

Biden's election bodes well for SA's economy

By [Raymond Parsons](#)

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Joe Biden's election to the United States presidency could eventually create an opportunity for South Africa to buttress its economic narrative with the US from both a trade and investment point of view. While Africa is not an immediate high priority for a new administration that will clearly be heavily preoccupied with other domestic political and policy issues, SA is still the US's largest trade and investment partner in Africa. Despite previous economic tensions in the relationship, political change in the US may now provide scope to reset mutually beneficial commercial relations and eliminate any friction points that may have developed.



President-elect Joe Biden

Although it is still early days, Biden's election also augurs well for the global economy. His track record is one of an internationalist who takes a cooperative, rather than a transactional, approach to foreign economic and diplomatic relations. Biden will want to mend fences with overseas allies. More specifically, to promote international cooperation a Biden administration is more likely to support multilateral and 'rule-based' global institutions like the World Trade Organisation (WTO).

A more supportive role from the US in the WTO could create a more certain and predictable framework for an international trade regime which, for a number of reasons, is presently under great stress. Whatever the current problems in the WTO, for most countries it remains the most appropriate structure to help ensure a level 'playing field' in world trade matters and to provide much needed conflict-management in trade disputes. It is in the interests of small economies like SA, which are heavily dependent on foreign trade, that the WTO operates effectively.

Geo-political trends

Apart from the WTO, SA's trade interests in the US are to a large extent intertwined with its status under the US African Growth and Opportunity Act (Agoa) and the trade opportunities that the American legislation has created for SA in recent years. However, since the Agoa legislation came into existence under former President Clinton, the US conditions imposed on SA within Agoa have been considerably tightened, the international economic environment has changed and US protectionist influences have strengthened.

The global pandemic and other setbacks to sectors of the US economy have enhanced bipartisan congressional support for a more inward-looking US trade policy, which Biden also captured in his policy platform. The US trade stance in future will be shaped by geo-political trends, US domestic economic developments and factors specific to SA. It is in SA's interests to closely monitor these elements from now on and to ensure that any bilateral US-SA economic disputes are satisfactorily resolved.

The US economy remains an important market for SA. The country's exports to the US in recent years have benefited from the Agoa legislation both in terms of volume and diversity.

Looking ahead

Although Agoa only expires in 2025, SA must not only ensure that it makes best use of the remaining five years of the favourable Agoa trade regime, but should also begin to contemplate what might eventually replace it. We need to start thinking about what the options might be explored in a post-Agoa era, including expediting negotiations around the African Continent Free Trade Agreement.

Apart from maintaining good economic relations with the US, SA would therefore also be well advised to concentrate on strengthening its overall global competitiveness. SA's share of world exports has been steadily declining for some years. Although Agoa is still available to SA for now in the US market, a bigger and broader penetration of global markets, especially in products with rising value and demand, is essential to growth and job creation in the years ahead.

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