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The Impact of US Tariffs

1. Introduction

In July 2025, the United States introduced reciprocal tariffs ranging from 10 per cent to 50 per cent on more than 90 countries. The move, part of a broader reciprocal trade strategy, was designed to pressure countries perceived as maintaining non-reciprocal trade barriers against American exports. In a move that resembled an episode of the game show, Deal or No Deal,[1] many countries were able to make deals with the US to mitigate the steep tariffs that were initially introduced. The deadline of 7 August has passed, and South Africa, despite last minute efforts, has not been able to get a deal over the line.

For South Africa, this development presents a significant economic shock, given the country's long-standing dependence on US markets for agricultural products, wine, and components in the automotive supply chain. The proposed tariff is projected to devastate crucial export sectors, lead to mass job losses – especially among low-skilled and rural workers – and undermine South Africa's preferential standing under the African Growth and Opportunities Act (AGOA). It also heightens financial strain on government resources and escalates diplomatic frictions.

This briefing paper will examine the potential impact of the proposed 30 per cent tariff on the agricultural and automotive industries.

2. Which Industries Will Be Impacted?

South Africa exports a diverse range of products to the US, including citrus fruits, wine, nuts (especially macadamias), steel, and automotive components such as catalytic converters and leather interiors. The automotive and agricultural (citrus) industries will, in all likelihood, be the hardest hit with the imposition of the US trade tariffs.

2.1. Automotive Industry

According to the Automotive Business Council (Naamsa), the auto sector accounted for 64 per cent of all AGOA trade between the US and South Africa, generating R26.8 billion in export revenue in 2024.[2] In recent years, South Africa's automotive industry has attracted substantial foreign direct investment, with major global car manufacturers, such as Mahindra, Volkswagen, BMW, Ford, Mercedes-Benz, Nissan, and Isuzu, maintaining and establishing production hubs in the country. The BMW X3, which is exported to the US, is manufactured near Pretoria, and a significant portion of the Mercedes-Benz C-Class, which is manufactured in East London, is exported to various countries, including the UK, Australia and Japan.[3] The industry is the country's fifth largest export sector, employing 115 000 people directly, of which 80 000 are employed in the component manufacturing sector,[4] servicing 150 brands across 210 plants.

South Africa's automotive industry is already suffering, and the 30 per cent tariff will exacerbate the problem. Only 2 875 vehicles were shipped to the US in the first quarter of 2025, as opposed to the 16 112 exported during the same period in 2024.[5] The tariff will make our vehicles more expensive to purchase in the US, and thus less competitive in that market, which in turn may force manufacturers to re-evaluate their production and export strategies, leading to reduced production volumes, factory shutdowns, and job cuts across the automotive value chain.[6]

For a province like the Eastern Cape, which is the backbone of South Africa's automotive

industry, and is host to three of South Africa's original-equipment manufacturers (OEMs), the socio-economic impact will be dire. For example, a company that manufactures automotive assembly systems has already lost out on a R750 million contract due to the tariffs.[7] This threatens the job security of the company's 500 employees and a further 3000 workers in the local supply chain. A further 900 jobs may be lost due to the tyre manufacturer, Goodyear, closing its operations in Kariega.[8]

2.2. Agriculture sector

South Africa is the world's second largest citrus exporter (Spain is the largest) and in 2024 shipped between five to six percent of its produce (100 000 tons) to the US, earning more than R1.9 billion.[9] South Africa's agro-processing sector, especially the export of citrus fruits, will also be hard hit by the tariffs. It is an industry that is labour-intensive and regionally concentrated, impacting employment disproportionally in the rural areas in Limpopo (40% production), the Eastern Cape (25%), and the Western Cape (15%).[10] Approximately 35 000 jobs[11] are linked to the US citrus export market. Of this, approximately 20 000 are seasonal farm workers; 6 000 are employed in packhouses, and a further 2 000 are employed in ports and cold chain logistics. The informal sector and township retail economies will also feel the pinch as more than 7 000 people are tied to the seasonal cash flows.

AGOA provided South Africa's citrus exporters with duty-free access to the US market; however the tariffs will add, on average, an additional R87 per carton exported, which means a smaller profit margin. Although the US market only represents five to six percent of the citrus export market, it provided a higher profit margin due to premium pricing. South Africa's citrus export market to the US will now have to compete with Brazil, Chile, and Morocco, each of which must only contend with a 10 per cent tariff hike. A reduced demand by US consumers for more expensive South African citrus, resulting in shrinking revenues, will force exporters to process lower volumes, which in turn will mean fewer people being employed.

3. South Africa's response

To mitigate the potential negative impact of the tariffs, the SA government has adopted a multi-pronged strategy, combining diplomatic negotiations, domestic relief packages, and long-term efforts at market diversification.

President Cyril Ramaphosa dismissed the tariffs as unjustified, noting that nearly half of US exports to South Africa already enter duty-free, while the country's average tariff rate stands at only 7.6 per cent. The government emphasized that the measure distorted the true balance of trade and risked undermining long-standing bilateral economic ties.[12] On August 12, South Africa submitted a revised trade proposal aimed at addressing concerns raised in Washington's 2025 National Trade Estimates report. This offer included technical concessions on sanitary and phytosanitary (pest and disease free) issues, particularly for U.S. poultry and pork exports, to reduce tensions and secure tariff relief.[13] However, the US has not yet responded to South Africa's proposal.

Recognizing the potential scale of disruption, the government unveiled a support package for affected industries. This package is anchored around four pillars: Export Support, Financial Relief, Regulatory Flexibility, and Sectoral Programmes. These measures include, for example, a Localisation Support Fund (LSF) for affected companies; an Export and Competitiveness Support Programme (ECSP) to address short to medium term needs across all industries; and a Block Exemption for Exporters to enable collaboration and co-ordination by competitors. Furthermore, South Africa has made strides in exploring new markets in India, China, Thailand and Vietnam for its produce. For example, an agreement was signed with China, Vietnam, and India to import South African avocadoes, grapes and maize respectively.[14] The African continent presents a huge, and growing, export market, and South Africa has finally realised that there should be more urgency in expanding trade within Africa through the African Continental Free Trade Area (AfCFTA). According to agricultural economist Wandile Sihlobo, Africa does present trade opportunities for certain South African sectors, but for agriculture, the export opportunities may be more challenging.[15]

4. Conclusion

The US tariffs have revealed the vulnerabilities of South Africa's export structure. Agriculture and automotive – the two largest export sectors to the

US – face the most severe impacts, but the effects extend to manufacturing and beneficiation industries. These disruptions risk tens of thousands of jobs in a country that already has a high unemployment rate. In the short term, South Africa must cushion the affected sectors through financial support and market diversification strategies. In the long term, the tariffs highlight the urgency of strengthening intra-African trade under the AfCFTA and of investing in domestic industrial competitiveness to reduce dependence on external markets.

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[1] The core premise of "Deal or No Deal" involves a contestant choosing a briefcase or case from a group, each containing a different monetary value. The contestant then eliminates other cases, revealing the amounts inside, while a mysterious "Banker" offers to buy back the contestant's chosen case. The contestant must decide whether to accept the Banker's offer ("Deal") or continue eliminating cases, potentially winning a larger sum but also risking a lower payout ("No Deal").

[2] Naamsa (2025): *Press Release, 14 July 2025. Naamsa responds to US tariff measures*. Available online at https://naamsa.net/press-releases/

[3] Calvin Augustine (2024): *SA automotive sector.* Available online at https://www.gov.za/blog/sa-automotive-sector

[4] Ina Opperman (2025): *Automotive industry faces stark reality.* Available online at https://tinyurl.com/awe3nwze

[5] Lindsay Schutters (2025): *Trump's tariff hammer to break SA automotive sector.* Available online at https://tinyurl.com/bddrtvnn

[6] Montel Kamau (2025): *South Africa faces steep 30% US tariff.* Available online at https://tinyurl.com/2cscw9m8

[7] Marleny Arnoldi (2025): *Eastern Cape Premier outlines practical measures to mitigate against further auto company losses.* Available online at https://tinyurl.com/4kh3ccc7

[8] *ibid*

[9] Reuters (2025): *US tariffs threaten 35 000 citrus jobs in South Africa, farmers say.* Available online at https://tinyurl.com/4vzupsvp

[10] Yeshiel Panchia (2025): *US tariffs casts shadow over South Africa's citrus lifeline.* Available online at https://tinyurl.com/2asckemr

[11] *ibid*

[12] Wycliffe Muia (2025): *Ramaphosa opposes Trump's 30% tariff on South Africa.* Available online at https://www.bbc.com/news/articles/cpqn4w45dj3o

[13] Lyse Comins (2025): *South Africa unveils revised US trade offer.* Available online at https://tinyurl.com/37fnuypu

[14] Bongani Hans (2025): *South Africa's proactive approach to finding new trade partners as US tariffs looms.* Available online at https://tinyurl.com/ynwfmaa4

[15] Wandile Sihlobo (2025): *My hesitancy about SA's agricultural export opportunities in Africa.* Available online at https://tinyurl.com/2xfxrknp

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