97.97 billion and total imports are valued at $101.24 billion in 2024.

SA's non-gold exports to the US are concentrated in precious metals/stones and vehicles & parts. Using the 2-digit level product classification of the Harmonized System (HS), precious metals, including diamonds, made up $3 billion, or 36% of SA's non-gold exports in 2024, with vehicles and parts accounting for an additional ($1.7 billion, 21%) and, aluminium, iron and steel a combined $0.95 billion (11% share) (Figure 4a).

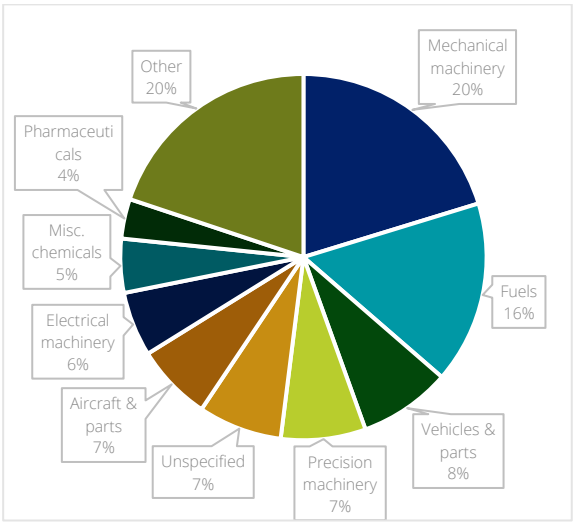
High levels of concentration are also found at the more disaggregated product level (HS6-digit level). In total, SA exported just over 1800 products to the US in 2024.[4] The top 10 products, however, make up 59% of non-gold exports. The largest product item at the HS6-digit level is light passenger vehicles (> 1500 cc but ≤ 3000 cc) that makes up 17% of total non-gold exports to the US (Table 1). Several of the PGMs (within HS7110) follow, and together make up 29% of total non-gold exports to the US. Other key products include unwrought aluminium (HS 760110) with a 5.3% share, ferro-chromium (HS 72-241) with a 2.6% share, titanium ores and concentrates (HS 2614) with a 2.4% share and jewellery of precious metals, not silver with a 2% share.

Figure 4: Composition of SA reported non-gold exports to and imports from the US, 2024

(a) Non-gold exports



(b) Imports



Notes: Based on export data reported by SARS for 2024. Exports of gold (HS 7108) are excluded. Products are classified at the HS 2-digit level.

The composition of SA imports from the US is less concentrated and more manufacturing intensive than exports. The major SA imports from the US, as reported by SARS, comprise of mechanical machinery (20% share) followed by fuels (16%), vehicles & parts (8%) and precision machinery, unspecified products (HS 99), aircraft & parts and electrical machinery (7% each) (Figure 4b). In terms of export dependence, the SA market is small, making up 0.3% of US non-gold exports (using SA reported exports, and US reported exports). Exceptions include wool & woven fabric thereof, and man-made staple fibres where SA imports account for 4.2% and 2.7% of total US exports of these products, respectively.

4 SA exported 1865 products in 2024 where the export value was greater than $1000. The total number of products exported is 2530.

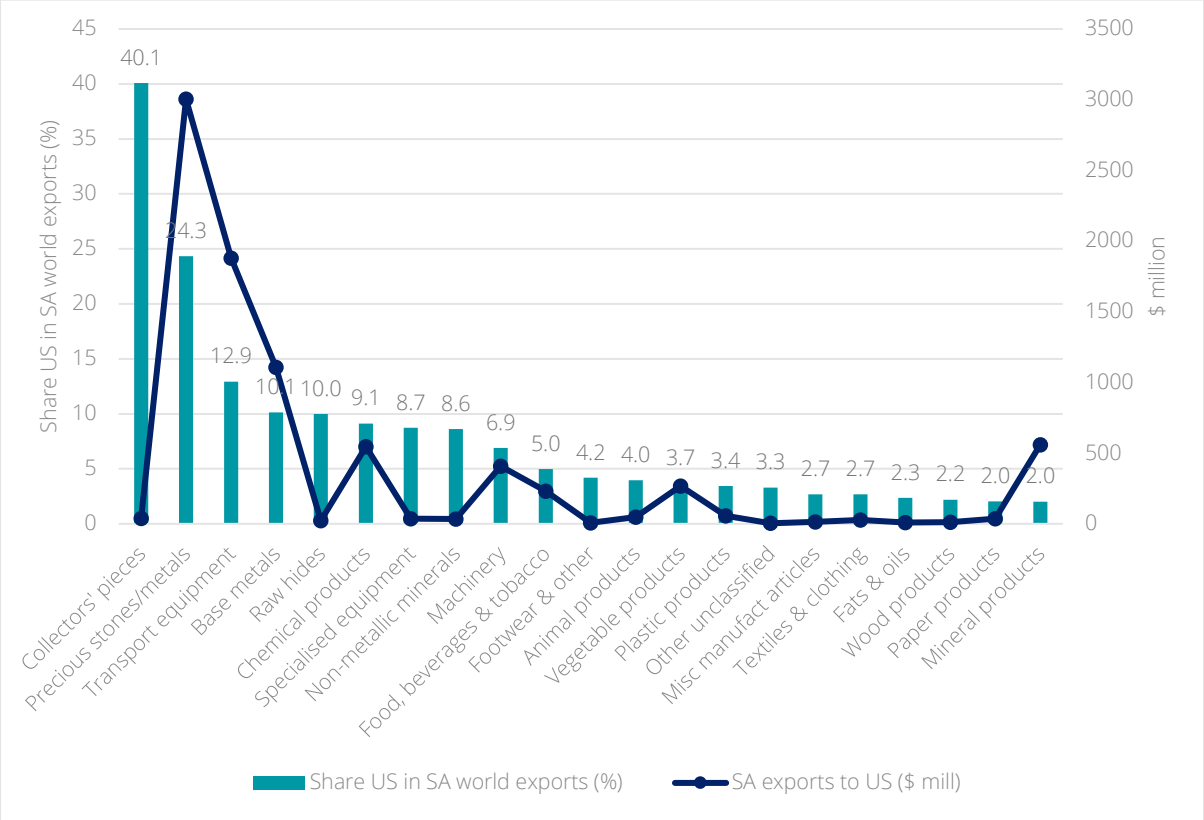
Table 1: South Africa's top 10 non-gold exports to the US by HS 6-digit classification, 2024

HS 6-digit	Description	Exports to US ($ mill)	Share in exports to US (%)	Share US in total exports of product (%)
870323	Passenger vehicles, > 1500 cc but ≤ 3000 cc	1 439	17.2	44.8
711021	Palladium, unwrought	711	8.5	36.0
711011	Platinum, unwrought	650	7.8	34.3
711031	Rhodium, unwrought	469	5.6	27.3
760110	Aluminium, unwrought	443	5.3	31.6
711039	Rhodium in semi-manufactured forms	333	4.0	59.4
711019	Platinum, in semi-manufactured forms	292	3.5	13.4
720241	Ferro-chromium, weight > 4% of carbon	213	2.6	5.7
261400	Titanium ores and concentrates	200	2.4	34.7
711319	Jewellery, of precious metal, not silver	165	2.0	94.8
Sub-total		4 915	58.9	

Notes: Based on export data reported by SARS for 2024. Exports of gold (HS 7108) are excluded. Products are classified at the HS 6-digit level.

Several of SA's top exports are highly dependent on the US as a destination market. Although the US only accounts for 8.5% of SA non-gold exports to the world, its importance as a market is very high for many products, including most of the top 10 products exported to the US. The US, for example, accounted for shares of over 30% for 7 of the top 10 products exported to the US in 2024 (Table 1). For light passenger vehicles (> 1500 cc but ≤ 3000 cc), SA's top export product to the US (at HS 6-digit level), the US share was a high 45%. In the case of jewellery of precious metal (not silver), the US market share of SA exports is 95%. High levels of geographic concentration in the US market make South African aggregate exports of these products more vulnerable to changes in US demand and increases in tariff protection.

Figure 5: Share US as market for SA non-gold exports by HS Section, 2024

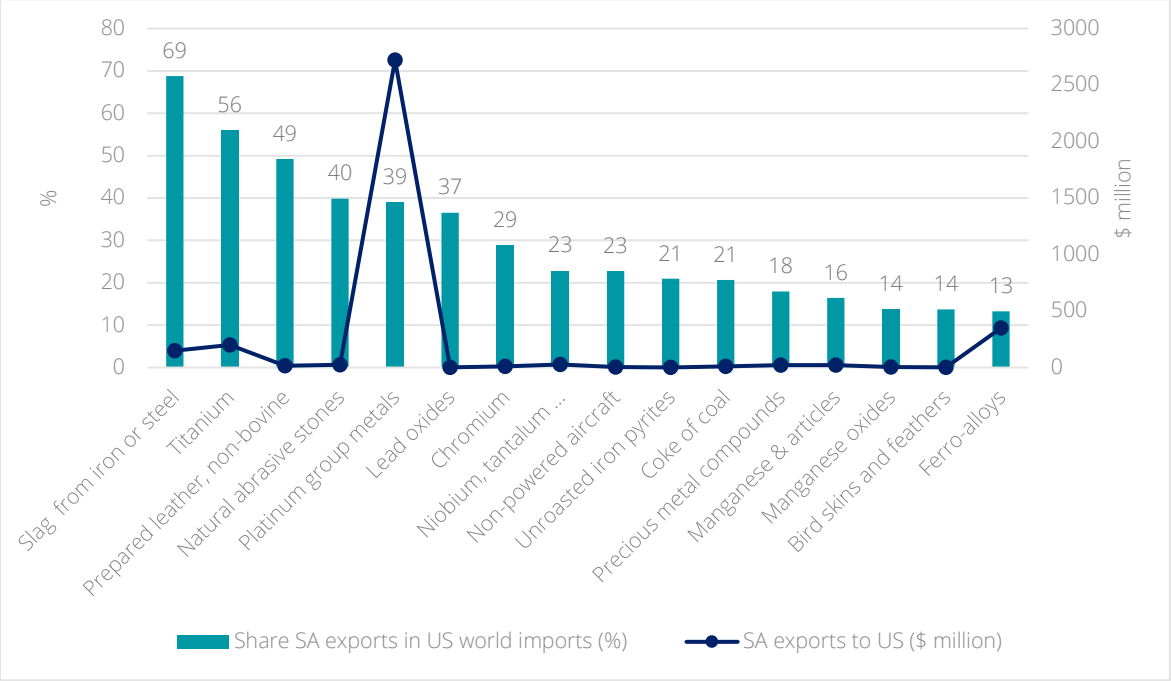


Notes: Based on export data reported by SARS for 2024. Exports of gold (HS 7108) are excluded. Products are categorised according to Section headings of the HS.

At a more aggregated HS Section categories (Figure 5), the US share in SA exports is highest for collector's pieces (40%), precious metals & stones (24%), transport equipment (12.9%), base metals & articles (10%), raw hides (10%) and chemicals (9.1%) and lowest for mineral products (fuels, non-metallic minerals, ores), paper, wood products, and animal or vegetable fats & oils (each below 2.5%).

South African exports to the US made up only 0.26% of total US non-gold imports, but for some products over half of US imports are sourced from SA. We can measure vulnerability to trade shocks from the perspective of the US in terms of the dependence of the US on SA as a source of imports. SARS reported non-gold exports to the US make up only 0.26% of total non-gold imports by the US from the world. However, at the disaggregated level, US dependence on SA as a source of imports is very high for several products. For example, SA reported exports to the US make up 69% of US reported world imports of slag from iron or steel, 56% of US imports of titanium, and 49% of non-bovine (e.g. goat) prepared leather. South African exports of PGMs account for 39% of total US imports of these products (Figure 6).

Figure 6: Top products (HS 4-digit level) where SA reported exports account for a high share of US reported world imports, 2024



Notes: US reported import data is obtained from USITC. The shares reflect South African reported export values as shares of US reported general imports from the world. General imports include goods entering into bonded warehouses or Foreign Trade Zones. Products are defined at the HS 4-digit level. Niobium, tantalum,.. also includes vanadium and zirconium.

SA is disproportionately important as a source of critical minerals imports by the US. In total, US imports of critical minerals from the world make up a low share (2.7%) of its total import value in 2024. In contrast, critical minerals make up 44% of South African aggregate exports to the US. Most of this export value is made up of PGMs, which make up 34% of US global imports of these products (Table 2). However, SA is also an important source of its imports of other critical minerals such as zirconium (41.7% share of US world imports), manganese (13.9%), titanium (12.8%)[5], gallium, hafnium, indium etc. (6.5%) and chromium (4.6%), amongst others.

5 SA reported an export value to the US of $200 for titanium ores & concentrates, whereas the US only reported imports from SA to the value of $86 million. If the US declared import value is used, South Africa's share falls to 5.5%.

Table 2: South Africa's exports of critical minerals to the US, 2024

	SA exports to US ($ million)	Total SA exports ($ million)	US imports from world ($ million)	Share SA exports in US world imports (%)	Share US in SA world exports (%)
Zirconium	25.61	612	61	41.7	4.2
Platinum group metals	2 723.97	9972	7 910	34.4	27.3
Manganese	32.77	3069	235	13.9	1.1
Titanium	199.88	581	1 556	12.8	34.4
Gallium,hafnium, …	31.87	141	488	6.5	22.6
Chromium	12.81	4635	280	4.6	0.3
Fluorspar	10.33	116	257	4.0	8.9
Cadmium	0.05	0	1	3.8	41.4
Rare earth	4.53	6	172	2.6	76.2
Aluminium	540.54	2056	21 006	2.6	26.3
Nickel	52.05	651	3 644	1.4	8.0
Cobalt	3.34	8	420	0.8	40.6
Silicon	2.84	108	1 111	0.3	2.6
Silver	10.79	244	5 600	0.2	4.4
Copper	11.86	1449	16 586	0.1	0.8
Lead	0.21	110	1017	0.0	0.2
Lithium	0.97	152	24 491	0.0	0.6
Molybdenum	0.02	0	981	0.0	14.0
Tantalum	0.01	0	354	0.0	17.3
Tin	<0.01	0	898	0.0	0.4
Graphite	<0.01	0	142	0.0	0.1
Total	**3 664**	**2 3911**	**8 7211**	**4.2**	**15.3**

Notes: Based on export data reported by SARS for 2024. Critical minerals are defined at the HS 6-digit level using a classification used in the Trade in Critical Minerals (TiCM) database of the WTO (https://critmin.org/trade-data/). The TiCM database covers a non-exhaustive group of critical minerals and related products that are relevant for the clean energy transition. PGM denotes platinum group metals. Gallium, hafnium, … covers gallium, germanium, hafnium, indium, niobium (columbium), rhenium and vanadium. US general import data are obtained from USITC, while SA export data are obtained from SARS.

3 Background analysis of US tariffs levied on imports from SA

Key findings:

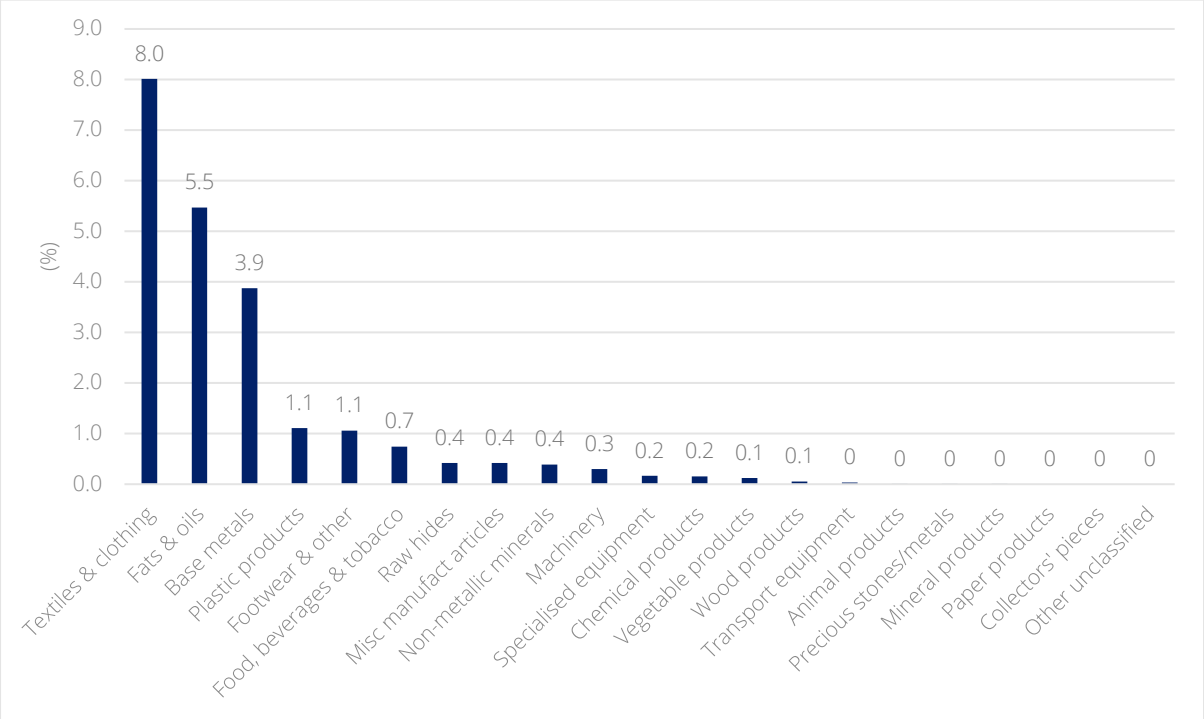
1. The import weighted average tariff imposed on US non-gold imports from SA prior to the recent tariff increase were very low, averaging only 0.4%.
2. Applied tariff rates in 2024 were highest for textile and clothing products (8%), fats & oils (5.5%) and base metals (3.0%), and were lowest for paper products, mineral products, precious metals, and animal products.
3. SA is one of the main beneficiaries of AGOA, with US imports reaching $3.8 billion in 2024.
4. Trade under AGOA is highly concentrated, with passenger vehicles (1500-3000 cc) accounting for over 61.7% of imports of AGOA, followed by ferrochrome, jewellery (mainly gold necklaces), citrus and yachts and recreational vessels.
5. Although AGOA provides duty-free access to a wide range of products, the general tariff - Most Favoured Nation (MFN) tariff – is already zero on the bulk of US imports from SA.
6. The utilisation of AGOA to import products duty-free is also low, with fewer than half of all imported products listed as eligible for access under AGOA entering duty-free under the available preference agreements.
7. Finally, the tariff preference margins are, in general low, averaging 2.9%.

This section presents a brief overview of US tariff rates imposed on South African exports prior to the recent tariff increases. To conduct the analysis, applied tariff rates at the 10-digit level of the US Harmonized Tariff Schedule (HTS) are obtained from the USITC and the 2025 tariff book for the US. Changes in tariff rates under the different proclamations, including applicable and exempted product lists, are sourced from the Presidential Proclamations published by the Office of the Federal Register. Further, preferences granted to US imports from SA under AGOA are also analysed, using US reported import data. US reported imports of gold from SA are excluded from the analysis.

Figure 7 presents the import weighted average tariff applied by the US on imports from SA in 2024 by HS Section. The applied tariffs are inclusive of the AGOA preferences, and the 2018 & 2020 Section 232 tariffs imposed on steel (25%) and aluminium (10%).

The import weighted average tariff imposed on US non-gold imports from SA in 2024 were very low, averaging only 0.4%. The low average tariff arises from a combination of zero tariffs on major imports such as precious metals, and preferential duty-free access on dutiable goods under the AGOA. Looking across the HS Section product groupings, applied tariff rates in 2024 were highest for textile and clothing products (8%), fats & oils (5.5%) and base metals (3.0%), and were lowest for paper products, mineral products, precious metals, and animal products (Figure 7).

Figure 7: Import weighted average tariff applied on US imports from SA in 2024 by HS Section (%)

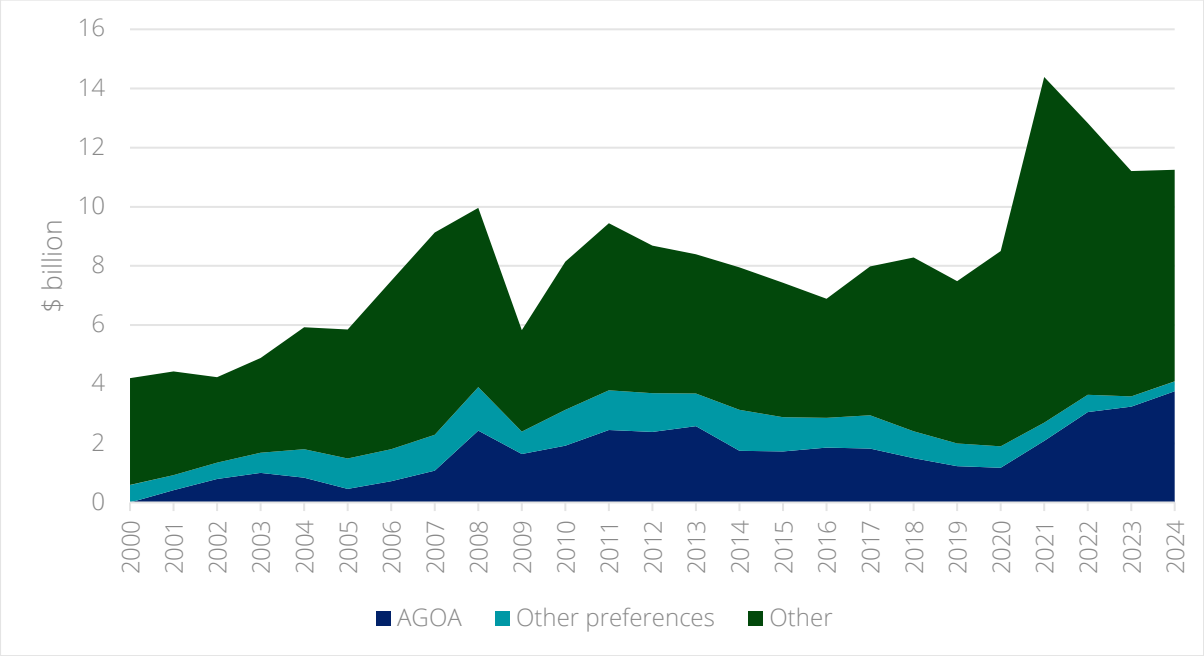


Notes: Products are categorised according to Section of the HS. Own calculations using USITC data at the HTS 10-digit level. Gold (HS 7108 & HTS 7115900530) is excluded. Products subject to the different tariff proclamations are identified using the Federal Register.

SA benefits from preferential access into the US market through the AGOA. The AGOA was enacted in 2000 by then-US President Bill Clinton, granting SSA countries duty-free access to the US market for the majority of imports. SA is one of the main beneficiaries of AGOA, with the latest 2024 US import data reflecting imports to the value of approximately $3.8 billion (Figure 8). Since its implementation, AGOA trade has grown at an average annual compound growth rate of 10%, experiencing a cumulative growth rate of 800% between 2001-2024. Over the same period, US imports from SA outside of AGOA also grew, but at a much slower average annual compound growth rate of 2.7% and total growth of 87%.

Despite the impressive growth exhibited under AGOA, the benefits are highly concentrated. According to US import data for 2024, the vehicles sector is by far the largest sector ($2.57 billion) benefitting from AGOA, representing 68.3% of all imports under AGOA. This is followed by base metals ($275 million; 7.3% share), chemicals ($247 million; 6.6% share), fruit & vegetables (including citrus) ($214 million; 5.7% share) and food, beverages & tobacco ($188 million; 5% share) (Table 3).

Figure 8: US non-gold Imports from SA by preference agreement (2000-2024)



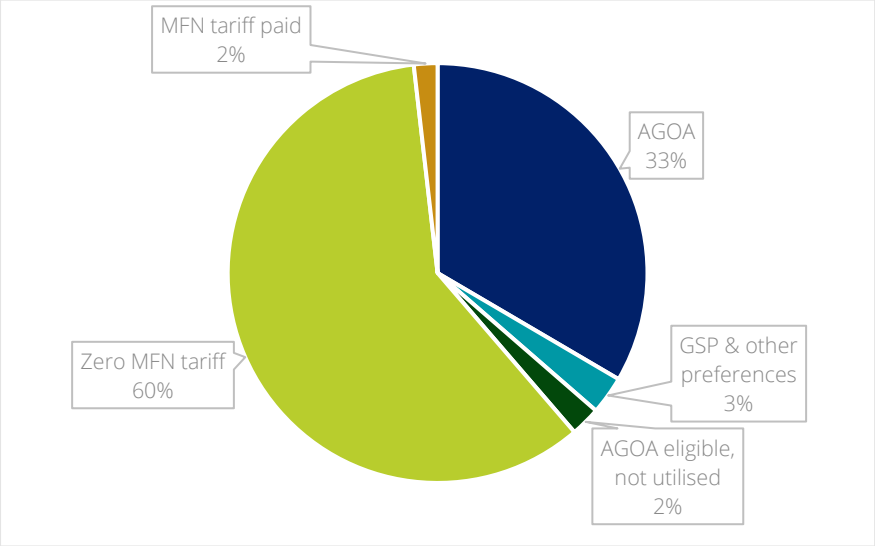
Notes: Own calculations using US import for consumption data obtained from USITC. Other preferences include duty-free imports under the Generalised System of Preferences (GSP) and the Agreements on Trade in Civil Aircraft and Trade in Pharmaceutical Products.

Looking at the more disaggregated level (HS6-digit), the top 5 products represent 72% of all imports under AGOA, further highlighting the concentrated nature of AGOA benefits (See Table B1 in Annex B). Specifically, light passenger vehicles (1500-3000 cc) (HS 870323) dominate US imports from SA, accounting for 61.7% of all imports under AGOA. Ferro-alloys (3.3%), specifically high-carbon ferrochrome, jewellery (mainly gold necklaces) (3.1%), vehicles with both spark-ignition and electric motor for propulsion (2.3%) (HS 870340) and motorboats for pleasure sports (1.8%) round out the top 5 products.

Although AGOA provides duty-free access to a wide range of products, the general tariff - Most Favoured Nation (MFN) tariff – is already zero on the bulk of US imports from SA. US imports from SA facing zero-tariff MFN rates accounted for 60% of total non-gold imports from SA in 2024 (Figure 9). Products on which tariff duties were paid make up 4% of non-gold imports, while the remaining non-gold imports are imported duty-free under AGOA (33%) or the Generalized System of Preferences (3%).[6]

6 The General System of Preferences (GSP) expired in December 2020, but a few goods are still reported as being imported under the scheme. Products also enter duty-free under the Agreement on Trade in Civil Aircraft and the Agreement on Trade in Pharmaceutical Products, but these products only made up $10.5 million in 2024. Many products are eligible for both GSP and AGOA. In fact, all products imported under GSP are also eligible for preferential access under AGOA.

Figure 9: Share structure of US non-gold imports from SA according to programme, 2024



Notes: Own calculations using 2024 US import for consumption data obtained from USITC. Imports of gold are excluded. AGOA eligible, not utilized includes products (HTS 10-digit level) that are eligible for AGOA preferential access, but are imported under the MFN tariff regime. The category GSP & other preferences includes imports under the Generalized System of Preferences and the Agreements on Trade in Civil Aircraft and Pharmaceutical Products, all of which are also AGOA eligible.

The utilisation of AGOA to import products duty-free is also low, with fewer than half of all imported products listed as eligible for AGOA access entering duty-free under the available preference agreements. South Africa imported 1745 HS10-digit products that are designated as eligible to be imported under the AGOA. Of these, only 813 (46.6%) enter duty free under AGOA, the GSP, or the Agreements on Trade in Civil Aircraft and Pharmaceutical Products (Table 3). The product utilisation rates only exceed 60% for fruit & vegetable products, animal or vegetable fats & oils and food, beverages & tobacco. For transport equipment, the major export product, only 41.3% of eligible products enter under AGOA or GSP.

Products entering under the agreement, however, account for a very high share (94%) of the total value of US imports of AGOA eligible products from SA. The utilisation rate in terms of value is very high (above 95%) for products such as transport equipment, precious stones & metals, mineral products, and wood products, and is low (below 30%) for animal or vegetable fats & oils, and textiles & clothing (Table 3). Low utilisation rates may reflect the inability of domestic firms to meet the rules of origin requirements for their product to enter into the US under AGOA preferences. To be eligible, the cost of local material (including from other AGOA beneficiaries and the US) plus the direct costs of processing undertaken in the AGOA-beneficiary country(ies) must equal at least 35% of the product's appraised value at the US port of entry.[7]

7 https://agoa.info/about-agoa/rules-of-origin.html.

Table 3: US imports from SA under AGOA by HS Section, 2024

Section	AGOA ($ mill)	Share of AGOA Trade (%)	AGOA product utilisation rate (%)	AGOA value utilisation rate (%)	Share of AGOA in Total (%)	Tariff Preference (%)
Live animals, animal products	0.1	0.0	40.0	60.4	0.1	6.2
Fruit & vegetable products	214.3	5.7	66.7	92.7	75.9	1.7
Animal or vegetable fats & oils	3.0	0.1	61.5	25.1	23.8	7.5
Food, beverages & tobacco	188.3	5.0	70.3	94.2	70.0	9.5
Mineral products	8.3	0.2	41.7	96.5	1.7	3.0
Chemical products	247.2	6.6	49.7	88.8	40.2	3.8
Plastic products	43.9	1.2	44.6	77.4	57.8	4.3
Raw hides	4.0	0.1	40.0	93.9	22.0	3.9
Wood products	7.6	0.2	53.1	97.5	49.0	4.2
Textiles & clothing	0.2	0.0	35.7	28.3	0.8	7.8
Footwear	2.8	0.1	45.9	81.6	47.8	9.9
Non-metallic minerals	3.6	0.1	46.5	59.6	10.2	4.9
Precious stones & metals	116.6	3.1	52.9	99.4	2.2	5.5
Base metals	274.9	7.3	45.1	82.9	38.1	3.3
Machinery	66.9	1.8	31.6	64.2	16.1	2.6
Transport equipment	2 569.4	68.3	41.3	98.3	96.2	2.5
Specialised equipment	0.0	0.0	19.0	13.5	0.1	1.7
Misc manufact articles	9.5	0.3	51.0	81.6	38.6	4.7
Total	**3 760.7**	**100.0**	**46.6**	**94.0**	**33.6**	**3.0**

Notes: Product utilisation reflects the share of all AGOA eligible products at the HTS 10-digit level that are imported under AGOA preferences, or other preference agreements including GSP and Agreements on civil aircraft and pharmaceuticals. The value utilisation rate reflects the share value of all AGOA eligible imports imported under preferences.

Finally, average tariff preference margins on US imports from SA under AGOA are low (2.9%). Tariff preference margins reflect the difference between the MFN tariff, that is applicable to imports without preferential access, and the applied tariff (0%) under AGOA. US imports from SA under AGOA in 2024 benefited from an aggregate preference margin of 2.9%. US imports of vehicles from SA benefited from a tariff preference margin of only 2.5% in 2024. Imports of citrus are not required to pay the specific tariff of 1.9 US cents per kilogram, which given import prices, is equivalent to an ad valorem tariff of approximately 1.6%. The foodstuff sector enjoys the highest tariff preference margin of 9.5%, followed by plastics (4.3%), other sectors (4.2%) and chemicals (3.8%) (Table 3).

4 Impact of the various tariff proclamations on tariff levels imposed on US imports from SA

Key findings:

1. The 2025 tariff increases build on policies from President Trump's first term, with new proclamations reinstating and extending the Section 232 tariffs on steel and aluminium products (25% subsequently increased to 50%), as well as additional tariffs on vehicles (25%).
2. Additionally, President Trump invoked the IEEPA to impose a 10% reciprocal tariff on imports from most countries, with provisions to raise this for countries like SA (to 30%) with perceived bilateral trade imbalances.
3. Trump's administration has also used IEEPA to impose additional tariffs of 10-25% on Canada, Mexico, and China in response to fentanyl trafficking and migration concerns, the legality of which has been contentious to date.
4. Looking ahead, South African exports to the US are vulnerable to several potential future changes in US trade policy, including Section 232 investigations, renewal of AGOA in September 2025 and trade agreements with competing countries.

The direct vulnerability of SA's exports to the various tariff proclamations by US President Donald Trump depend on a combination of: (a) the tariff proclamations and products targeted, (b) the value of SA exports to the US covered by the tariff increases, and (c) the size of the tariff increases. This section provides an overview of these different aspects.

4.1 Tariff proclamations affecting South Africa

In 2025, President Trump has significantly expanded the use of presidential trade powers under laws such as the IEEPA and Section 232 of the Trade Expansion Act of 1962 to implement wide-ranging increases in tariff protection, as outlined in Table 4.[8]

The 2025 tariff increases build on policies from President Trump's first term, with new proclamations in February and March 2025 reinstating and extending the Section 232 tariffs on steel and aluminium products.[9] These proclamations expanded the range of products covered, reinstated the 25% steel tariff levy on those countries that were previously exempted, and raised the aluminium levy from 10% to 25%.[10] On June 3 2025, tariffs on imports of steel and aluminium articles and their derivatives were increased further to 50% (effective June 4th). In late March, a 25% tariff was also imposed under Section 232 on imported passenger vehicles and light trucks (effective from 3 April) and selected automobile parts (effective 3 May 2025), with exceptions for Mexico and Canada under the United States-Mexico-Canada Agreement (USMCA) (the 25% tariff applies to the non-US content) (Burkhart and Hammond, 2025). [11] Finally, on 10 July, President Trump announced 50% tariffs to be imposed on copper imports from 1 August following Section 232 investigations that commenced in February.

Table 4: Timeline of Key US Trade Policy Events under Trump's Administration

Period	Policy/Event	Description & Motivation
Direct		
2018	Section 232 Tariffs (Steel & Aluminium)	National security justification used to impose tariffs: 25% on steel, 10% on aluminium globally.
March 2025	Section 232 Tariffs (Steel & Aluminium)	Reinstated 25% tariffs on all steel and aluminium (previously 10%) imports, eliminating previous exemptions and expanding the scope to include derivative products.
April 2025	Section 232 Tariffs (Automobiles & Parts)	Imposed 25% tariffs on imports of automobiles and certain automobile parts from all countries, citing national security concerns.

8 The trade policies discussed may not be exhaustive as only the key impact policies are highlighted here.

9 Section 232 tariffs are designed to protect national security by limiting imports of certain goods that are deemed to threaten the country's ability to maintain essential capabilities.

10 For list of products, see proclamation 10896 of February 10, 2025 Adjusting Imports of Steel Into the United States (90 FR 9817), https://www.federalregister.gov/documents/2025/02/18/2025-02833/adjusting-imports-of-steel-into-the-united-states ..

11 Proclamation 10908 of 26 March 2025. (https://public-inspection.federalregister.gov/2025-05930.pdf). On April 29, there was an amendment to the Proclamation 10908 reducing duties assessed on automobile parts accounting for 15 percent of the value of an automobile assembled in the US for 1 year and equivalent to 10 percent of that value for an additional year. (https://www.whitehouse.gov/presidential-actions/2025/04/amendments-to-adjusting-imports-of-automobiles-and-automobile-parts-into-the-united-states/). The aim was to allow domestic automobile assemblers to adapt to the increased tariffs by relocating production to the US.

Period	Policy/Event	Description & Motivation
05 April 2025	IEEPA Reciprocal 'Universal' Tariffs	Imposed a 'universal' 10% tariff on all imports from most countries, including SA, with the exception of a list of mostly critical minerals/precious metals, citing trade deficit concerns and alleged unfair trade practices.
09 April 2025	90-day Suspension and Reduction of Reciprocal Tariffs	Imposed a 30% reciprocal tariff on imports from SA, but quickly reduced this to a flat 'universal' 10% for 90 days. This suspension is due to expire on 8 July 2025.
04 June 2025	Section 232 Tariffs (Steel & Aluminium)	Doubled the previous tariffs on all steel and aluminium imports to 50%.
07 July 2025	90-day Suspension Extended	30% reciprocal tariff for SA starting 1 August 2025.
10 July 2025	Section 232 Tariffs (Copper)	Announcement of 50% tariff on copper from 1 August 2025
September 2025	AGOA up for Renewal	AGOA expires at the end of September 2025. Risk for SA to be excluded from renewal and/or non-renewal of AGOA in its entirety.
Indirect		
2018	Section 201 tariff-rate quotas	Tariff-rate quota of 14% for first 5 gigawatts of CSPV cell and module imports each year. Expires in February 2026.
2018	Section 301	Imposed tariffs on Chinese imports citing theft of intellectual property and other violations.
2025	IEEPA Fentanyl and Migration Tariffs	Imposed on Canada, Mexico and China citing involvement in facilitating fentanyl trade with migration concerns also cited for Mexico.
2025	Trade deals	Trade "deals" have been negotiated with UK, EU, Japan, Philippines, Indonesia, and Vietnam, although full details are not yet available.

Notes: Information is sourced from Burkhart and Hammond (2025), Sutter (2025), the White House (2025a, 2025b) and the site https://www.tradecomplianceresourcehub.com/. IEEPA -International Emergency Economic Powers Act. AGOA – Africa Growth and Opportunity Act. CSPV – Crystalline Solar Photovoltaic.

Additionally, President Trump invoked the IEEPA on 2 April to impose a 10% reciprocal tariff on imports from most countries (with effect 5 April), with provisions to raise this on 9 April for countries like SA (to 30%) with perceived bilateral trade imbalances.[12] A 90-day suspension (to 9 July) on the country-specific tariffs was granted to facilitate trade negotiations, during which the baseline tariff remained at 10% (Burkhart and Hammond, 2025). The July deadline was further extended to 1 August, with

12 See White House (2025b). The IEEPA is a US federal law that empowers the President to regulate economic transactions in the face of a national emergency stemming from an unusual and extraordinary threat to national security.

President Trump reaffirming the implementation of a 30% tariff on US imports from SA and slightly adjusted tariffs on several other countries.

The reciprocal tariffs apply over and above existing duties, though several products including gold, PGMs, ferro-alloys, base metals (zinc, manganese), wood products, nickel, amongst others, are exempted. The list of exempted products was expanded on 11 April to include electronic products covering semiconductors, integrated circuits, smartphones, laptops, etc. (with backdating to 5 April 2025).[13]

Trump's administration has also used IEEPA to impose additional tariffs of 10–25% on Canada, Mexico, and China in response to fentanyl trafficking and migration concerns. However, the legality of these IEEPA tariffs was challenged, and in May, the US Court of International Trade ruled them unlawful. A subsequent appeal by the government has temporarily stayed this decision. Meanwhile, tit-for-tat retaliation between US and China briefly escalated tariffs to historic levels (145% by the US and 125% by China) before both countries agreed to a 90-day tariff reduction pause in May. This reduced the effective tariff rate on Chinese imports by the US to 30%, and on US imports by China to 10%.

Looking ahead, South African exports to the US are vulnerable to several potential changes in US tariffs. US trade deals have been negotiated with the UK, EU, Japan, Philippines, Indonesia, and Vietnam. While the full details are not yet available, lower tariff increases on these countries (15% for US, 19% for Indonesia and Philippines, 20% for Vietnam and 10% for UK compared to 30% for SA), together with reduced Section 232 tariffs imposed on vehicles (10% for UK and 15% for EU and Japan compared to 25% for SA) and steel & aluminium (25% for UK compared to 50% for SA), expose SA exports to potentially large diversion effects.

Several Section 301 investigations are also underway, targeting semiconductors and shipping/shipbuilding in China, and digital services taxes in the EU.[14] Section 232 investigations underway cover timber and lumber, semiconductors, processed critical minerals and derivative products, medium- and heavy-duty trucks and parts, and commercial aircraft, jet engines and parts. The AGOA, critical to SA's trade with the US, is facing uncertain renewal as it nears expiration in September 2025.

13 https://www.whitehouse.gov/presidential-actions/2025/04/clarification-of-exceptions-under-executive-order-14257-of-april-2-2025-as-amended/

14 Section 301 of the Trade Act of 1974 authorizes the U.S. Trade Representative (USTR) to investigate and potentially retaliate against foreign countries that violate trade agreements or engage in unfair trade practices.

4.2 US imports from SA by tariff proclamation

Key findings:

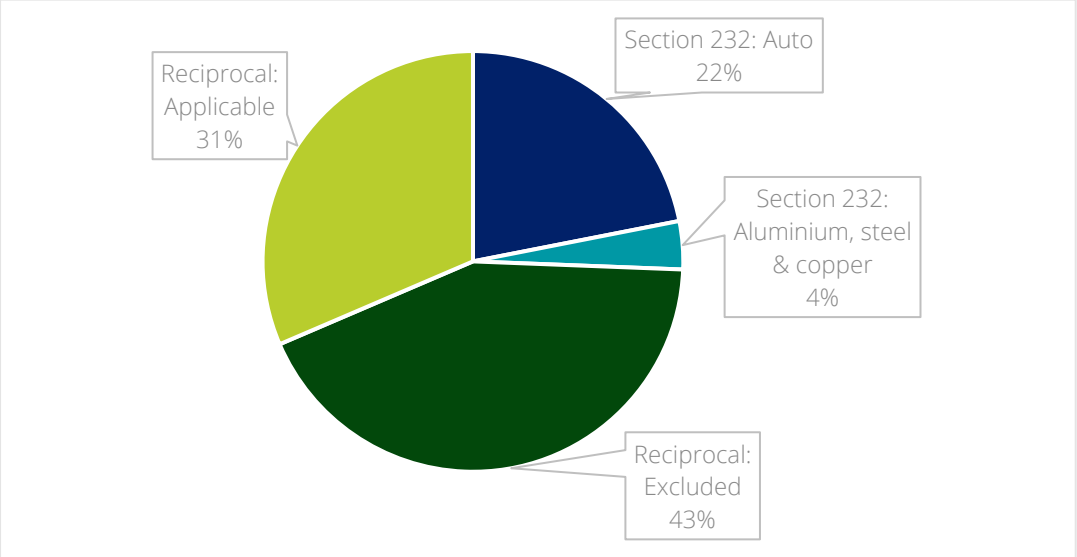
1. A high share of US non-gold imports from SA are exempted from the Section 232 and reciprocal tariffs ($3.6 billion; 43%).
2. The major products by value exempt from the reciprocal tariffs include gold, PGMs (platinum, rhodium, palladium), ferrochromium, ash and residuals, and titanium ore.
3. Nevertheless, over 80% of all products exported by SA to the US face higher Section 232 tariffs and the 10% to 30% reciprocal tariff increases.

Given the exemptions and sector-specific Section 232 tariffs, the exposure of South African exports to the 2025 tariffs increases depend on the product composition of its exports as well as the country specific tariff changes. This section, therefore, uses US reported data in 2024 to study the overlap between the tariff changes and the composition of US imports from SA. Given concerns regarding measurement, gold imports are excluded. Further, to ensure closer consistency between US and SA reported trade, SARS reported export data are used for PGMs, passenger vehicles and non-industrial diamonds. This results in $8.5 billion of goods imported by the US from SA, which closely resembles the total value of non-gold exports declared by SA ($8.6 billion). Figure 10 uses this data to present a pie chart of the composition of US non-gold imports from SA according to products affected by each of the proclamations increasing tariffs.

A high share of the value of US non-gold imports from SA are exempted from the Section 232 and reciprocal tariffs. Looking at non-gold trade, 43% ($3.6 billion) of US imports from SA are exempt from the reciprocal tariff. The major products by value exempt from the reciprocal tariffs include PGMs (platinum, rhodium, palladium), ferrochromium, ash and residuals, and titanium ore. Gold exports are also excluded. Given very low export values, South African exports to the US do not benefit substantially from the exclusion from the reciprocal tariffs of electronic goods covering semiconductors, solid-state storage devices, smartphones, laptops, and monitors.

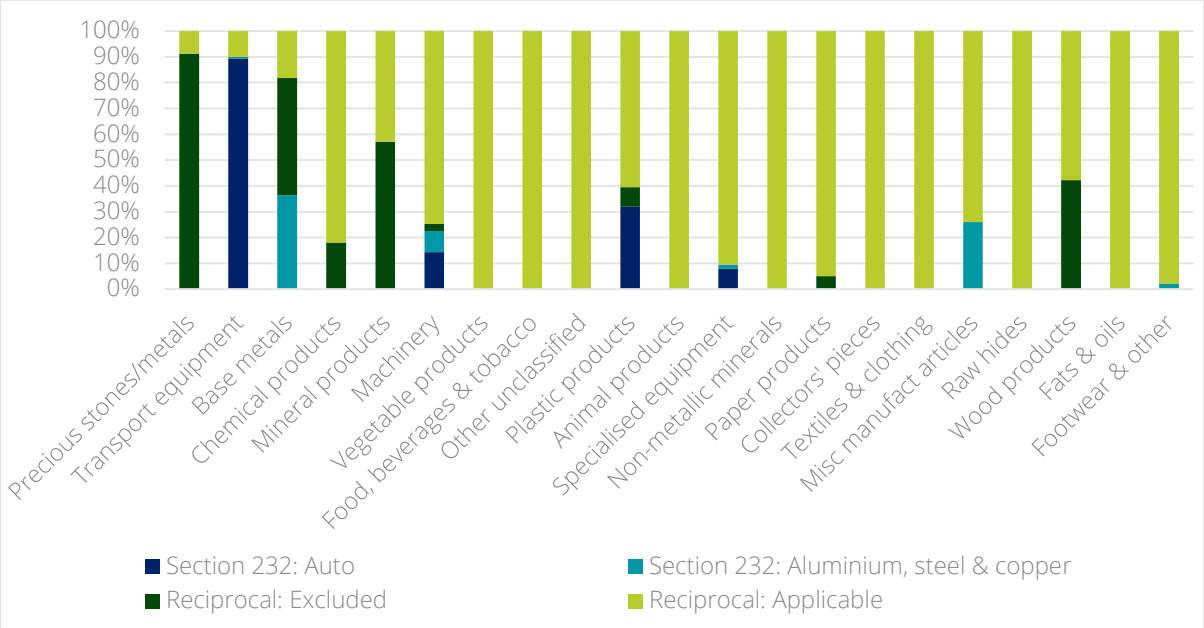
Nevertheless, over 80% of all products exported by SA to the US face higher Section 232 tariffs and the 10% to 30% reciprocal tariff increases. A quarter ($US 2.2 billion) of US imports of non-gold goods from SA in 2024 are affected by the additional 25% - 50% tariff levied under Section 232 on automobiles (including parts), steel, aluminium and copper. Automobiles and parts account for most of these exports (22 percentage points, or $1.87 billion), reflecting its importance in the South African export bundle to the US. Products in industries such as food and vegetables, non-metallic minerals, textiles & clothing, raw hides, and footwear do not benefit from any exemptions from tariff increases (Figure 11).

Figure 10: Composition of US reported non-gold imports from SA by tariff proclamation, 2024 ($8.5 billion)



Notes: Own calculations using USITC data at the HTS 10-digit level. Gold (HS 7108 & HTS 7115900530) is excluded. Products subject to the different tariff proclamations are identified using the Federal Register. Copper products covered by the Section 232 tariffs are not yet specified. Consequently, all copper products and derivative included under HS 74 are assumed to be covered. SARS reported export data are used for platinum group metals, passenger vehicles and non-industrial diamonds. Total US non-gold imports from SA reported by USITC equals $11.2 billion. Adjusted values are $8.5 billion.

Figure 11: Share composition by HS Section of US reported non-gold imports from SA by tariff proclamation, 2024



Notes: Own calculations using USITC data at the HTS 10-digit level. Gold (HS 7108 & HTS 7115900530) is excluded. Products subject to the different tariff proclamations are identified using the Federal Register. SARS reported export data are used for platinum group metals, passenger vehicles and non-industrial diamonds.

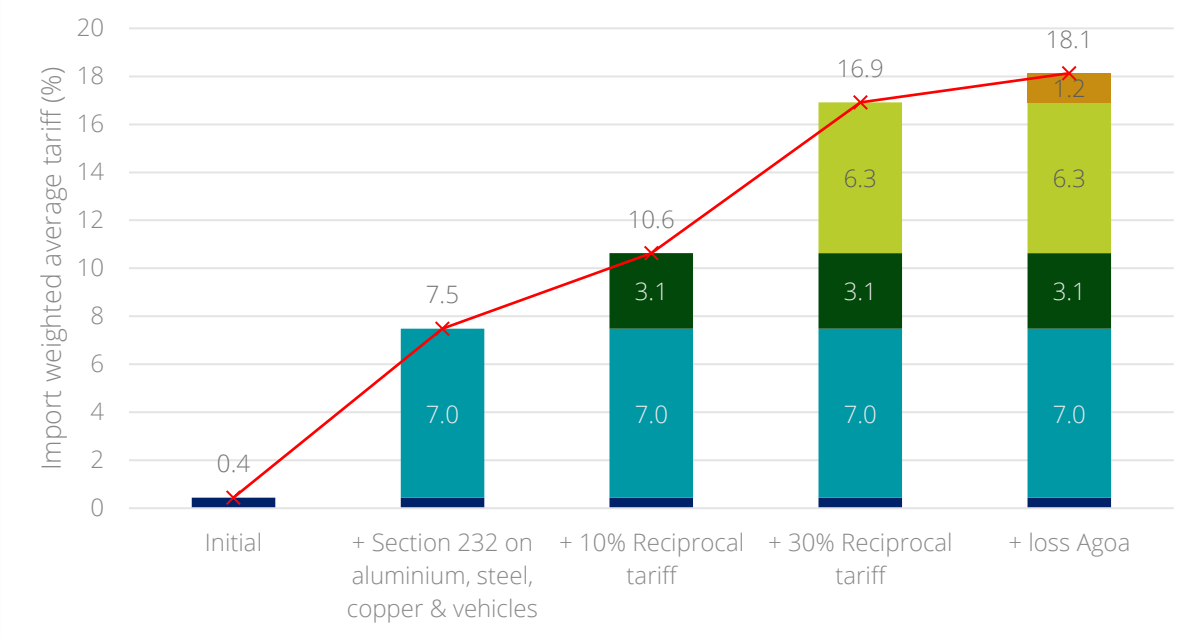
4.3 Impact on US tariffs levied on imports from SA

Key findings:

1. Together, the Section 232 and reciprocal tariffs sharply increase average tariffs on US imports from low levels currently applied (0.4%) to 16.9% under the 30% reciprocal tariff.
2. The new tariffs effectively nullify the tariff preference provided under AGOA.
3. Manufacturing products face larger tariff increases than commodities, which may reinforce the commodity-dependency of the South African export bundle.

The cumulative effect of tariff increases under Section 232 and the reciprocal tariffs sharply increases average tariffs on US imports from SA. Figure 12 presents the cumulative impact, by proclamation, on the 2024 import weighted average tariff imposed by the US on non-gold imports from SA. The Section 232 tariff increases on steel, aluminium, copper and automobiles, raises the weighted average tariff on US non-gold imports from SA from 0.4% to 7.5%. The Section 232 tariffs on automobiles and parts account for the bulk of this increase.

Figure 12: Impact of tariff proclamations on import weighted average applied tariff imposed by US on non-gold imports from South Africa, 2024

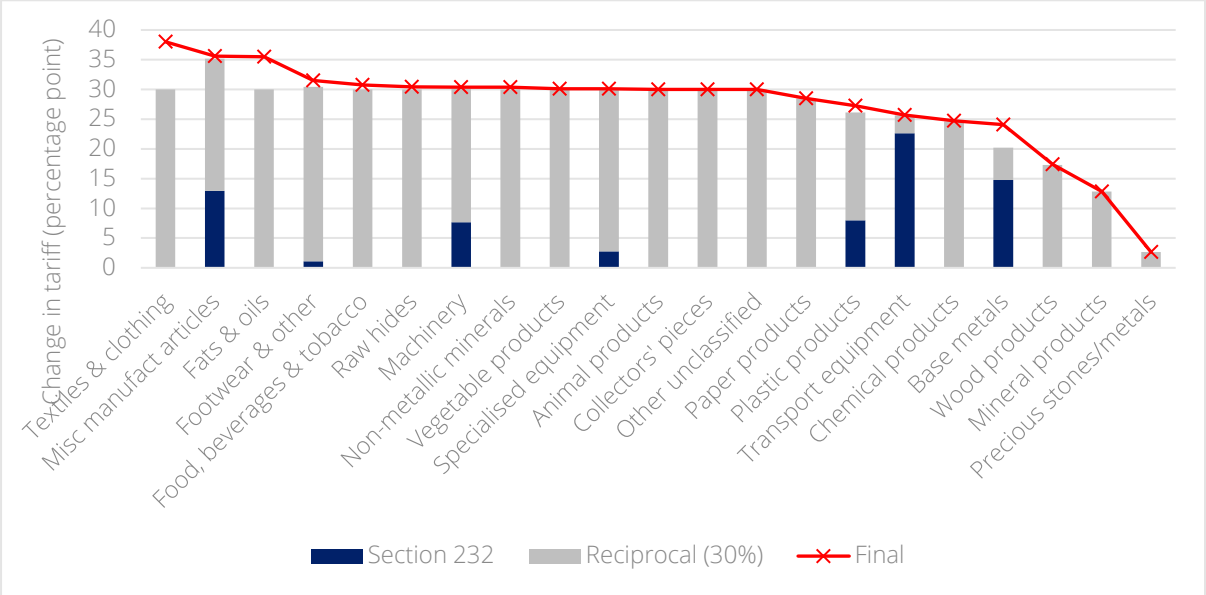


Notes: The 10% and 30% reciprocal tariff scenarios include the 50% Section 232 tariff increases on steel, aluminium and copper and the 25% tariff increases vehicles. All exemptions from reciprocal tariffs are accounted for. Based on US reported imports, excluding gold, from SA in 2024. SARS reported export data are used for platinum group metals, passenger vehicles and non-industrial diamonds. Product level (HTS 10-digit) tariff rates are aggregated using 2024 US imports from SA as weights.

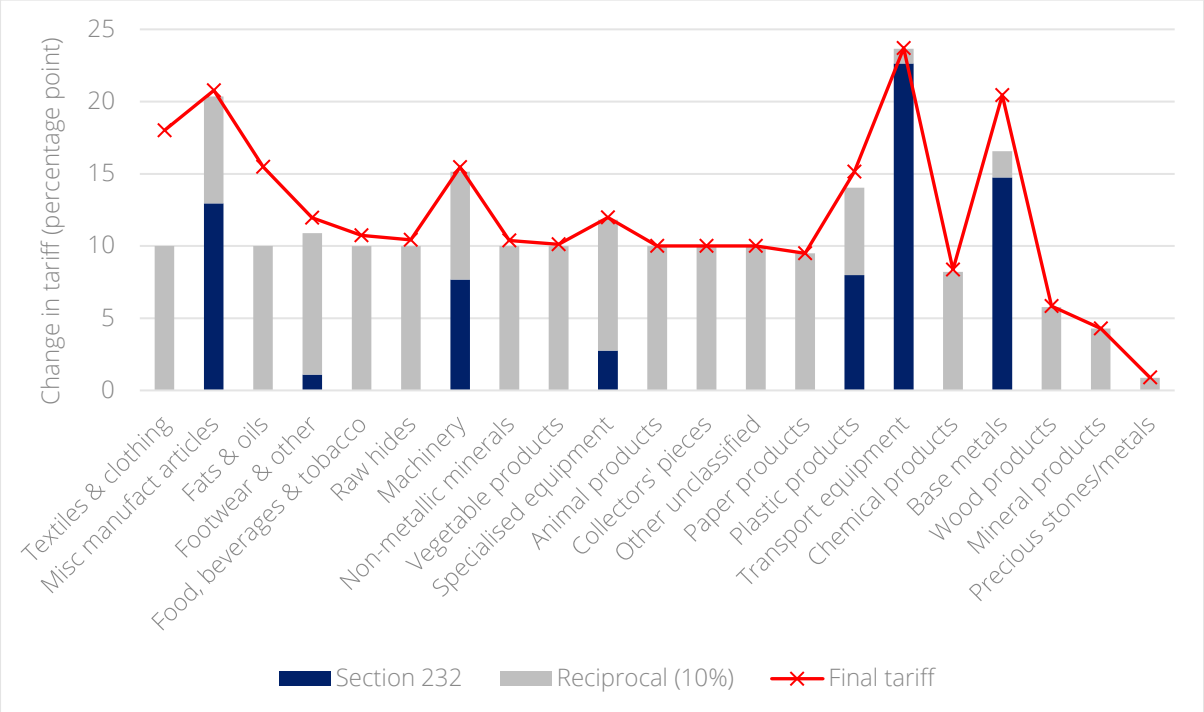
Inclusion of the 10% reciprocal tariffs imposed from 5 April 2025, raises the import weighted average US tariff on SA goods, after accounting for exemptions, by an additional 3.1 percentage points to 10.6%. If reciprocal tariffs of 30% are imposed, the import weighted average tariff rises further to 16.9%. The increase from the additional 20% (from initial 10%) reciprocal tariffs is low (only 6.3 percentage points), given the high share of SA exports to the US that are exempted.

Figure 13: Change in US tariffs on imports from South Africa

(a) Implementation of full 30% reciprocal duty



(b) Implementation of universal 10% duty



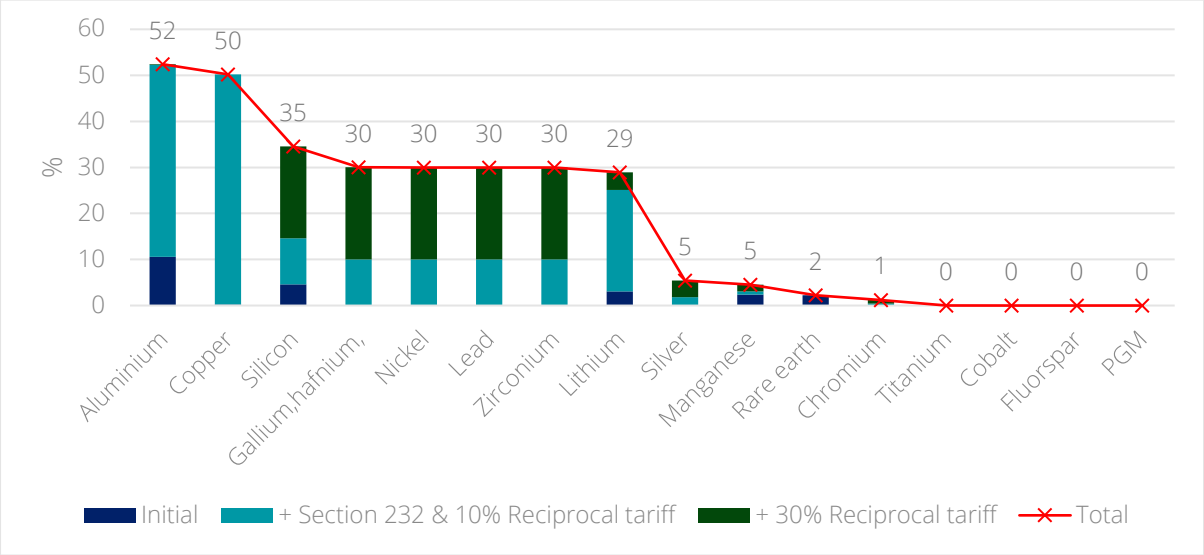
Notes: Based on US reported imports, excluding gold, from SA in 2024 and published lists of products affected by the Section 232 tariff changes and reciprocal tariffs. The Section 232 tariffs include the 50% levy on aluminium and steel imposed from June 2025, and the 50% on copper scheduled to be imposed from 1 August 2025. SARS reported export data are used for platinum group metals, passenger vehicles and non-industrial diamonds. Product level (HTS 10-digit) tariff rates are aggregated using 2024 US imports from SA as weights.

Most products face an increase in tariffs equivalent to the reciprocal tariff. Figure 13 presents the import weighted average tariff by HS Section for the 30% reciprocal tariff and the 10% reciprocal tariff scenarios. The Section 232 tariffs include the 25% levy on automobiles and parts, and the 50% levy on aluminium and steel imposed from June 2025, and the 50% tariff on copper scheduled to be imposed from 1 August 2025. For the majority of the industries, average applied tariffs prior to the tariff increases were very close to zero, given low general tariffs, and zero tariffs imposed on products entering the US under AGOA. The average tariff rates, therefore, rise to the full reciprocal tariff of 10% or 30% for most industries.

Tariffs on imports of precious metals & stones, mineral products, and wood products rise the least given the range of products exempted from the reciprocal products. For example, tariffs on precious metals & stones increase by only 3% with the 30% reciprocal tariff and 1% with the 10% reciprocal tariffs. Tariffs on mineral products and wood products increase from 0% to between 13% and 17% under the 30% reciprocal tariff scenarios. Although many base metals are exempt from the reciprocal tariffs, steel, aluminium and copper products within this industry face 50% tariff increases under the Section 232 tariffs, pushing average tariffs from 4% to 24%. Tariffs on transport equipment rise from 3% to 26% with the 30% reciprocal tariffs, mainly in response to the 25% Section 232 tariff (Figure 13a).

Average tariff increases are much lower when implementing the universal 10% reciprocal tariff, with those industries producing goods targeted by tariffs under Section 232 affected the most. These include transport equipment, miscellaneous manufacturing, base metals, machinery, plastic products, and specialised equipment, which experience tariff increases between 12% and 24% (Figure 13b).

Figure 14: Change in US tariffs on imports of critical minerals from South Africa



Notes: Critical minerals are defined at the HS 6-digit level using a classification used in the Trade in Critical Minerals database of the WTO (https://critmin.org/trade-data/). PGM denotes platinum group metals. Gallium, hafnium, etc. covers Gallium, germanium, hafnium, indium, niobium (columbium), rhenium and vanadium. US import data are obtained from USITC, while SA export data are obtained from SARS. Lithium includes Electric accumulators and lithium-iron batteries, some of which are subject to Section 232 tariffs.

On aggregate, manufacturing products face larger tariff increases than commodities, which may reinforce the commodity-dependency of the South African export bundle. The exemptions to reciprocal tariffs cover many of the commodities exported by SA. Fewer manufactured products are exempted, and passenger vehicles, a key manufactured good export of SA, is subject to the 25% Section 232 levy. Consequently, average US tariffs on manufactured goods (defined according to the SITC) rises from 0.6% to 26.7% under the combined Section 232 tariffs and 30% reciprocal tariff. The average tariff on non-manufactured goods rises from 0.3% to 4.6%.

Many of the critical minerals imported by US from SA are not exempt from the Section 232 tariffs and reciprocal tariffs. Figure 14 presents the cumulative effect of the different Presidential Proclamations on the average tariff on US imports of critical minerals from SA. The most affected critical mineral is aluminium, where the average tariff rises from 11% to 52% following the 50% Section 232 tariffs. The average tariff only increases by just over 40%, not the 50%, as SA exporters already faced a 10% tariff on their aluminium exports following the Section 232 tariffs imposed in 2018 and 2020. The Section 232 tariffs raise the tariff on copper imports to 50%. Other critical minerals, silicon, gallium, hafnium, nickel, lead, and zirconium also experience relatively large increases in tariffs in response to the reciprocal tariffs. Critical minerals that are not or minimally affected by the tariff increases include chromium, copper, titanium, cobalt, fluorspar and the PGMs. These products are all exempt from the reciprocal tariffs.

While AGOA provides preferential access, these preferences are overwhelmed by the new tariffs. The preference margin under AGOA (~1.2%) is far outweighed by the new tariffs. Loss of AGOA access without the recent tariff increases, would more than double average tariffs from 0.4% to 1.6%. In

contrast, the 30% reciprocal tariffs, together with the 25% Section 232 tariffs on vehicles, and 50% tariff on steel, aluminium and copper result in a 16.5 percentage point increase in the weighted average tariff (Figure 12).

4.4 How do US tariff increases affect SA relative to other countries?

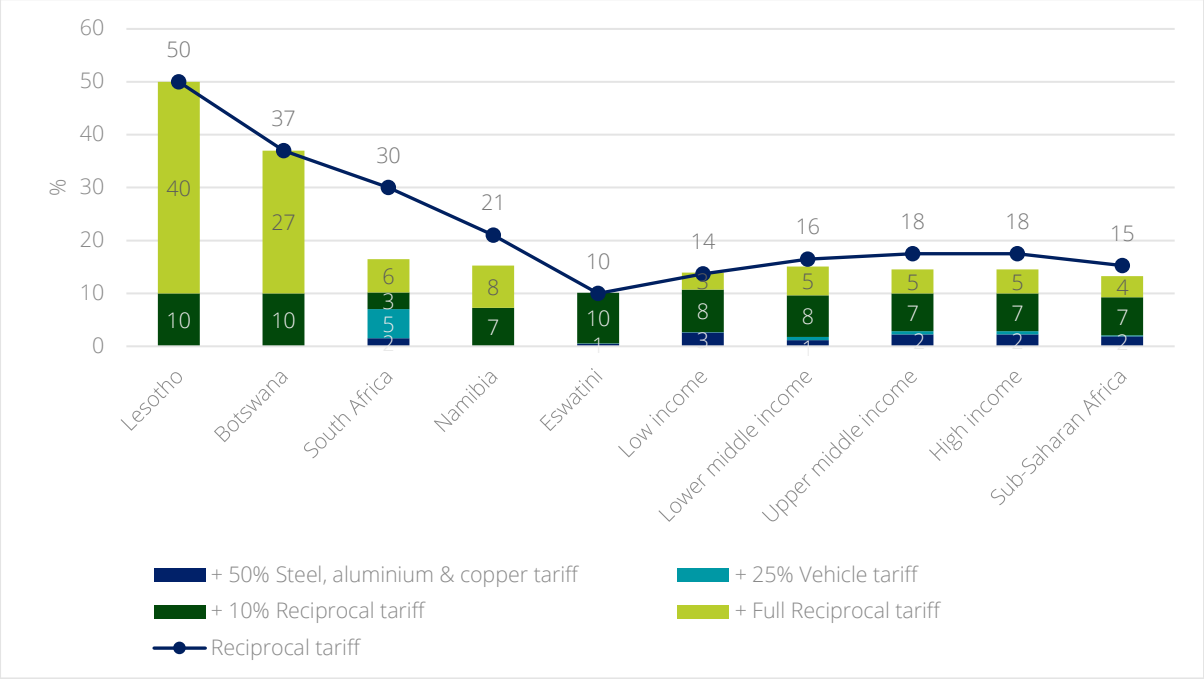
Key findings:

1. The aggregate effect of the tariff increases is dependent on the structure of countries' exports to the US, with those exporting high proportions of affected products disproportionately adversely affected.
2. SA ranks 114th out of 221 countries in terms of the severity of tariff increases under the 10% reciprocal tariff currently applied, but worsens to 22nd should the reciprocal tariffs be imposed in full.
3. Amongst Southern African Customs Union (SACU) members, Lesotho and Botswana are the most affected (37% to 50% increase) following full implementation of reciprocal tariffs, while Eswatini is the least affected (10% increase).

The reciprocal tariff alone is not a precise indicator of the aggregate tariff implications of the various proclamations for SA compared to other countries. The 30% reciprocal tariff scheduled to be imposed on South African exports is relatively high compared to the 15% average across all targeted countries. Further, the high share of automobiles and parts in US imports from SA, expose South African exporters to the relatively high 25% Section 232 tariffs. In contrast, SA benefits relative to other countries in terms of its exports of products such as precious metals and ferro-alloys, that are exempted from the reciprocal tariffs.

SA is disproportionately negatively affected by the reciprocal tariffs. Comparing the net effect of the different tariff proclamations, SA is ranked 22nd out of 221 countries in terms of the increase in tariffs, should the reciprocal tariffs be imposed in full. If the 10% reciprocal tariff that is currently applied to all countries is retained, then SA's rank improves to 114th out of 221.

Figure 15: Changes in import weighted tariffs on US non-gold imports from South African Customs Union members and countries aggregated by income classification.

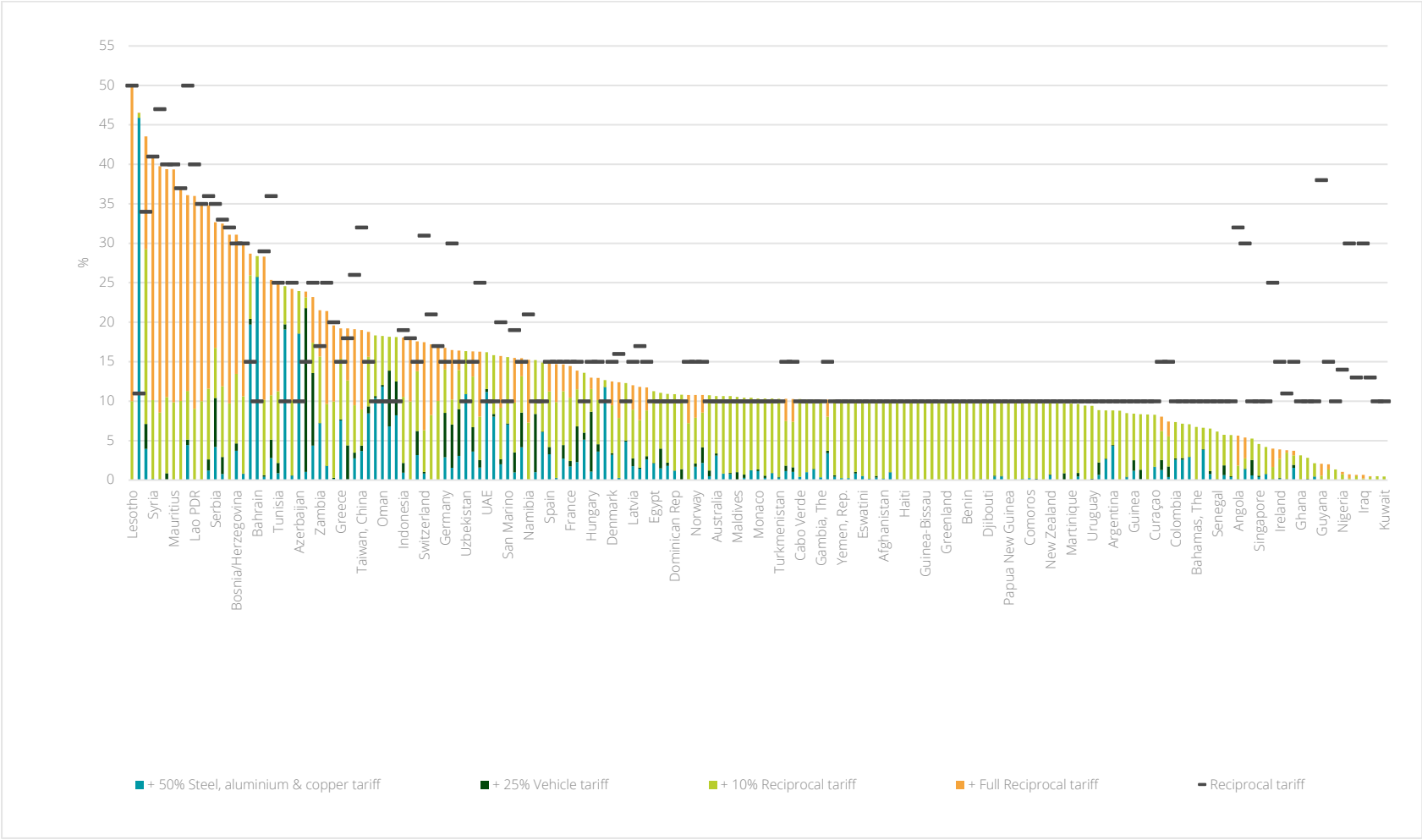


Notes: Based on US reported imports from SA in 2024. Excludes US gold imports from SA. Product level (HTS 10-digit) tariff rates are aggregated using 2024 US imports from SA as weights. SARS reported export data are used for platinum group metals, passenger vehicles and non-industrial diamonds.

Of all the countries for which import data are available from the USITC, Lesotho will be the most affected if reciprocal tariffs are implemented in full. Figure 15 presents the changes in import weighted average tariffs on US non-gold imports from Southern African Customs Union (SACU) members and countries aggregated by income classification.

presents the changes in tariffs for all countries, ranked by most severely affected. Lesotho will be the most adversely affected should the full reciprocal tariffs be imposed. The country faces the highest reciprocal tariff at 50%. Further, with very few exempted products, almost all US imports from Lesotho (mainly clothing and diamonds) will be subject to the 50% tariff. Botswana, which also does not benefit from exporting exempted products, will experience tariff increases equivalent to the full 37% reciprocal tariff imposed. Namibia and Eswatini will experience lower increases in tariffs to 15% and 10%, respectively. At the other end of the scale, countries such as Iraq, Libya and Guyana have amongst the lowest predicted increases in average tariffs (2% or less), despite reciprocal tariff rates in excess of 30%. Most US imports from these countries (such as oil) are exempted from the reciprocal tariffs.

Figure 16: Changes in import weighted tariffs on US non-gold imports by country.



Notes: Based on US reported imports from SA in 2024. Excludes US gold imports from SA. Product level (HTS 10-digit) tariff rates are aggregated using 2024 US imports from SA as weights. SARS reported export data are used for platinum group metals, passenger vehicles and non-industrial diamonds.

5 The direct impact of the tariff increases on US imports from SA

Key findings:

1. US tariff increases will affect its imports from SA directly via US price increases, and indirectly by diversion of US consumers to alternative import suppliers in countries facing lower tariff increases.
2. The effect of increased tariffs on US imports from SA is modelled using a partial equilibrium model based on 2024 import data for 5495 products and 230 countries, an import demand elasticity of 1.19 and trade diversion elasticities of substitution that range from 2.7 to 11.5.
3. Depending on the assumptions, South Africa stands to lose up to $2.4 billion (30% decline, or 2.4% of SA non-gold exports to world) in non-gold exports to the US following implementation of the full reciprocal tariffs.
4. The direct losses to SA from the 30% reciprocal tariff are exacerbated by a diversion of US imports towards countries facing lower reciprocal tariffs that account for a third to nearly 60% of the aggregated decline in US imports from SA.
5. SA benefits from a small positive diversion of US imports from China to SA ($55 million to $117 million) due to the 20% fentanyl tariffs and 34% reciprocal tariff.
6. The decline in the aggregate US import value from SA can largely be attributed to the passenger vehicles and other transport equipment ($863 million, or 43% decline). Proportionate declines are larger for chemicals ($363 million, 59%), food, beverages and tobacco ($181 million, 67%), vegetables ($184 million, 65%) and animal products ($37 million, 72%).
7. The negative trade effects are substantially smaller on aggregate under the universal 10% reciprocal tariff ($1.2 billion, 14.6%), but not for vehicle products and base metals that remain subject to the Section 232 tariffs These lower effects are associated with the lower tariff, but also lower diversion effects on aggregate.
8. US imports from SA sustain approximately 64,500 direct jobs, but up to 22,000, or 34%, of these jobs are threatened by the tariff increases. Female workers experience the largest percentage decline (44% compared to 32% for men) given the exemption from reciprocal tariffs of precious metals that are male-intensive in the production process.
9. Looking at job losses by education, workers with primary schooling (4,000, or 45% initial employment) and middle school education (7,900, or 37% initial employment) experience the largest declines in employment. The skill and gender bias of job losses may exacerbate SA's high levels of income inequality.

5.1 Channels through which tariffs affect imports

There are many channels through which US tariff increases will affect its imports from SA. The first channel is the direct effect of tariff increases on the price paid by US consumers and producers, and thereby, on their demand for imported goods from SA. This outcome depends on two relationships:

(i) The pass-through of the tariff to domestic prices: The effect on US import demand is lower if exporters absorb some of the tariff increase in the form of lower prices. Empirical evidence on this is mixed, although studies of the 2018 tariff increases generally find high pass-through rates to domestic prices (Amiti et al., 2019; Clausing and Obstfeld, 2024; Fajgelbaum et al. 2020; Fajgelbaum and Khandelwal, 2022);[15] and

(ii) The price elasticity of demand for imported goods: The impact on US imports is higher, the more responsive are domestic consumers to import prices. The responsiveness of demand is likely to be higher the greater the availability of close domestic substitutes.

A second consideration is the diversion by US consumers to alternative suppliers in countries that are less affected by the tariff increases. For example, with the 30% reciprocal tariff, SA is likely to lose market share in citrus exports to Chile and Peru where reciprocal tariffs are lower at 10% (See Box 2). These diversion effects were also evident in 2018 when, in response to tariff increases, US imports from China were replaced with imports from other developing countries with revealed comparative advantage in the product (Freund et al., 2024; Haberkorn et al., 2024).

While these diversion effects will exacerbate the direct import effect for countries facing large reciprocal tariffs, they will help ameliorate the adverse direct demand effects for countries facing relatively low tariff increases. These diversion effects will mainly apply to those products affected by the country-specific reciprocal tariffs. Exempt products and products affected by the Section 232 tariffs experience equivalent tariff level changes (but not proportionate changes as initial tariff levels differ across countries), and consequently will experience limited diversion effects. Similarly, the across-country diversion effects will be low in the scenario where all countries face the universal 10% reciprocal tariff. However, should country-specific trade deals with the US be negotiated, as in, for example, the recent US-UK trade agreement, diversion effects will rise in importance in driving trade outcomes.

15 Cavallo et al. (2021) find that retail prices only rose marginally in response to the 2018 tariff increases, despite increases in import prices almost equivalent to the tariff increases. They argue that the lower pass-through of tariffs to retail prices reflect downward adjustments by retailers of their margins, increased shipments to expand inventories before the tariffs were implemented, and a diversion of imports towards alternative sources. In deriving the reciprocal tariffs, the US government assumed that 25% of the tariff increase is passed-through to US import prices, with foreign exporters absorbing 75% of the tariff increase in the form of lower export prices (https://ustr.gov/sites/default/files/files/Issue_Areas/Presidential%20Tariff%20Action/Reciprocal%20Tariff%20Calculations.pdf).

Box 1: Trade elasticities

Estimates of import demand elasticities vary widely and are influenced by choice of country, product range, time period, assumed demand function and estimation approach. The US government assumes a price elasticity of import demand of 4 when calculating the reciprocal tariffs required to eliminate the bilateral trade deficits.[1] Their calculation, however, fails to account for substitution effects across different origins in response to changes in relative prices.

Following a more comprehensive approach, Fajgelbaum et al. (2020) use the 2018 tariff increases during President Trump's first administration to estimate short-run elasticities of substitution for products across origins (termed a variety), across products, and between domestic goods and imports within a nested constant elasticity of substitution (CES) function. The elasticity of substitution across varieties is highest (2.53) and is followed by the elasticity of substitution across products (1.53) and then between aggregate imports and domestic goods (at the sector level) (1.19). They find no evidence that foreign exporters absorb any of the tariff increase, with the result that the tariff increase is passed fully on to US consumers in the form of higher domestic prices.[1] Amiti et al. (2019) also use the 2018 US tariff increases to estimate a higher elasticity of substitution between varieties of 5.9, after accounting for discontinued export products using monthly import and tariff data at 10-digit data from Jan 2017 to Dec 2018. Their estimated elasticity is similar to that of Broda and Weinstein (2006) who estimate an average value of 6.6 for US imports using data at the SITC 5-digit level, and 12.6 using import data at the more disaggregated HTS 10-digit level.

Using an alternative gravity-model approach, Fontagné et al. (2022) estimate elasticities of substitution across varieties using tariff data across over 5000 products for 189 exporters to 152 destinations over the years 2001, 2004, 2007, 2010, 2013 and 2016. Their statistically significant estimates average 5.3, with considerable heterogeneity across products. For example, the elasticity of substitution is higher for homogenous than differentiated goods. Boehm et al. (2020) also use cross-country variation in implementation of MFN tariffs at the product-level, but estimate lower across-country import substitution elasticities that average 0.76 in the short-run and approximately 2 in the long-run.

Earlier estimates of import demand elasticities at the country-by-product level include Kee et al. (2009) who use a GDP function approach to estimate import demand elasticities at the HS6-digit level for 117 importers over the 1988–2001 period. Their simple average across product-specific import-demand elasticity for the US is 12.3, compared to 3.1 for the entire sample of countries and products. Grubler et al. (2022) revisit the Kee et al. (2009) estimates using more recent data over the period 1996–2014 that covers 150 countries and over 5000 products. They estimate a lower average elasticity of import demand across products for the US that equals 1.53 (1.13 for all countries and products). Finally, the simple average across product-specific import demand elasticities for the US used in the World Bank SMART model is 8.5, but varies from 0.01 to 356.

There are additional considerations. From a general equilibrium perspective, high tariffs may raise domestic inflation, wages and production costs. Further, sharp reductions in the trade deficit may cause the US dollar to appreciate, offsetting the price advantage conferred on domestic goods by the tariff. Changes in aggregate growth in the US arising from the tariff changes will also affect US imports via income demand effects. The demand effects will rise in importance if global growth is also affected, i.e., slower global growth will reduce SA global exports in addition to exports to the US. Further, South African exporters may respond to the decline in US import demand by shifting their goods to alternative markets. These exporters, however, are likely to also experience greater competition in third-country markets as exporters from other countries also re-direct their previously US-destined goods to alternative markets. Changes in US imports in response to tariffs, do not, therefore, represent the net effect on a country's exports.

5.2 Model approach

To model the potential impact of the tariff increases on US imports, we develop a partial equilibrium model that builds on the SMART model used widely to model the trade outcomes of free trade agreements (Laird and Yeats, 1986; Jammes and Olarreaga, 2005).[16] The model simulates import changes in response to preferential tariff reductions from the perspective of the importer. It models both the direct effect of tariffs on import demand, as well as the indirect effect through trade diversion.

5.2.1 Model Assumptions and Configurations

The model approach configures import demand within a 2-tier nested CES demand system, where the first tier models the choice between aggregate imports and domestic goods, and the second tier models the choice between imported varieties differentiated by country of origin.[17] The pass-through of tariffs to domestic prices is assumed complete, as is shown by Fajgelbaum et al. (2020) to be the case following the 2018 tariff increases.

The model is estimated using US imports reported by the USITC from 221 countries at the HTS 10-digit level for 2024. Applied tariff rates that account for preferential access are also obtained from the USITC, together with the 2025 published tariff book. Changes in US tariff rates at the product and country level are obtained from the proclamations published in the Federal Register and are merged into the import data. The import and tariff data are then aggregated to the HS6-digit level.

To test the sensitivity of the simulated import demand effects from the tariff increases to choice of elasticity, several different simulations are conducted. Drawing on estimates by Fajgelbaum et al. (2020), all simulations assume a first-tier import demand elasticity of 1.19 (See Box 1 for a summary of the empirical literature on trade elasticities). A one percent increase in the aggregate tariff rate

16 The model assumes that imported goods are imperfect substitutes (Armington assumption) and that export supplies are infinite.

17 See the approach followed by Fajgelbaum et al. (2020) who estimate the import demand elasticity (first tier) and the elasticity of substitution across varieties using a 3-tier CES demand system.

therefore reduces aggregate import demand by approximately 1.2%.[18] To account for diversion effects across varieties differentiated by origin, the mean elasticity of substitution at the HS Section level is calculated using the HS6-digit level elasticities estimated by Fontagné et al. (2022).[19] The import weighted average elasticity of substitution for US imports from SA is 7, but ranges from 2.7 for specialised equipment to 11.5 for mineral products (See Table B3 in Annex B). To test the sensitivity of the results to choice of elasticity, additional simulations are run using the lower elasticity of 2.53 estimated by Fajgelbaum et al. (2020).

5.2.2 Limitations of Model Approach

The model is partial in that import effects are estimated at the product level, and the general equilibrium effects associated with domestic price changes, national income growth and re-balancing of macro accounts (e.g. balance of payments equilibrium) are not accounted for. Substitution effects by consumers across products in response to changes in relative tariffs are also not considered.

5.3 Impact of the tariff increases on US imports from SA

5.3.1 Simulations

To assess the potential implications of the US tariff increases on SA, three main scenarios are simulated:

- Scenario 1 (High elasticity of substitution and country-specific reciprocal tariffs): Full reciprocal tariffs (30% for SA) together with relatively high elasticities of substitution at Section Heading level (2.7-11.5), using estimates from Fontagné et al. (2022).
- Scenario 2 (Low elasticity of substitution and country-specific reciprocal tariffs): Full reciprocal tariffs together with a lower (2.53) elasticity of substitution as estimated by Fajgelbaum et al. (2020) for the US.
- Scenario 3 (High elasticity of substitution and 10% reciprocal tariffs): Implementation of the universal 10% reciprocal tariffs together with relatively high elasticities of substitution in scenario 1.

The simulations are based on information on US tariff increases available as of 29 July 2025. All estimates include the 25% Section 232 tariff increases for automobiles and parts, the 50% increase for steel, and aluminium and the forthcoming 50% increase for copper products (assumed to cover HS 74). In scenario 1 and 2, the full set of country-specific reciprocal tariffs announced in Presidential Executive Order 14257 (2 April 2025) (White House, 2025b) or subsequently modified are applied (See

18 The own-price import demand elasticity of a CES function equals -sigma+(1-s)(1-sigma) where s is the share of imports in consumption, and sigma is the elasticity of substitution. According to the 2023 input-output table for the US obtained from the US Bureau of Economic Analysis (BEA), imports make up 18.6% of consumption of goods (measured as sales minus exports plus imports). The own-price import demand elasticity is therefore 1.34.

19 Only the statistically significant estimates are used, with the insignificant values replaced with zero.

Table B2 in Annex B). In scenario 2, the uniform 10% reciprocal tariff is applied. The exemptions from the reciprocal tariffs are also accounted for in all scenarios.[20]

All scenarios include the US-UK trade deal that has reduced the additional Section 232 tariffs on vehicles from 25% to 10%, with a cap of 100 000 vehicles, restricted the Section 232 tariff on aluminium and steel to 25% (also subject to cap, as yet unknown) and offered zero tariffs on civil aircraft and parts.[21] Further, the scenario 1 and 2 simulations include the proposed tariff changes announced in July as part of the tariff deals with Vietnam (20% reciprocal tariff), Japan (15%), Philippines and Indonesia (both 19%) and EU (15%). The 50% Section 232 tariffs on steel, aluminium and copper are retained. However, for Japan and EU, the Section 232 tariff on vehicles is reduced to 15% in all scenarios.[22] The US – EU is also expected to have zero-for-zero tariffs on aircraft and their components, certain chemicals, certain generic drugs, semiconductor equipment, some agricultural products, natural resources and critical raw materials. However, given the lack of further details, the reciprocal tariff of 15% is assumed to apply on these products, with the exception of civil aircraft and parts, and products exempted from reciprocal tariffs, in which case, a zero rate is applied.[23]

The simulations also account for the US-China deal where the high retaliatory tariffs imposed on imports from China have been removed, with the universal 10% reciprocal tariff now applied. The effect of the removal of the de minimus duty-free treatment on low value postal item imports from China, and the increase in charge per postal item are not captured. However, the 20% fentanyl and migration-related tariffs applied on imports from China and the 25% on imports from Mexico and Canada that do not enter under the USMCA are accounted for. The originally specified 34% reciprocal tariff on Chinese goods is also applied when simulating the effects of full implementation of reciprocal tariffs. Finally, given measurement concerns, imports of gold, non-industrial diamonds and goods classified under the special category HS 98 and other goods in HS99 are excluded.[24]

20 See Annex II of executive order 14257 (https://www.whitehouse.gov/wp-content/uploads/2025/04/Annex-II.pdf) and the expanded list covering electronic equipment (https://www.whitehouse.gov/presidential-actions/2025/04/clarification-of-exceptions-under-executive-order-14257-of-april-2-2025-as-amended/).

21 For the list of products affected see https://www.federalregister.gov/documents/2025/06/30/2025-12060/imports-of-automobiles-automobile-parts-civil-aircraft-and-civil-aircraft-parts-from-the-united.

22 https://ec.europa.eu/commission/presscorner/detail/en/qanda_25_1930

23 For example, the US-EU agreement includes a 15% ceiling tariff on potential future tariffs on pharmaceuticals and semiconductors. However, in the simulations, a zero tariff is assumed as these products are included in the list of products exempted from the reciprocal tariffs.

24 This includes HS 7108, HTS 7102390050 and HTS 7113192900 (non-industrial diamonds < 0.5 carats).

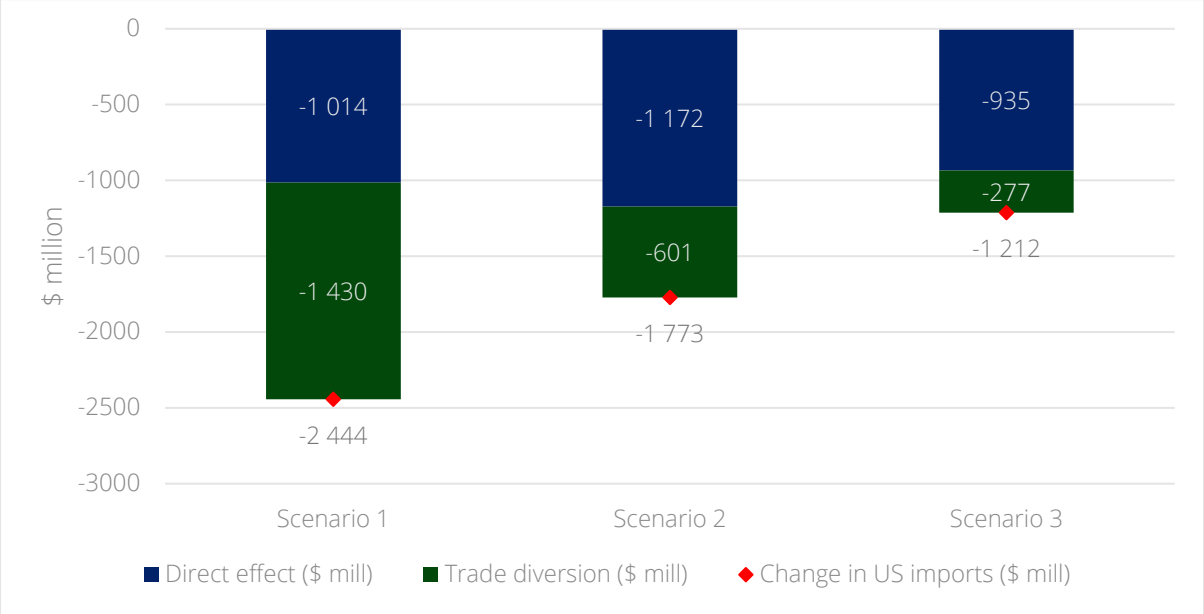
5.3.2 Results

Figure 17 and Table 5 present the outcomes of different simulations of the impact of the US tariff increases on US imports from SA.

Depending on the assumptions, SA stands to lose up to $2.4 billion (30% decline) in non-gold exports to the US following the implementation of the full reciprocal tariffs. As shown in Figure 17 and Table 5, the effect of the increase in tariffs is strongly influenced by the elasticity assumptions. Scenario 1 leads to a $2.4 billion reduction in US non-gold imports from SA. This reduction is equivalent to a 30% decline in US non-gold imports, or a 2.4% decline in total non-gold exports declared by SA. The decline in imports falls to $1.8 billion, or 21% of current imports, when using the more conservative 2.53 elasticity of substitution (scenario 2).

The effect of the 10% reciprocal tariffs, together with the Section 232 tariffs on US imports from SA, is lower, but still considerable. The final columns in Figure 17 and Table 5 present the estimated changes in US non-gold imports from SA under scenario 3. US non-gold imports from SA fall by $1.2 billion, or 14.6%.

Figure 17: Change in US non-gold imports from SA under different tariff scenarios and model assumptions



Notes: Based on simulations using US import data at HS6-digit level from all countries in 2024. Data excludes US imports of gold and of HS 2-digit chapters 98 and 99. All simulations assume an import demand elasticity of 1.19 obtained from Fajgelbaum et al. (2020). The simulation results in the first and third column assume HS Section level elasticities of substitution constructed using HS6-digit level point elasticities estimated by Fontagné et al. (2022). The import weighted average elasticity across HS Sections is 7. Column (2) results assume an elasticity of substitution of 2.53 obtained from Fajgelbaum et al. (2020). The scenarios with full implementation of reciprocal tariffs assume all reciprocal tariffs as outlined in President Trump's Executive Order 14257 or updated subsequently are implemented. The 10% reciprocal tariff scenario assumes a universal 10% reciprocal tariff is imposed on all countries, with exception of Canada, Mexico and excluded

countries. All simulations include the Section 232 tariffs on aluminium, steel and copper. Further, the simulations account for tariffs under the US deals with UK, EU, Japan, Philippines, Indonesia and Vietnam.

The direct losses to SA from the 30% reciprocal tariff are exacerbated by a diversion of US imports towards countries facing lower reciprocal tariffs. Figure 17 breaks down the aggregate impact on US imports from SA into the direct effect and the indirect diversion effect. In the first scenario, more than half of the $2.4 billion decline in US imports from SA can be attributed to diversion effects. The diversion effects fall with the lower elasticity of substitution (2.53) (second column of Figure 17), but still account for nearly a third ($601 million) of the total impact.

SA, however, does not lose from diversion effects with respect to all competing sources of US imports. Because China faces a combination of the fentanyl tariffs (20%) and a 34% reciprocal tariff, there is actually a small positive diversion of US imports from China to SA ($55 million to $117 million) (first and second columns of Table 5). However, these positive diversion effects are swamped by diversion losses to other countries.

The diversion effects fall considerably under scenario 3. Given the application of a uniform 10% reciprocal tariff, the diversion effects are expected to be smaller under scenario 3. Nevertheless, there are still some negative diversion effects as Mexico and Canada's exports under the USMCA are exempt from reciprocal tariffs. Further, lower Section 232 tariffs on steel and aluminium for the UK (25% vs. 50%), and tariffs on vehicles for Japan (15%), EU (15%) and UK (10%) give rise to negative diversion effects on these products for SA. Base metals, mineral products, plastic products, fats & oils, and clothing & textiles, amongst others, experience positive diversion effects given the higher tariffs on US imports from China, thereby offsetting, but not eliminating, some of the direct import losses (third column of Figure 17 and Figure 20).

Table 5: Simulated impact on US non-gold imports from SA under implementation of different reciprocal tariff rates

	Full reciprocal tariffs		10% reciprocal tariff
	High elasticity, by Section	Low elasticity, common	High elasticity by Section
Initial US tariff (%)	0.45	0.5	0.45
Final US tariff (%)	16.58	16.6	10.64
Initial US imports ($ mill)	8 295	8 295	8 295
Final US imports ($ mill)	5 851	6 522	7 083
Change in US imports ($ mill)	-2 444	-1 773	-1 212
% change in US imports (%)	-29.5	-21.4	-14.6
% change in total SA exports (%)	-2.4	-1.7	-1.2

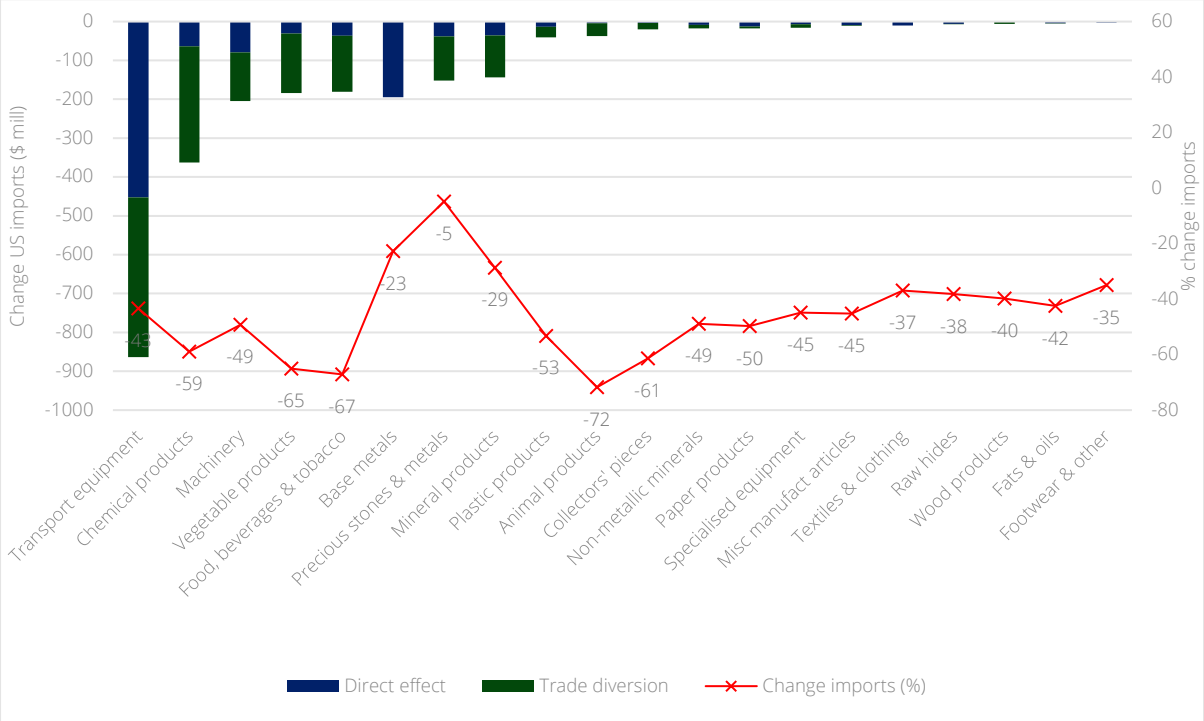
Sources of change in import value		0.0	
Direct effect ($ mill)	-1 014	-1 172	-935
Trade diversion ($ mill)	-1 430	-601	-277
Trade diversion from China ($ mill)	117	55	149
Trade diversion other ($ mill)	**-1 546**	**-655**	**-426**

Notes: Based on simulations using US import data at HS6-digit level from all countries in 2024. See notes to Figure 17 for further details.

The decline in the aggregate US import value from SA can largely be attributed to light passenger vehicles falling within the HS Section for transport equipment. Figure 18 plots the change in US imports under scenario 1 by products categorised according to the HS Section groupings. Imports of transport equipment fall by $863 million (43%), with passenger vehicles (HS 8703) making up $691 million of this decline. Roughly half of this loss is attributed to the diversion of US imports towards Japan, EU and UK where tariff increases are lower. Other large decreases in imports are experienced in products such as chemicals ($363 million, 59%), machinery ($205 million, 49%), vegetable products (including citrus) ($184 million, 65%) and food, beverages & tobacco ($181 million, 67%). Imports of precious stones and metals also fall by $152 million, but this decline is only equivalent to 4.8% of initial imports. The low percentage decline arises because most imports of precious metals are exempted from the reciprocal tariffs.

The diversion effects in scenario 1 are particularly severe for most products outside of precious metals and base metals, where many products are exempt or face equivalent tariff increases (50%) across countries. In chemicals, food (food, beverages, tobacco and vegetables), and animal products, the diversion effects account for 80% or more of the total decline in US imports from SA. These diversion effects fall considerably under scenario 2 (See Figure C1 in Annex C). However, even in this scenario, diversion effects account for, on average, a third of the decline in US imports from SA.

Figure 18: Contribution of direct and diversion effects to the change in US imports from SA by industry under scenario 1 (ordered by largest effect on US import values)

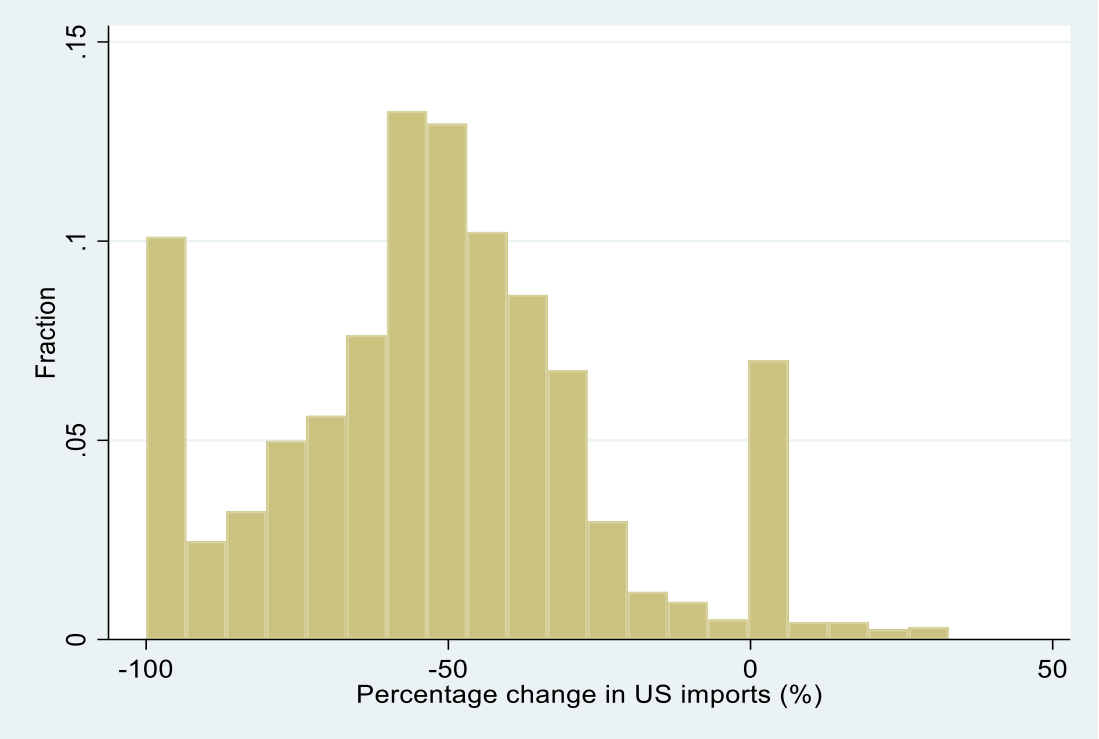


Notes: Simulation based on full implementation of reciprocal tariffs, the Section 232 tariffs (incl. 50% tariff on steel and aluminium implemented in June 2025), an import demand elasticity of 1.19, and HS Section level elasticities of substitution constructed using HS6-digit average point elasticities from Fontagné et al. (2022). Data excludes US imports of gold and of HS 2-digit chapters 98 and 99.

The negative effect of the full reciprocal tariffs under scenario 1 is widely felt across most products imported from SA by the US. Figure 19 presents a histogram of the effect across products (at HS6-digit level) of tariff increases under scenario 1. The median product experiences a 45% reduction in US imports, however, many products face substantially higher percentage declines in US imports. Some products (117 products), including, amongst others, cereal preparations, lead articles, and wood pulp experience a complete collapse in US imports from SA.

Not all products experience declines in US imports. For example, US imports of PGMs, copper, timber, and several critical minerals and pharmaceuticals are unaffected as tariffs on these products do not change. However, this may not hold in the future, as Section 232 investigations on many of the exempted products have been initiated, with the possibility that US tariffs on these products may rise. The net effect of the tariff increases is a reduction in the value and product diversity, combined with a rise in concentration and commodity intensity of US imports from SA.

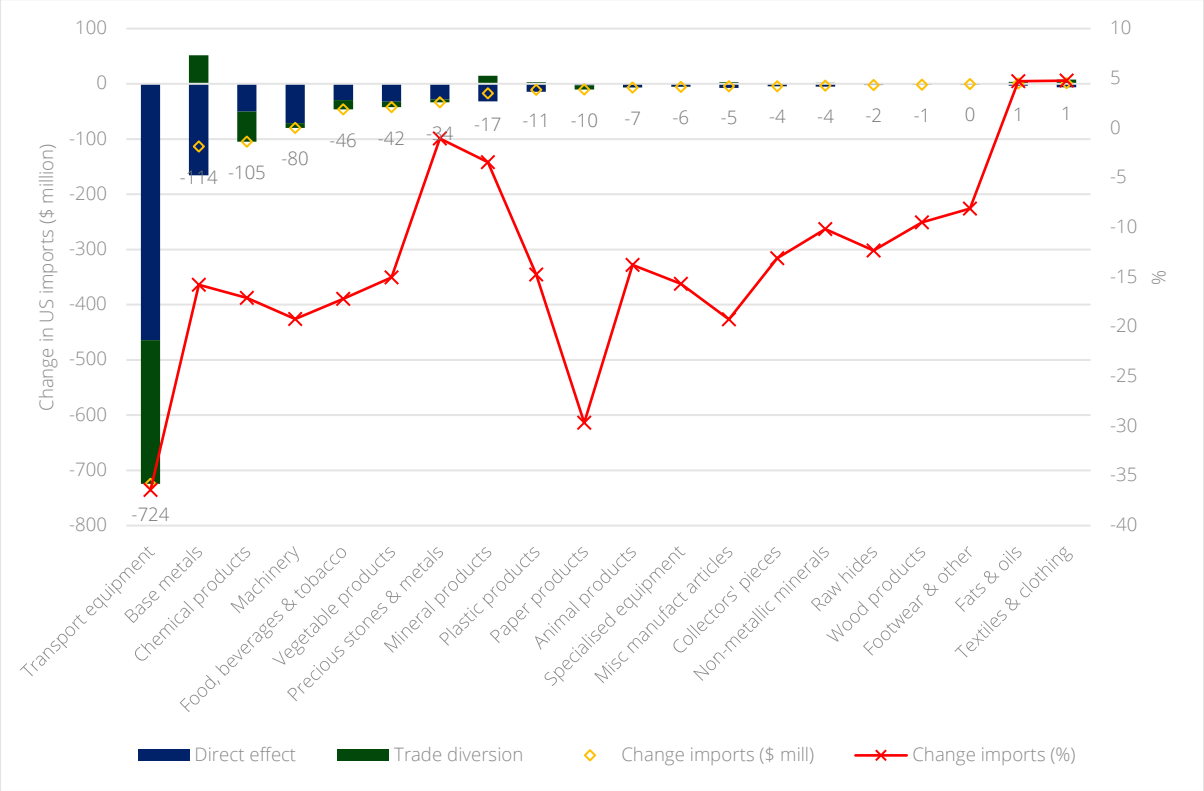
Figure 19: Percentage change in US imports from SA across products under scenario 1



Notes: Based on simulation of full implementation of reciprocal tariffs, the Section 232 tariffs, an import demand elasticity of 1.19, and HS Section level elasticities of substitution constructed using HS6-digit average point elasticities from Fontagné et al. (2022). Data excludes US imports of gold and of HS 2-digit chapters 98 and 99.

The negative trade effects are substantially smaller on aggregate under scenario 3, but not for vehicle products and base metals that remain subject to the Section 232 tariffs (Figure 20). Most products experience considerably smaller declines in US imports following the 10% reciprocal tariff compared to the 30% reciprocal tariff. For example, the median product experiences a 13% decline in imports under scenario 3, compared to 52% under scenario 1. These lower effects are associated with the lower tariff, but also positive diversion effects in several cases, such as base metals, mineral products, plastic products, fats & oils, and textiles & clothing, amongst others. However, the lower 10% reciprocal tariffs under scenario 3 do not affect imports of automobiles and parts, steel and aluminium products that remain subject to the Section 232 tariffs. Consequently, imports of transport equipment from SA continue to fall by a large amount ($724 million), as do base metals ($114 million decline). In the case of transport equipment, the loss is amplified by negative diversion effects given the lower 10% to 15% tariffs negotiated by Japan, EU and UK (vs. 25% for SA).

Figure 20: Contribution of direct and diversion effects to the change in US imports from SA by industry following 10% reciprocal tariffs under scenario 3 (ordered by largest effect on US import values)

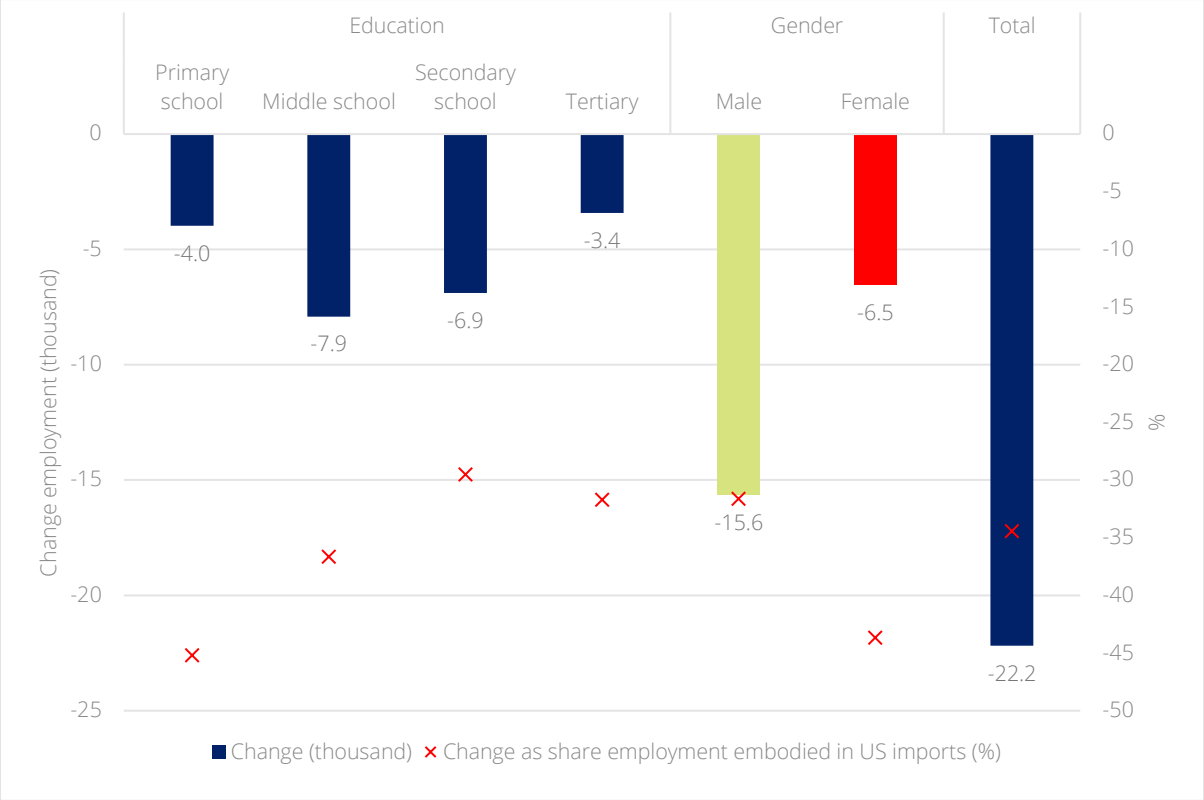


Notes: Simulation based on 10% reciprocal tariffs, the Section 232 tariffs (incl. 50% tariff on steel and aluminium implemented in June 2025), an import demand elasticity of 1.19, and HS Section level elasticities of substitution constructed using HS6-digit average point elasticities from Fontagné et al. (2022). Data excludes US imports of gold and of HS 2-digit chapters 98 and 99.

US imports from SA sustain approximately 64,500 direct jobs, with a disproportionate number (49,500 or 77%), relative to the rest of the economy, of these workers being male. Employment embodied in US imports from SA is calculated using employment to output ratios for 61 industries obtained from the 2019 Social Accounting Matrix (SAM) database produced by Van Seventer and Davies (2023). These employment to output ratios are multiplied by US import values to obtain the implied employment embodied in the production of SA to the US. The indirect effects in upstream industries are not accounted for. Overall, 64,500 direct jobs are supported by US imports from SA, of which 49,500 (77% share) are male. The male-to-female gender ratio of employment embodied in US imports from SA is 3.3, which is substantially higher than the ratio for aggregate employment (2.2) in the traded goods sectors (agriculture, mining and manufacturing) of the SA economy. The high male-intensity of employment embodied in US imports from SA reflects the high shares of precious metals and vehicles that are male-intensive in the production process.

Up to 22,000 jobs, or 34% of the initial jobs sustained by US imports from SA, are directly threatened by the tariff increases. Lower exports feed into reduced domestic production and, through this, result in job losses in the affected industries. In terms of numbers, male workers account for most (15,600 or 71%) of the decline in jobs, but in percentage terms, female workers are the most affected with 44% (compared to 32% for men) of initial jobs sustained by US imports from SA directly threatened. This bias against female workers arises largely from the exemption from reciprocal tariffs of the male-employment-intensive precious metals sector that accounts for a high share of US imports from SA. Looking at job losses by education, workers with primary schooling (4,000, or 45% initial employment) and middle school education (7,900, or 37% initial employment) experience the largest declines in employment. The skill and gender bias of job losses may exacerbate SA's high levels of income inequality.

Figure 21: Direct impact on employment in SA under scenario 1



Notes: Based on scenario 1. Employment losses are calculated using employment to output ratios for 61 industries obtained from the 2019 Social Accounting Matrix (SAM) database produced by Van Seventer and Davies (2023). The declines in US imports from SA are mapped to the 61 industries using a concordance between the HS and the Standard Industry Classification used to categorise industries in the SAM. Indirect effects through demand changes upstream of the industry are not accounted for.

Box 2: Diversion effects – the case of US imports of citrus from SA

The reciprocal tariffs listed in President Trump's Executive Order 14257 differ across countries, ranging from the default 10% to 50% for Lesotho. An implication of these different levels of reciprocal tariffs is that their implementation will give rise to a re-allocation of US imports from countries facing high reciprocal tariffs to countries facing lower reciprocal tariffs.

These effects can be illustrated using US imports of citrus products. Citrus products (oranges, mandarins, grapefruit) are a major export of SA to the US with a US import value of $118 million in 2024. SA makes up 13% of total US imports of these products, with Chile ($309 million), and Peru ($175 million) the other major Southern Hemisphere exporters to the US. As is the case with SA, US imports from these countries enter duty free (Table 6).

The reciprocal tariff, however, raises the US tariff on SA imports of citrus to 30%, but only 10% for Chile and Peru. The impact of the reciprocal tariffs is a decline in US imports from SA of $81 million (30% decline). Just under $10 million of this decline is attributed to direct demand effects, while $71 million is attributed to a diversion of US imports to other sources, mainly Chile ($30 million) and Peru ($11 million). The higher the elasticity of substitution, the higher the diversion effects will be. On the other hand, the diversion effects may be exaggerated as some of the diversion effects ($26 million) are attributed to citrus imports from Morocco and Mexico where the citrus season runs from November to April, whereas the season for SA runs from April to October (Table 6).

Table 6: Simulated impact on US imports of citrus products (HS0805) from South Africa under full implementation of reciprocal tariff rates

	US Imports		US tariffs			Change in US imports from SA by source country		
Origin	Value, $mill	Share (%)	Initial (%)	+ reciprocal tariffs (%)	Change (%)	Diversion from SA ($ mill)	Direct effect ($ mill)	Total effect ($ mill)
South Africa	117.9	13.0	0.0%	30.0%	30.0%		-9.9	-9.9
Chile	309.1	34.2	0.0%	10.0%	10.0%	-30.2		-30.2
Peru	174.6	19.3	0.0%	10.0%	10.0%	-11.0		-11.0
Morocco	160.1	17.7	0.0%	10.0%	10.0%	-12.1		-12.1
Mexico	54.0	6.0	0.0%	0.1%	0.1%	-14.3		-14.3
Uruguay	38.0	4.2	1.4%	11.4%	10.0%	-2.7		-2.7
Israel	18.1	2.0	0.0%	17.0%	17.0%	-1.1		-1.1
Other	33.1	3.7	0.2%	26.4%	26.2%	0.0		0.0
Total	**904.9**	**100.0**	**0.1%**	**12.8%**	**12.7%**	**-71.3**	**-9.9**	**-81.3**

Notes: Based on simulations using US import data of citrus products (HS 0805) from all countries in 2024. Lemons and limes (HS 080550) are excluded as US does not import these products from SA. The scenario assumes all reciprocal tariffs as outlined in President Trump's Executive Order 14257 are implemented, an import demand elasticity of 1.19, and an average elasticity of substitution of 4.5 calculated using the HS6-digit average point elasticities from Fontagné et al. (2022). The total decline in US imports from South Africa is $81 million. The direct loss associated with increased tariffs on South Africa is $ 9.9 million, while diversion effects are $71 million.

6 Implications for SA exports from deflection of Chinese exports to competing third-country markets[25]

Key findings:

1. President Trump's foreign trade policies have thus far disproportionately been targeted at China which is of particular concern to SA if China's exports to the US are deflected to third country markets that SA exports to in response.
2. The vulnerability of SA's exports to deflection of China's exports from the US market is contingent on several factors, including the similarity of export structures between SA and China, the importance of destination markets in SA and China's exports, the value of deflected trade from US tariff increases and the product composition of the deflected trade.
3. Model estimates predict that trade deflection by China to the rest of the world could reach $251 billion following the implementation of the full suite of tariffs on China (with reciprocal tariffs at 34%).
4. The similarity in the structure of SA and China's exports to SSA is low, despite a significant overlap (75%) in the number of products exported by both to SSA destinations. The share of the value exported by SA that competes with Chinese products in SSA countries is lower (34%).
5. Using a constant market share (CMS) approach, SA stands to lose $136 million in export value to SSA which equates to a low 0.6% in the value of SSA imports from SA.
6. The decline in imports from SA from deflection is concentrated in Botswana ($34 million), Zimbabwe ($28 million) and Mozambique ($26 million).
7. Overall, indirect effects on SA exports, specifically, the deflection of Chinese exports to third markets following high US tariffs on China, are found to be less significant than the direct impact of increased tariffs on US imports from SA.

President Trump's foreign trade policies have thus far disproportionately been targeted at China. This has not gone unanswered as China has engaged in tit-for-tat escalations on its end. These escalations culminated in April this year when US tariffs reached 145% on Chinese imports. China's tariff on US imports similarly reached more than 100% in April. However, tensions have since cooled with Trump's announcement of a 90-day pause while officials meet to negotiate a more palatable trade deal for both sides. During the 90-day suspension period China faces the same reciprocal 'universal' tariffs of 10%.[26] Nonetheless, given the historical context, and Trump's inclination to target China with his trade policies, it is important to evaluate the potential spillover effects for SA's exports, not only directly into the USA, but also indirectly in third country markets.

25 The analysis done in this section excludes HS71 (precious metals, including PGMs and diamonds).

26 This is in addition to other tariffs targeting China (i.e. Section 232 and 301 tariffs).

A key concern is that Chinese exporters to the US will respond to increased tariffs by deflecting their exports to third country markets, as occurred during the 2018 China-US trade war. The fear, as articulated in the Financial Times (2025), is that the US tariffs will "*provoke a flood of cheap Chinese products pouring into other markets*". This follows from evidence from the 2018 US-China trade war where China's market share in alternative markets in EU, Canada, Mexico and the Association of Southeast Asian Nations (ASEAN) regional grouping rose in those products where US imports from China were most affected by the US tariff increases (Gunnella et al., 2024; Evenett and Espejo, 2025). Some of this deflection, however, appears to be a re-routing of trade, or a re-orientation of Chinese supply chains, with trading partners that the US had shifted to in response to the tariffs on Chinese imports, showing evidence of rising imports from China in precisely those goods that the US was importing less of from China (Haberkorn et al., 2024).

The deflection of China's exports from the US market is potentially concerning for South African manufacturing exports, employment and production on two fronts: Firstly, domestic import competing firms may find themselves under increased import competition from China, and, second, SA exporters may face increased competition in their export markets. Both these outcomes can have a detrimental impact on domestic employment, production and exports. Edwards and Jenkins (2015), for example, find that rising imports from China following its entry into the WTO in 2001 reduced employment and output within the South African manufacturing industry. Further, increased head-to-head competition with Chinese exporters in third country markets crowded out South African exports, particularly in the African continent (Edwards and Jenkins, 2014; Jenkins and Edwards, 2015).

Conceptually, the vulnerability of SA's exports to deflection of China's exports from the US market is contingent on the intersection of several factors. These include:

(i) Similarity in export structure: The first consideration is the similarity in the product composition of SA and China's exports to destination countries. A high degree of product overlap would mean that South African goods are directly and more easily substitutable with Chinese goods, leading to increased risk of displacement or crowding out in these markets.

(ii) Importance of destination markets in SA and China exports: Head-to-head competition is particularly relevant if it occurs in markets that contribute significantly to SA's total export value. Similarly, the more important a destination market is to China, the more it may deflect products to that market.

(iii) Value of deflected trade: The potential for trade deflection depends on the total decline in US imports from China, which in turn is a function of the US tariff increases. The larger the reduction in US imports from China, the higher the potential value of goods available to be deflected to third country markets.

(iv) The product composition of deflected trade. Changes in the product composition of US imports from China in response to tariffs depend not only on the existing composition of US imports, but also the size of the tariff increases and the responsive of US consumers to these increases. This responsiveness includes direct reductions in consumption of Chinese goods, as well as the diversion of varieties imported from China to alternative

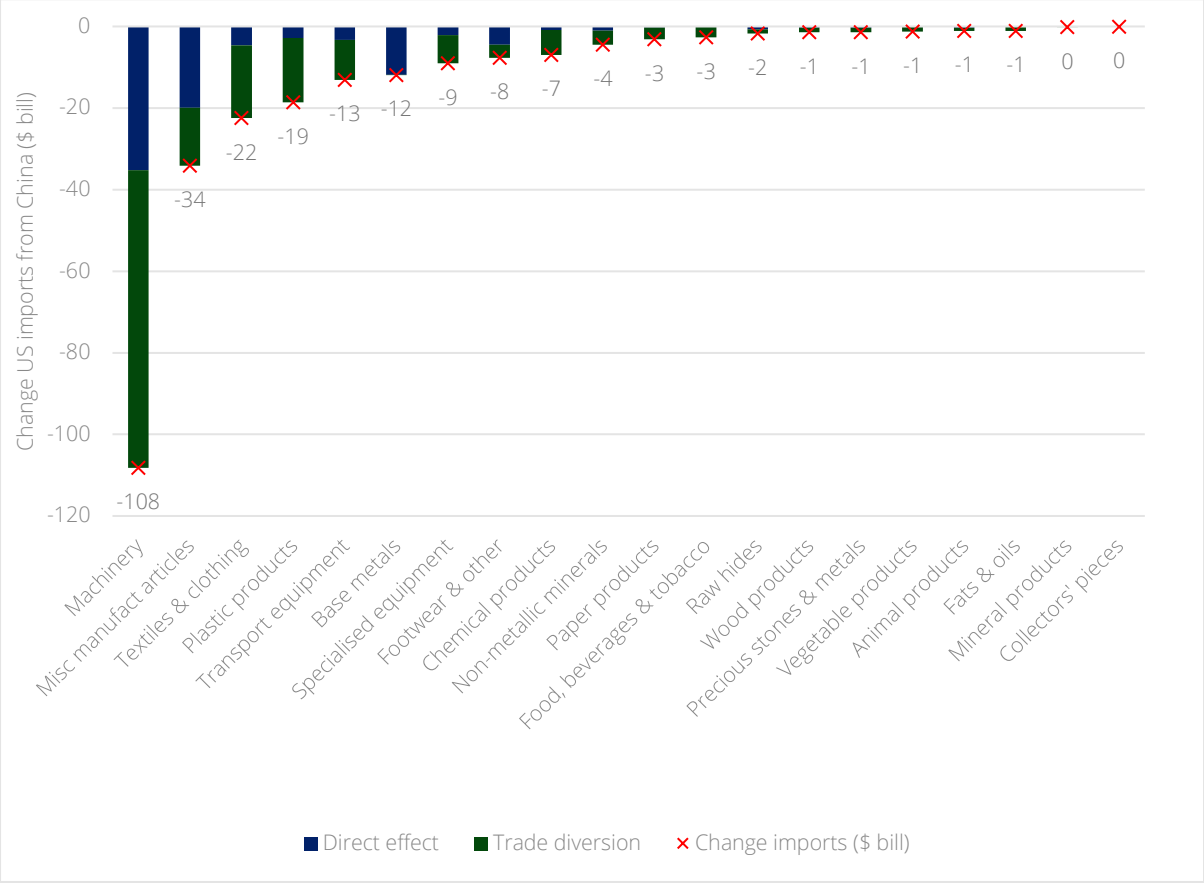
import sources. South African exporters' vulnerability to deflection can be expected to be higher the more similar is the product composition of the deflected trade, and SA and China's exports to the third country market.

Together these factors intersect to define the vulnerability of South African exports to trade deflection. For example, South African exports will be most vulnerable if China deflects high value exports from the US to markets that are important destinations for South African exports, and there is high similarity in the product composition of the deflected exports and SA's exports to the destination.

Evidence has already surfaced of Chinese exports to the US being deflected towards third-country markets of key importance for SA exporters. According to Chinese export data for May 2025, Chinese exports to the USA fell by 34.5% when compared to May 2024, the most in any month since February 2020 when the COVID-19 disruptions materialised. Over the same period, China's exports to other regions (third country markets) have grown, with exports to Southeast Asia and the EU growing by 15% and 12%, respectively. What is concerning is the significant uptick in export growth to Africa (33%). These trends seem to have accelerated from April, when exports to the US 'only' fell by 21% from a year earlier (Bao, 2025; Miao, 2025; Shepherd et al., 2025).

Further, the potential impact on US imports from China in response to the large tariff increases is considerable, leading to potentially large negative trade deflection effects for SA. Chinese imports into the US market face relatively large tariff increases, even after the reductions in retaliatory tariffs in May. In addition to the 10% universal reciprocal tariff and Section 232 tariffs, Chinese exporters face the additional 20% IEEPA Fentanyl tariff. Further, the full reciprocal tariff of 34% is higher than for most other countries. Model estimates (based on scenario 1 for China) suggest that US non-gold imports from China may fall by up to $242 billion, or 47%, following implementation of the Fentanyl, Section 232 and 34% reciprocal tariff (Figure 22). The declines in US imports are strongest for machinery, miscellaneous manufacturing, textiles & clothing, plastic products, amongst others, with over half of the decline attributed to diversion effects. The implication of this scenario is that the rest of the world may face the prospect of a deflection of $242 billion of Chinese exports towards other markets.

Figure 22: Contribution of direct and diversion effects to the change in US imports from China by industry under scenario 1 (ordered by largest effect on US import values)



Notes: Simulation based on full implementation of reciprocal tariffs, the Section 232 tariffs (incl. 50% tariff on steel and aluminium implemented in June 2025), an import demand elasticity of 1.19, and HS Section level elasticities of substitution constructed using HS6-digit average point elasticities from Fontagné et al. (2022). Data excludes US imports of gold and of HS 2-digit chapters 98 and 99.

Given these concerns, this section assesses the potential implications for South African exporters in third country markets arising from declining US imports from China. The focus is on exports to SSA given its importance for South African exports (representing approximately 30% of all South African exports), especially in higher value-added manufacturing (non-mineral) goods (World Bank, 2014). To conduct the analysis of the indirect effects, the section begins by first identifying the extent to which SA and China's exports overlap in SSA countries before proceeding to a common market share (CMS) analysis to estimate the potential deflection losses arising from simulated declines in US imports from China following the tariff increases.

6.1 Similarity/overlap analysis

Various different measures are used to determine the level of overlap/similarity between SA and China's exports to SSA countries (See Annex D for the technical details). To assess the similarity in export structure between SA and China's exports to SSA countries, we draw upon the Finger and Kreinin (1979) Export Similarity Index (ESI). The ESI measures the extent to which two country's export patterns overlap with each other in a third market. A value close to 0 indicates minimal overlap (competition) in the third market, while a value close to 1 indicates that the export structures of SA and China are identical.

Other indicators of overlap provide additional insights. These include: (a) the share of SA products exported to the destination where there is an overlap with China's exports (SA export product overlap), and (b) the share of SA's export value to the destination where there is an export product overlap (Share SA Export product overlap). The export product overlap indicator is an extensive margin measure of product overlap. The second measure, the export share overlap, provides insight into the importance of the overlapped products in SA exports, hence, is an indication of overlap along the intensive margin. This measure can also be thought of as the maximum export value share to SSA markets that SA stands to lose to China in the extreme scenario where China completely crowds out SA exports.

The similarity and overlap indices are constructed using reported import data for each SSA country in 2023 obtained from UNComtrade. Unfortunately, not all SSA countries reported trade data in 2023, resulting in a sample of 31 of 47 (excluding SA) possible countries. Given measurement issues around gold and to ensure consistency with earlier analyses, gold products are excluded. Together, the 31 SSA countries account for 26% of SA's world exports and 93% of SA's total exports to SSA (both excluding gold).

Overall, the similarity in the structure of SA and China's exports is low. The average similarity of SA and China's export structure in SSA countries as measured by Finger and Kreinin's (1979) ESI is 16.6%, or 26% when weighted by SA's exports (Table 7). This aggregate measure of similarity masks the large variation across SSA countries. The majority of SADC countries have export similarity measures above the SSA average. For example, high levels of export similarity (above 30%) are found for exports to Angola, Seychelles, Zambia and Zimbabwe. Low levels of export similarity (below 5%) are found for smaller trading partners such as The Gambia, Niger, and Cape Verde (See Column 1 of Table B4 in Annex B). Overall, the ESI reveals significant differences in the product composition of Chinese and South African exports. This is despite the rise in similarity over the period 2001 to 2010 found by Jenkins and Edwards (2015).

Table 7: Indicators of similarity in export structure, and share of South African exports facing competition from China in SSA

SSA Country	Export Similarity Index (%)	Share of SA Export Products with Overlap (%)	Share of SA Export Value Overlap (%)
Simple across-country average	16.6%	75.3%	34.4%
Weighted across-country average	26.0%	67.8%	19.9%

Notes: Own calculations using 2023 import data obtained from UNComtrade. Products are defined at the HS6-digit level. Imports of gold are excluded. SA's bilateral export values are used as weights.

There is a significant overlap in the number of products exported by SA and China to SSA. On average, 75.3% of all South African exported products to SSA countries are also exported by China. The countries with the highest overlap are Côte d'Ivoire, Kenya, Ethiopia, Nigeria, Uganda and Ghana, each with a product overlap of over 90%. These countries, however, tend to import fewer products from SA. The overlap is slightly lower for SADC countries where SA exports more products and has benefited from preferential access under the free trade agreement (See Column 2 of Table B4 in the Annex B). One limitation of this indicator is that it does not distinguish between products where China or SA exports $1 or $1 billion. Therefore, this measure only reflects changes at the extensive margin.

The share of the value exported by SA that competes with Chinese products in SSA countries is lower than the overlap in products. On average, 34.4% (19.9% when weighted by SA exports) of SA's export value to SSA countries is covered by China's export values (Table 7).[27] Less than 6% of the value of SA exports to Lesotho, Eswatini and Botswana faced competition from Chinese goods. In contrast, the overlap in SA export value is over 60% for exports to Central African Republic, Liberia, Côte d'Ivoire and Ghana (See Column 3 of Table B4 in the Annex B). These countries, however, account for relatively low shares of SA exports to SSA (See Column 3 of Table B5 in Annex B). Consequently, on aggregate, the region appears to be relatively insulated from Chinese competition.

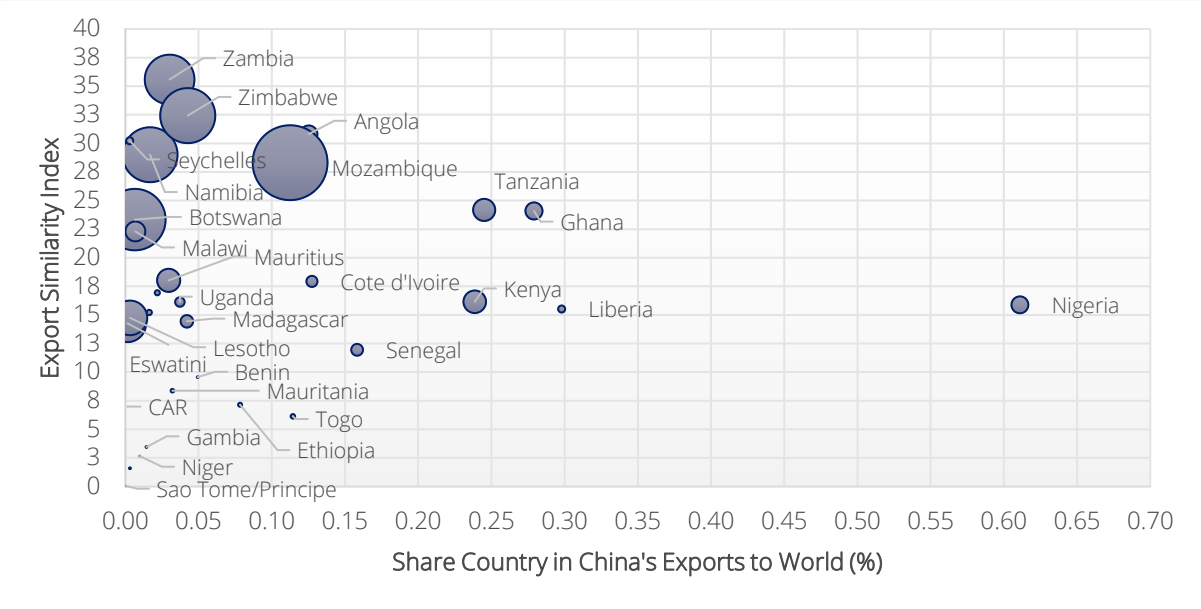
Further insight into the potential vulnerability to deflection for South African exports in SSA is provided in Figure 23 which presents a bubble plot of the ESI (vertical axis) against the share of each SSA country in world exports by China (horizontal axis). The size of the bubble denotes the value of each country's imports from SA (larger implies higher exports by SA to the market). A high level of vulnerability to deflection for SA in SSA markets would be represented by the location of large bubbles towards the upper right-hand corner. Large bubbles towards the upper right-hand corner would signify markets for SA where SA and China's export structure is very similar, and where the market is relatively important as a destination for both SA and China.

The figure provides further support for the limited vulnerability of SA exports to deflection of China's exports from the US market. None of the large export markets for SA are located in the upper right-

27 The method for calculating the share of SA export value overlap is provided in Annex D.

hand corner. While SADC markets are characterized by high levels of export similarity between SA and China, and large import values from SA, these markets account for relatively low shares of China's total exports. The SSA markets that import relatively high values of goods from China (e.g. Nigeria, Ghana, Kenya, Tanzania, Liberia), account for relatively low values of SA's exports to SSA (Table B4 in Annex B), and are characterised by lower export similarities.

Figure 23: SA and China trade overlap in SSA countries



Notes: Own calculations using 2023 import data obtained from UNComtrade. Products are defined at the HS6-digit level. Imports of gold are excluded. The bubbles represent the size of SA's exports to each country.

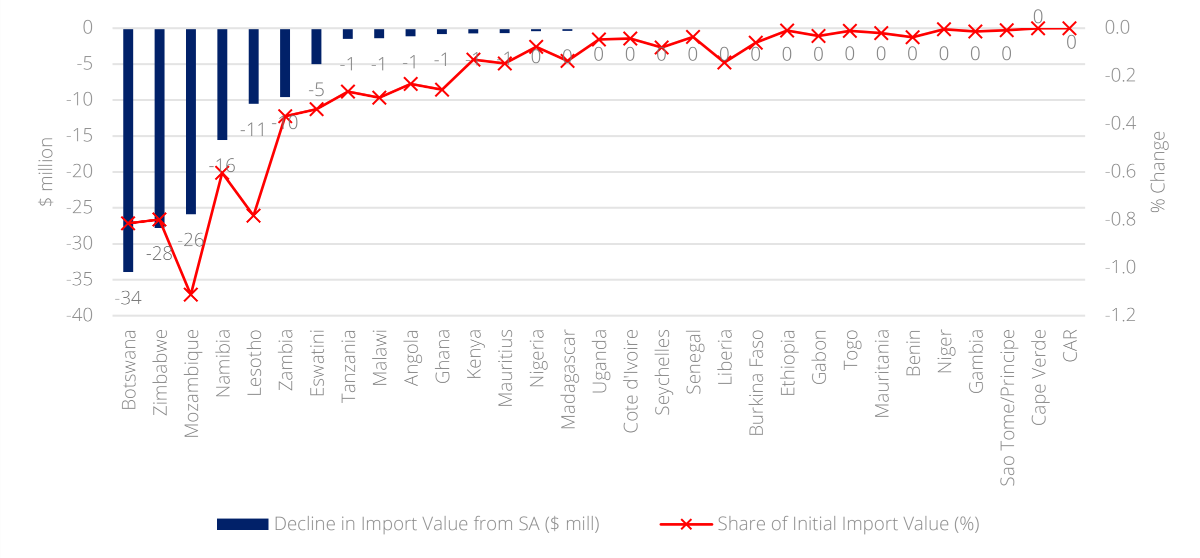
6.2 Constant Market Share (CMS) analysis

A limitation of the export similarity analysis is that it does not provide estimates of the potential loss in value of South African exports in response to deflection that will arise in response to the tariff increases. This section, therefore, modifies the CMS approach used by Jenkins and Edwards (2015) to analyse the impact on SA exports from China's rapid export growth following its entry into the WTO (See Annex D for further details). This approach, in effect, calculates the loss in market share by SA at the product level following deflection of Chinese exports from the US market to SSA countries. To implement the analysis, we use the simulated decline in US imports from China following the implementation of the tariff increases, as shown in Figure 22.

Based on the CMS approach, SA stands to lose $136 million in export value to SSA countries as a result of increased US tariffs on China (Figure 24 and Table B6 in Annex B). This loss equates to a low 0.6% decline in the value of SSA imports from SA. The decline in imports from SA is concentrated in those markets that account for relatively high shares of SA exports to the region, and is highest for Botswana ($34 million), followed by Zimbabwe ($28 million) and then Mozambique ($26 million). These three

countries account for nearly two-thirds of the total decline in SSA imports from SA. However, even for these countries, the decline as a share of initial imports from SA is very low (less than 1.2 percent). For most of the countries, the decline in import value from SA is below $1.5 million (Figure 24).

Figure 24: Displacement of South African Exports to SSA by China from Trump Tariffs



Notes: Own calculations using 2023 import data obtained from UNComtrade. Products are defined at the HS6-digit level. Imports of gold are excluded.

Overall, the findings indicate that the loss in SA exports from the deflection of China's exports from the US market to third country markets such as SSA, are likely to be low. These indirect effects on SA exports are small relative to the direct impact of increased tariffs on US imports from SA.

The results from the CMS analysis suggest the potentially important role that preferential trade agreements can play for SA. SADC countries benefit from preferential access into each other's markets under the SADC FTA. This affords South African exports tariff preference margins to SADC member countries, thereby shielding exports from non-member countries' (i.e. China) competition. This is evident in the disproportionate share of imports that SA represents in these markets (See Table B5 in Annex B). China's export shares to these markets are limited by SA's dominant presence, a feature that is in part attributable to preferences afforded to SA under the FTA.

7 Conclusion and Recommendations

Global trade dynamics have been significantly disrupted by US President Donald Trump's invocation of the IEEPA and Section 232 of the Trade Expansion Act, under which he imposed sweeping import tariffs on key US trading partners. SA is among the countries directly affected, with major export products such as vehicles, steel, and aluminium now subject to tariff hikes ranging from 25% to 50%. Additionally, a 10% reciprocal tariff on all imports into the US has been imposed, with a 30% rate scheduled to take effect from 1 August 2025 unless an alternative agreement is negotiated. These measures pose serious risks to South African exports, undermining the competitiveness of key sectors and eroding the benefits of preferential access under the AGOA.

This paper conducted a comprehensive analysis of the implications of the recent US tariff increases for South African exports. The analysis involved an in-depth examination of bilateral trade between the US and SA, a detailed assessment of the tariff proclamations that have altered US duties on South African imports, and a simulation of the potential impact of these tariff changes on SA's exports both to the US and to third country markets, specifically SSA.

The results suggest that the increased tariffs, particularly the 30% reciprocal tariff, pose a significant threat to SA's exports to the US. Aggregate losses of up to $2.3 billion are calculated, with a substantial share of this decline driven by the diversion of US imports from SA towards countries with lower reciprocal tariffs. Transport equipment, chemicals, and agri-food sectors bear the brunt of the reductions in US imports. Citrus, in particular, is at risk of diversion as it competes with suppliers in Chile and Peru, which face relatively lower reciprocal tariffs.

The concern that US President Trump's disproportionate targeting of China would result in trade deflection that crowds out South African exports to third country markets, specifically SSA, is found to be less significant. The overlap between South African and Chinese exports in SSA markets is limited. SA's export structure is relatively distinct from China's. Estimated losses from Chinese trade deflection into African markets are negligible, amounting to less than 1% of SA's regional exports.

7.1 Recommendations

The analysis points to several areas of focus for trade-related policy interventions, separated into short, medium and longer term timeframes:

7.1.1 Short term

In the short term, the focus for policy action should be on engagement, diplomacy, signalling willingness to deal with barriers to US trade, and quick wins

Engage with US authorities to avoid high reciprocal tariffs and secure exemptions.

The SA administration should continue its proactive engagement with US trade authorities and other key stakeholders to avoid or reduce the implementation of the 30% reciprocal tariff on 1 August. Engagements should build on SA's recent submission of a revised trade and investment proposal and recent constructive engagements with the US Trade Representative (USTR) office following President Ramaphosa's visit to the White House. Although a comprehensive signed agreement will take time to

flesh out, such initial engagements can be an important signal of good faith and willingness to come to the negotiating table. In the shorter term, such engagements can lead to smaller or partial agreements that stave off any tariff escalations while a more comprehensive agreement is negotiated. President Trump has previously been accommodating to countries that have shown a willingness to negotiate.

Unilaterally resolve specific constraints to US trade and investment with SA identified in the National Trade Estimate Report and feedback from the USTR on SA's revised trade and investment proposal.

While the principal of quid-pro-quo is associated with bilateral trade negotiations, the current context requires *unilateral* action by South Africa to signal its willingness to resolve key constraints identified as barriers to US trade and investment with South Africa. The USTR (2025) report "2025 National Trade Estimate Report on Foreign Trade Barriers" (https://ustr.gov/sites/default/files/files/Press/Reports/2025NTE.pdf) identifies key barriers to US trade with SA. These include:

a. Concerns around tariff disparities between the US and European Union (EU) and United Kingdom (UK) given trade agreements with the latter, use of specific anti-dumping duty on poultry as opposed to ad valorem, and the recent 10% tariff imposed on articulated dump trucks (mass > 50 tons). This was reiterated by the USTR as a concern in their recent response to the revised submission of the trade and investment proposal.
b. Use of non-tariff barriers (NTBs) relating to import bans and restrictions (e.g. import permit requirements).
c. Technical (TBT) and Sanitary and Phytosanitary (SPS) barriers covering certification requirements (e.g. for electromagnetic compatibility goods), domestic lab testing requirements, certification and sealing requirements facing meat and poultry, delayed lifting of highly pathogenic avian influenza (HPAI) restrictions on US poultry exports, and restrictions on US blueberry exports to SA.
d. Services and investment barriers, including local ownership requirements for security services, the Expropriation Bill, and limits to competition by state-owned enterprises (SoEs) and government procurement.
e. Digital trade issues, which have been flagged by the USTR as an issue of importance to the US. The US has pressed SA to make more concrete commitments in this regard, as per a recent National Economic Development and Labour Council (NEDLAC) report following President Ramaphosa's visit to the White House (NEDLAC, 2025).

Several possible quick-wins follow from this report. Firstly, replace specific anti-dumping duty on poultry with reduced ad valorem rate. The specific tariffs are particularly detrimental to poor households as they disproportionately tax low-priced imports. Further, the tariff quota under which US exporters are able to export frozen poultry under the general tariff is not filled. Expanding the quota, and converting the specific tariff to a lower ad valorem tariff will therefore have little immediate effects on SA poultry producers.

Secondly, set up US-SA engagement with the Department of Agriculture (DoA) to deal with the SPS barriers under their control. Various policy responses can be considered, including pro-active moves to improve market access into the SA market by resolving overtly stringent non-tariff, technical and SPS barriers (e.g. Speed up and simplify approval of imports of poultry from Avian Influenza-free areas in the US and other countries; fast-track discussions on blueberry access).

Engage with US companies in SA.

According to the American Chamber of Commerce in South Africa Business Barometer (2021),[28] there are at least 662 American firms active in the country, supporting more than 220,000 jobs. These firms not only benefit SA, but also benefit their US shareholders/owners. This is evident in the large net positive primary income transfers from SA to the US. These transfers reflect positive returns to US citizens and companies from their investments in SA. Engagement with these firms to understand their businesses, and how their activities in SA benefit the US, may contribute towards negotiations with the US on a trade deal. Further, these businesses may provide an opportunity to leverage support within the US for a beneficial trade and investment deal.

Sell SA as a gateway into Africa.

SA is well placed to serve as a gateway for US investors and goods into the African market. The African Continental Free Trade (AfCFTA) is expected to further open up the continent to intra-regional trade. As an economy with a deep industrial base, and a well-developed services industry, SA can serve as a base for US companies to locate and access the rest of the African market. This includes US investment in the development of the critical minerals regional value chain. SA's position as a gateway into Africa is not guaranteed. For example, Kenya, through the Strategic Trade and Investment Partnership (STIP), has already made progress in establishing stronger ties with the US.[29]

Provide targeted support to vulnerable export firms and workers

Together with businesses, the South African government can pro-actively identify sectors and firms that are most exposed to the tariff shock, to provide targeted support, that could, for example, include targeted financial relief, trade adjustment assistance to workers and firms, export marketing assistance, and trade finance in the short term until longer-term solutions for the firm are found.

7.1.2 Medium term

Medium-term goals should deal with the institutional frameworks and agreements governing bilateral trade and investment with SA.

Ensure the renewal of AGOA beyond 2025

28 https://www.amcham.co.za/sites/default/files/content-files/AmCham%20Business%20Barometer%202021.pdf

29 The US and Kenya initially began negotiating a free trade agreement in 2020 during President Trump's first term. President Biden, however, discontinued these negotiations and launched the Strategic Trade and Investment Partnership that aims to deal with non-tariff trade issues covering agriculture, digital trade, environmental rights, trade facilitation, etc. It does not involve reciprocal tariff reductions (https://www.congress.gov/crs-product/IF11526).

AGOA has played an important role in providing duty-free access into the US market for key SA exports such as vehicles and citrus. Failure to renew the agreement will result in a loss of preferential access and an erosion of competitiveness. While the preference margins are not high, loss of AGOA access may be seen as a powerful signal of a decline in SA-US trade and investment relations.

Negotiations on the extension of AGOA will require a co-ordinated and collective response by African countries, possibly co-ordinated through the AfCFTA secretariat. Minister Tau recently indicated that African country leaders had agreed to approach the US as a collective in a recent AfCFTA council meeting in April 2025. It is important that these commitments and engagements move forward, and that any collective proposal made addresses concerns flagged by the US for meaningful progress to be made. SA will also require its own bilateral engagements, given specific concerns and calls by some Republican congressmen for President Trump to revoke SA access.

Revitalise, renew and extend the SACU–US Trade, Investment, and Development Cooperative Agreement (TIDCA) and the SA-US Trade and Investment Agreement (TIFA)[30]

SACU and the US concluded a TIDCA in 2008 that aimed to establish a bilateral forum for dialogue and cooperation on trade and investment facilitation, TBTs, sanitary and phytosanitary (SPS) measures, and promotion of commerce and development. Further, the broader aspiration was to generate the groundwork for a future US-SACU FTA. Parallel to this, SA and the US concluded a bilateral Trade and Investment Framework Agreement (TIFA) in 1999, which was subsequently amended in 2012.

These agreements appear to be largely dormant. The Council on Trade and Investment have not engaged regularly. In 2024, Minister Tau signalled interest by both the US and SA to revitalise the TIFA, a revised version of which was submitted by the Department of Trade, Industry and Competition (dtic) following President Ramaphosa's recent visit to the White House.[31] These efforts should be followed up with impetus to establish a comprehensive agreement that is palatable to both sides. Engagement and agreement on mutual issues can pave the way for better relations and further progress on other agreements.

7.1.3 Longer term

Longer-term goals revolve around export diversification, domestic reforms, and improving domestic trade competitiveness.

Diversify export destinations beyond the US

While the US market remains a significant export destination for SA exports, the volatile and unpredictable nature of its recent foreign trade policy has highlighted the importance of diversifying SA's export basket.

- The AfCFTA has potential to diversify and grow SA exports, as well as provide added protection for SA exports to the continent, rendering them less susceptible to indirect trade effects resulting from trade tensions between China and the USA or any other non-African countries.

30 https://ustr.gov/trade-agreements/other-agreements/southern-african-customs-union-sacu

31https://agoa.info/news/article/16506-south-africa-and-us-agree-to-revive-trade-and-investment-framework-agreement.html

However, implementation of the agreement is currently being constrained by failure to finalise agreement on the rules-of-origin on selected products covering clothing, textile and automotive products. SA can play a more pro-active role in driving the conclusion of these negotiations, that may include offering less stringent rules-of-origin requirements to improve access to other African exporters into the SA market.

- Regional trade and transport infrastructure, energy supply and administrative deficiencies pose significant supply constraints to the expansion of trade in the continent. The dtic should engage with its partners in government to drive an agenda around reducing trade costs. Emphasis should be placed on the conclusion and implementation of the AfCFTA annexes, particularly Annexes 4-8 dealing with customs co-operation and mutual administrative assistance, trade facilitation, NTBs, TBTs, SPS measures and transit. Empirical estimates consistently show that reductions in trade costs will amplify the gains from trade associated with lower tariff barriers (World Bank, 2020). Resolving constraints at the border, including better provision of information on official border regulations and procedures, will also benefit small traders, and women traders in particular (World Bank, 2022).
- SA firms are not fully utilising the available market access opportunities available through AGOA or the preferential trade agreements with the EU and UK. Exporters are also facing rising numbers of harmful import-related interventions in destination markets (Chien et al., 2024). The dtic can raise awareness on export opportunities and engage in government-to-government negotiations to address harmful trade barriers.
- Additional avenues for diversification include expanding into the fast-growing Southeast Asian markets, where tariff barriers remain relatively high (Edwards, 2024; Chien et al., 2024). Despite SA having comprehensive trade agreements with the Western developed countries, limited emphasis has been placed on negotiating deeper trade relations with the East and other developing countries outside of Africa. The dtic should evaluate the opportunities to negotiate additional deep and comprehensive trade agreements with new emerging economy partners outside of Africa.
- Further, although trade agreements do not guarantee immunity from US tariff increases (see, for example the tariffs imposed on Canada and Mexico, despite the USMCA), SA should consider offering to re-open previously abandoned discussions on establishing an FTA with the US that is at least on equal terms for goods trade as the trade agreements with the EU and UK, but also extended to include services and digital trade issues.
- SA's services exports have fallen considerably as a share of total trade and Gross Domestic Product (GDP) over the last decade (Chien et al., 2024). SA has also not concluded any services trade agreement, despite the dominance of the services sector in the economy. While negotiations on a services agreement under the AfCFTA are underway, further engagements with businesses around the desirability and potential implications of bilateral trade in services agreements between SA and trading partners outside of Africa are warranted.
- Digitalisation has expanded access to markets and opportunities for innovation and trade in the services sector (Nayyar et al., 2021). Globally, and in SA, digital trade has far outpaced goods trade. However, according to OECD data, digital trade in SA is inhibited by relatively

restrictive regulations, particularly around infrastructure and connectivity (Edwards, 2024).[32] SA is also not participating in the plurilateral discussions under the WTO on e-commerce rules through the Joint Statement Initiative (JSI). The dtic should reconsider its position in this regard, as by not participating, SA is losing an opportunity to influence the direction and content of these negotiations.

- Further research and engagement with firms is required to identify opportunities to deepen services trade, investment and regulatory harmonisation through the AfCFTA. Engagements with business and services' line departments in government around the desirability and potential implications of bilateral trade in services agreements between SA and priority trading partners outside of Africa are also warranted.

Improve the accuracy and credibility of bilateral trade data

Discrepancies in reported bilateral trade between the US and SA give rise to inconsistencies that can affect tariff determination as has been shown in this paper. Improving and/or standardising reporting systems globally can ensure greater consistency and transparency in policy determinations such as the reciprocal tariffs. Further, digital trade flows involving intangible products (e.g., software, cloud services, digital media) are not recorded at the border and therefore not captured in traditional trade statistics. The delivery of services through platforms (e.g., streaming, freelancing) further complicates the distinction between goods and services and the identification of cross-border transactions.

The repatriation of profits or royalty/licence fees to US digital service companies may also not be adequately reflected in the US-SA bilateral primary income statistics, as this is dependent on the tax jurisdiction where the intellectual property resides. As tax minimising strategies, many US digital service companies have located their head offices in countries (e.g. Ireland, Netherlands) with low corporate taxes. The large positive returns to US companies from the export of services to SA are, therefore, under-recorded in the primary income transfers under the balance of payments (BoP) account. The contribution of e-platforms such as Amazon in driving bilateral trade flows is also poorly understood. US companies dominate these areas, with the implication that the net contribution of SA to US exports and investment returns may not be fully captured. Better collection of digitally enabled and digitally delivered trade can assist in providing a more representative picture of US-SA trade and returns to investment.

Enhance domestic trade competitiveness

In contrast with other upper-middle income countries, SA's export volume to GDP ratio has fallen and by 2024, was no higher than it was in the 1990s (Edwards, 2024). This performance points to deep supply constraints affecting the competitiveness of SA exporters. The high trade costs associated with the very poor quality and administration of SA rail, port and electricity infrastructure prevent the entry of firms into export markets, and make SA exports particularly vulnerable to external shocks. The US tariff increases accentuate the importance of accelerating and expanding existing reforms of the state institutions managing critical trade infrastructure. Further, the crisis presents an opportunity to re-

32 For example, in 2023, South Africa was ranked the 15th (out of 90 countries) most restrictive economy in terms of digital trade.

evaluate SA trade and industrial policies and assess whether they are consistent with driving growth and SA's integration in the global market.

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9 Annex A: Data discrepancies

Measures trade flows vary considerably across countries. South African Revenue Services (SARS), for example, report exports of $8.6 billion to the USA, whereas the USITC reports imports of $14.7 billion from South Africa, leading to a discrepancy of $6.1 billion. Discrepancies can arise from several different sources:

(a) Different approaches to measuring trade. Import values can be measured according to the General Trade System that includes imports for home consumption, as well as imports admitted into bonded warehouses and into Foreign Trade Zones (goods entering or leaving a country), or the Special Trade System that only covers goods entering for home consumption (will be cleared by customs). In the general trade system, exports (imports) include re-exported (re-imported) goods. These are goods that are imported and then exported, or exported and then imported without further processing. Balance of payments trade flows are also measured differently and are based on changes in ownership (e.g. goods for processing without changes of ownership are excluded) (https://www.imf.org/external/pubs/ft/bop/2011/pdf/chapter5.pdf).

1. The implication is that exports reported by one country, will not necessarily mirror imports reported by the importing country. For example, SA reports exports to the US of $443 million of unwrought aluminium (HTS 7601) (Table A1). These goods, however, do not directly enter into the US home market for consumption purposes, but rather enter into bonded warehouses and foreign trade zones. Consequently, US reports imports for consumption unwrought aluminium of only $1 million from SA, whereas it reports $320 million of imports into bonded warehouses and foreign trade zones.
2. A further large discrepancy is found for passenger vehicle (HTS 8703), where US reported imports ($ 2.4 billion) exceed SARS reported exports ($ 1.6 billion) by $760 million (or 13% of the aggregate discrepancy). According to US reported data, vehicle imports into the US first enter into bonded warehouses. These imports are subsequently released into the US home market for consumption, upon which import duties (subject to eligibility) are payable. This can give rise to differences between SA reported exports, and US reported imports for home consumption purposes (although general imports should still match to SA reported exports).
3. SARS also follows a hybrid special strict system that includes warehoused goods destined for local consumption and excludes goods imported and exported for processing.33 Raw gold imported from the rest of Africa and processed within SA before being re-exported, for example, will not be reflected in SA reported trade in goods. This is one reason why SA des not report gold statistics in its bilateral trade flows. However, SA exports of precious metals (and stones such as diamonds) that are processed using raw materials from the rest of Africa may be reported by the US as an

33 https://www.sars.gov.za/customs-and-excise/trade-statistics/explanations-and-notes/#:~:text=UN%20IMTS%202010&text=We%20currently%20follow%20a%20hybrid,are%20excluded%20from%20trade%20statistics.

import that is entirely attributed to South Africa. This has the effect of inflating US reported imports from South Africa.

4. The measurement of gold trade is particularly important in explaining the discrepancy between US reported imports from SA, and SA reported exports to the US. The largest product imported into the US from SA in 2024, as reported by USITC (but not by SARS) are Articles of gold in rectangular shapes, 99.5% or more by weight (HTS 7115900530) (Table A1). Imports of this product are valued at $2.7 billion. Other gold imports (HTS 7108) also not reported by SARS are valued at $0.68 billion. Together these imports of gold from SA account for 23% of goods imports from SA reported by the USITC in 2024. They account for 56% of the discrepancy in USITC reported goods imports from SA, and SARS reported goods exports to the US in 2024.
   (b) Differences in valuation. Imports are often valued at inclusive of cost, insurance and freight (cif), whereas exports are valued in free-on-board (fob) prices. However, this is not an issue in relation to the measurement of US – SA bilateral trade, as the USITC import data used in calculating the reciprocal tariffs are based on the customs value, which excludes insurance and freight. South African exports are also valued excluding freight and insurance.[34]
   (c) Differences in classification and reported values of trade at the product level. A mapping of USITC reported imports and SARS reported exports to the US at the HS 6-digit level, reveals several additional discrepancies (Table A1). US reported imports of platinum group metals and unmounted nonindustrial diamonds (less than 0.5 carats) (mainly from HTS 7102390050) also vastly exceed SARS reported exports of these goods (by just under $1 billion each). Together, these products account for 32% of the discrepancy in reported aggregate US imports. These discrepancies may also relate to the inclusion in the US import statistics from SA of goods imported into SA for processing and subsequently exported to the US.
5. Discrepancies in reported trade flows also arise from differences in the classification of goods according to the Harmonized System. For example, SA reports exports of Rhodium (a platinum group metal) to the US under HS 711039 “Rhodium in semi-manufactured forms”, whereas the US reports imports of Rhodium from SA under HS 711031 “Rhodium unwrought or in powder form”.

34 US exports are valued at Free alongside ship (FAS) which excludes the cost of loading of merchandise aboard the export carrier, international freight, insurance and other transportation costs beyond the port of exportation (https://dataweb.usitc.gov/trade/search/TotExp/HTS). SARS reports exports in free-on-board prices, which includes the cost of loading the merchandise aboard the export carrier.

Table A1: Main drivers of discrepancy between US reported imports from SA and SA reported exports to US, (import and export values in $ million)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
HS 4-digit	SA reported exports to US	US imports for consumption from SA	US general imports	US general imports, excl. bonded/FTZ	Difference (3)-(2)	Share total difference (%)	Product description
Total	8351	14613	3252	11404	6262	100%	
7115	0	2734	0	2734	2734	45%	Essentially: Articles Of gold, In Rectangular Shapes, 99.5% Or More By Weight Of Precious Metal
7110	2721	3708	0	3708	987	16%	Platinum, rhodium, Palladium, Iridium
7102	80	1060	725	279	980	16%	Diamonds, mainly non-industrial < 0.5 carats
8703	1655	2416	2120	8	761	13%	Passenger vehicles
7108	0	682	0	682	682	11%	Gold
7601	443	1	320	0	-442	-7%	Unwrought aluminium
9801	0	139	3	138	139	2%	US special category
2614	200	86	0	86	-114	-2%	Titanium ores and concentrates
7113	166	277	0	277	111	2%	Jewellery, mainly gold necklace and chains
7210	1	105	0	105	104	0%	Iron & steel products
7118	20	107	0	107	87	1%	Coin of legal tender
2620	0	49	0	49	49	1%	Slag, ash and residues, containing metals

7202	349	304	0	302	-45	-1%	Ferro-manganese, chromium
2710	44	0	0	0	-44	-1%	Fuels
2844	22	56	0	56	34	1%	Uranium

Source: USITC and SARS. SARS data is obtained from SARS trade data download (https://tools.sars.gov.za/tradestatsportal/data_download.aspx), and excludes exports that do not originate in South Africa. The US imports for consumption exclude imports admitted into bonded warehouses and foreign trade zones (FTZ). US general imports include imports for consumption and imports admitted into bonded warehouses and foreign trade zones.

10 Annex B: Additional Tables

Table B1: Main products (HS6-digit) imported under AGOA from South Africa, 2024

HS4 Code	Product Description	Import Value ($ mill)	Share of AGOA (%)	Tariff Preference (%)
870323	Vehicles with only spark-ignition internal combustion reciprocating piston engine, 1500 - 3000cc	2321	61.7	2.5
720241	Ferro-alloys; ferro-chromium, containing by weight more than 4% carbon	125	3.3	1.9
711319	Jewellery; of precious metal (excluding silver) whether or not plated or clad with precious metals, and parts thereof	116	3.1	5.8
870340	Vehicles with both spark-ignition and electric motor for propulsion, incapable of being charged by plugging to external source of electric power	86	2.3	2.5
890332	Motorboats for pleasure sports, other than inflatable, of a length exceeding 7.5m but not exceeding 24m	68	1.8	1.5
Total		2716	72.2	2.6

Notes: Own calculations using US import for consumption data obtained from USITC (2025). Imports of gold are excluded.

Table B2: Reciprocal tariffs

Country	Reciprocal tariff	Country	Reciprocal tariff
Brazil	50	Kazakhstan	25
Lesotho	50	Korea, Rep.	25
Madagascar	47	Malaysia	25
Syria	41	Moldova	25
Lao PDR	40	Côte d'Ivoire	21
Mauritius	40	Namibia	21
Myanmar	40	Jordan	20
Guyana	38	Vietnam	20
Botswana	37	Indonesia	19
Cambodia	36	Philippines	19
Thailand	36	Zimbabwe	18
Bangladesh	35	Israel	17
Serbia	35	Malawi	17
China	34	St. Lucia	10
N Macedonia	33	Zambia	17
Angola	32	Mozambique	16
Fiji	32	European Union	15
Taiwan, China	32	Venezuela	15
Switzerland	31	Nigeria	14
Algeria	30	Chad	13
Bosnia/Herzegovina	30	Eq. Guinea	13
Iraq	30	Congo, DR	11
Libya	30	Andorra	10
South Africa	30	Anguilla	10
Sri Lanka	30	Antigua & Barbuda	10
Pakistan	29	BIO	10
India	26	Cocos	10
Brunei	25	São Tomé/Príncipe	10

Notes: Reciprocal tariffs published in Executive Order 14257 of April 2, 2025, or subsequently amended. The baseline tariffs of the trade deals with EU, Japan, Vietnam, Philippines and Indonesia are presented.

Table B3: Import elasticity of demand and elasticity of substitution across countries

HS Section	Import demand elasticity	Substitution elasticity
Animal products	1.19	5.42
Vegetable products	1.19	4.54
Fats & oils	1.19	5.54
Food, beverages & tobacco	1.19	5.40
Mineral products	1.19	11.52
Chemical products	1.19	6.32
Plastic products	1.19	7.23
Raw hides	1.19	3.62
Wood products	1.19	6.45
Paper products	1.19	7.80
Textiles & clothing	1.19	5.58
Footwear & other	1.19	2.54
Non-metallic minerals	1.19	5.00
Precious stones/metals	1.19	7.12
Base metals	1.19	6.41
Machinery	1.19	3.73
Transport equipment	1.19	7.82
Specialised equipment	1.19	2.72
Misc manufact articles	1.19	3.67
Collectors' pieces	1.19	4.27
Total	**1.19**	**7.04**

Notes: The import demand elasticity of 1.19 is obtained from Fajgelbaum et al. (2020), while the HS Section level elasticities of substitution are constructed using the HS6-digit level point elasticities estimated by Fontagné et al. (2022). Zero values are used for point elasticities that are insignificantly different from zero. The total value reflects the import weighted average elasticity

Table B4: Indicators of similarity in export structure, and share of South African exports facing competition from China in SSA

SSA Country	Export Similarity Index (%)	Share of SA Export Products with Overlap (%)	Share of SA Export Value Overlap (%)
Angola	30.8	86.4	59.5
Benin	9.6	87.8	41.0
Botswana	23.3	58.2	3.8
Burkina Faso	15.2	85.6	57.3
Cape Verde	1.6	54.1	32.8
Central African Republic	7.0	66.7	63.6
Cote d'Ivoire	17.9	93.5	65.0
Eswatini	14.3	47.3	4.1
Ethiopia	7.2	92.0	18.0
Gabon	16.9	84.7	45.2
The Gambia	3.5	67.9	28.2
Ghana	24.1	91.8	62.6
Kenya	16.2	91.3	26.3
Lesotho	14.7	35.7	5.7
Liberia	15.5	86.2	62.7
Madagascar	14.4	84.0	24.7
Malawi	22.3	73.4	23.1
Mauritania	8.4	67.2	44.5
Mauritius	18.0	84.5	23.2
Mozambique	28.3	68.2	23.1
Namibia	29.0	64.3	13.2
Niger	2.7	69.5	35.1
Nigeria	15.9	93.7	55.3
Sao Tome and Principe	0.0	47.4	0.6

SSA Country	Export Similarity Index (%)	Share of SA Export Products with Overlap (%)	Share of SA Export Value Overlap (%)
Senegal	12.0	88.6	31.4
Seychelles	30.2	65.1	24.1
Tanzania	24.2	89.0	43.8
Togo	6.1	67.4	50.2
Uganda	16.1	93.4	49.6
Zambia	35.6	77.9	28.0
Zimbabwe	32.4	72.5	21.9

Notes: Own calculations using 2023 import data obtained from UNComtrade. Products are defined at the HS6-digit level. Imports of gold are excluded.

Table B5: Share Composition of SA and China Trade with SSA

SSA Country	SA Share of SSA Imports (%)	SSA Share of China Exports (%)	SSA Share of SA Exports (%)
Angola	6.27	0.13	0.36
Benin	0.36	0.05	0.01
Botswana	75.88	0.01	4.04
Burkina Faso	2.66	0.02	0.04
Cape Verde	0.07	0.00	0.01
Central African Republic	0.26	0.00	0.00
Cote d'Ivoire	1.37	0.13	0.16
Eswatini	82.28	0.00	1.55
Ethiopia	1.29	0.08	0.03
Gabon	1.65	0.02	0.04
The Gambia	0.36	0.01	0.01
Ghana	4.64	0.28	0.35
Kenya	4.14	0.24	0.59
Lesotho	88.54	0.00	1.32
Liberia	2.26	0.30	0.07
Madagascar	6.84	0.04	0.20
Malawi	32.98	0.01	0.46
Mauritania	1.18	0.03	0.03
Mauritius	7.16	0.03	0.61
Mozambique	38.53	0.11	5.95
Namibia	63.17	0.02	3.24
Niger	0.28	0.01	0.00
Nigeria	2.62	0.61	0.34
Sao Tome and Principe	0.14	0.00	0.00
Senegal	1.25	0.16	0.18
Seychelles	11.02	0.00	0.07

SSA Country	SA Share of SSA Imports (%)	SSA Share of China Exports (%)	SSA Share of SA Exports (%)
Tanzania	7.51	0.25	0.56
Togo	1.00	0.11	0.04
Uganda	2.95	0.04	0.12
Zambia	40.15	0.03	2.67
Zimbabwe	50.75	0.04	3.26

Notes: Own calculations using 2023 import data obtained from UNComtrade. Products are defined at the HS6-digit level. Imports of gold are excluded.

Table B6: Crowding out of South African exports by China from Trump Tariffs

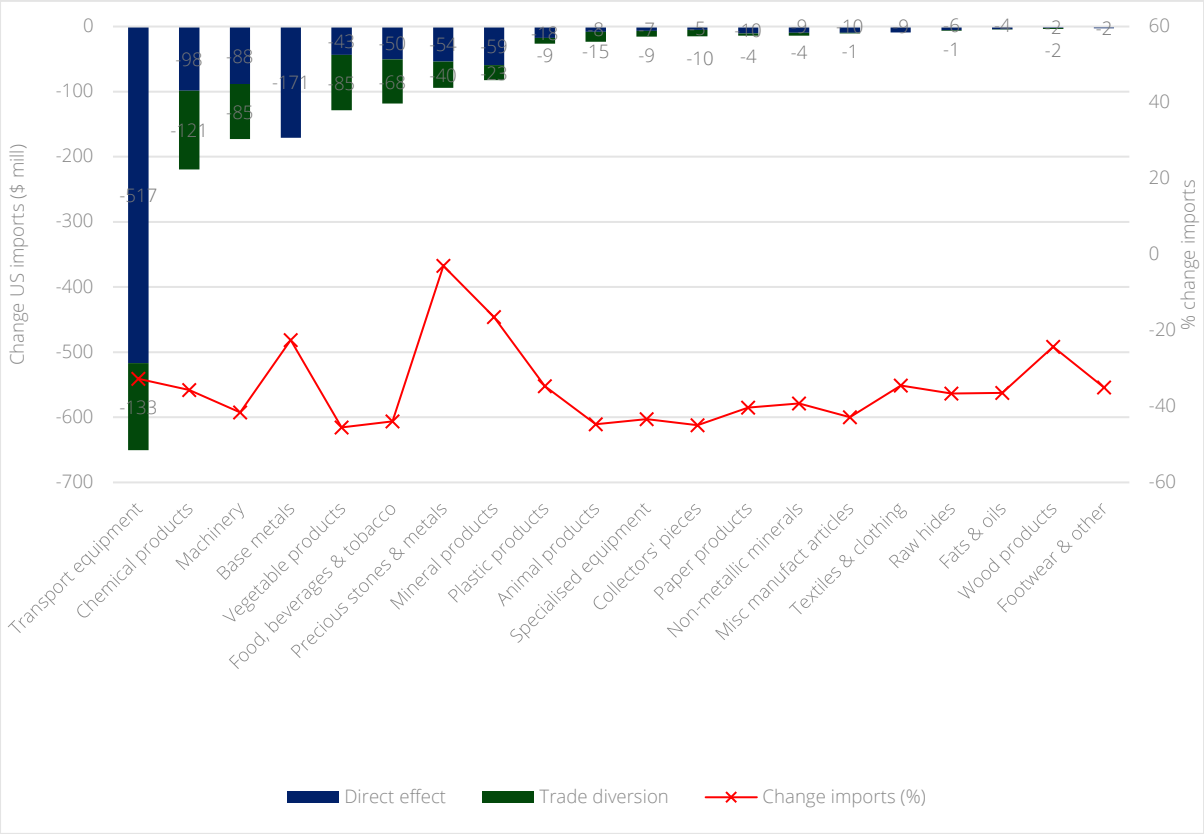
SSA Country	Decline in Import Value from SA ($ mill)	Share of Initial Import Value (%)
Angola	-1.11	-0.23
Benin	0.00	-0.04
Botswana	-33.50	-0.80
Burkina Faso	-0.04	-0.06
Cape Verde	0.00	0.00
Central African Republic	0.00	0.00
Cote d'Ivoire	-0.08	-0.04
Eswatini	-4.95	-0.33
Ethiopia	-0.01	-0.01
Gabon	-0.02	-0.03
The Gambia	0.00	-0.02
Ghana	-0.81	-0.26
Kenya	-0.71	-0.13
Lesotho	-10.33	-0.77
Liberia	-0.04	-0.15
Madagascar	-0.36	-0.13
Malawi	-1.40	-0.29
Mauritania	0.00	-0.02
Mauritius	-0.66	-0.14
Mozambique	-25.69	-1.10
Namibia	-15.05	-0.58
Niger	0.00	0.00
Nigeria	-0.40	-0.08
Sao Tome and Principe	0.00	-0.01
Senegal	-0.07	-0.04
Seychelles	-0.08	-0.08
Tanzania	-1.45	-0.26

SSA Country	Decline in Import Value from SA ($ mill)	Share of Initial Import Value (%)
Togo	0.00	-0.01
Uganda	-0.08	-0.04
Zambia	-9.44	-0.36
Zimbabwe	-27.68	-0.80
Total	**-133.95**	**-0.59**

Notes: Own calculations using 2023 import data obtained from UNComtrade. Products are defined at the HS6-digit level. Imports of gold are excluded.

11 Annex C: Additional Figures

Figure C1: Contribution of direct and diversion effects to the change in US imports from SA by industry under scenario 2 (ordered by largest effect on US import values)



Notes: Simulation based on full implementation of reciprocal tariffs, the Section 232 tariffs (incl. 50% tariff on steel and aluminium implemented in June 2025), an import demand elasticity of 1.19, and a common elasticity of substitution of 2.53. Data excludes US imports of gold and of HS 2-digit chapters 98 and 99.

12 Annex D: Constant market share and overlap analysis

Finger and Kreinin's (1979) Export Similarity Index (ESI)

The ESI, pioneered by Finger and Kreinin (1979), is a metric used to measure the similarity in two country's export structure. It has been used in many studies, more recently in De Benedictis and Tajoli (2007) where it was found to be the preferred measure of similarity when dealing with competition in a common third market. The measure can be articulated as follows:

$$ESI = \sum_i \min\left(s_{SAi}^{SSA}, s_{CHi}^{SSA}\right)$$

where s_{SAi}^{SSA} and s_{CHi}^{SSA} represents the share of product i in South Africa's and China's exports to SSA countries ($s_{SAi}^{SSA} = \frac{x_{SAi}^{SSA}}{\sum_i x_{SAi}^{SSA}}$). The ESI measures the extent to which two country's export patterns overlap with each other in a third market. A value close to 0 indicates minimal overlap (competition) in the third market, while a value close to 1 indicates that the export structures of SA and China are identical.

Share of South Africa's Export Value that Overlaps with China's Export Value

The share of South Africa's export value overlap with China is calculated using the following formula:

$$Share\ of\ SA\ Export\ Value\ Overlap = \frac{\sum_i \min\left(x_{SAi}^{SSA}, x_{CHi}^{SSA}\right)}{\left(\sum_i x_{SAi}^{SSA}\right)}$$

where x_{SAi}^{SSA} and x_{CHi}^{SSA} represent the export values of SA and China to SSA countries for product i, respectively. This addresses the concerns of the export product overlap extensive margin measure, but at the cost of information on composition. Nevertheless, the two measures taken in conjunction provide a balanced overview of the intensity of competition between SA and China in the SSA region.

Common Market Share (CMS) Methodology

We follow Jenkins and Edwards' (2015) extension of Batista's (2008) common market share (CMS) analysis of the competitiveness effect to evaluate the extent to which China's diversion away from the US market crowds out South Africa's exports to Sub-Saharan African (SSA) countries. This is a two-step process. The first step requires the calculation of the change in import shares at the product level as follows:

$$\Delta k_{SACi} = \Delta k_{SAi} * k_{Ci}^{t0} - \Delta k_{Ci} * k_{SAi}^{t0} \qquad (1)$$

where Δk_{SAi} and Δk_{Ci} are the changes in the share of SA and China in each SSA country's imports of product i as a result of Trump's tariffs against China, and k_{Ci}^{t0} and k_{SAi}^{t0} are the shares of China and SA in SSA country imports of product i in time zero ($t0$ - prior to Trump's tariffs). We use 2023 export and import data at the country-product (HS6)-level from the World Integrated Trade Solutions (WITS) UNComtrade database to conduct the CMS analysis. Import data is sourced for SSA countries to determine the import shares of SA (k_{SAi}^{t0}) and China (k_{Ci}^{t0}) for each product, while export data is sourced for China to determine China's export shares to the rest of the world.

To compute Δk_{SAi} and Δk_{Ci}, we follow a few processes. First, we use the US import value loss simulated from the partial equilibrium model of Trump's tariffs under scenario 1, weighted by China's export share to the rest of the world, assuming these export shares remain constant before and after Trump's

tariffs. Second, these weighted values are then proportionately allocated to SA and the rest of the world based on their relative import shares in each SSA market by product. Third, we compute new import shares of SA and China by product in each SSA country after adjusting for the proportionate changes as a result of China's trade deflection away from the US. Finally, we compute the difference between the new and old import shares for SA and China to obtain their respective changes in shares for each SSA country by product.

The second and final step requires us to compute the final crowding-out effect at the country level for each SSA country. To do so, we weight the change in import shares from equation 1 by the share of each imported product before summing across all imported products to obtain the final aggregate loss of market share:

$$\Delta k_{SAC} = \sum_i m_{Ai}^{t0} * \Delta k_{SACi} \qquad (2)$$

where $\boldsymbol{m_{Ai}^{t0}}$ represents the share of product $\boldsymbol{i}$ in each SSA country's total imports in time zero ($\boldsymbol{t0}$).