



# IJG Economic Update Crunch Time for SACU



***Independent. Focused.  
Personalised.***

**Research Analyst:**

*Robin Sherbourne  
robin@ijg.net  
+264 (81) 958 3500*



US President Donald Trump's Liberation Day tariffs have come at a time when the global natural diamond industry anyway finds itself in a once in a generation crisis. Tariffs and diamonds together with the fate of the US Africa Growth and Opportunity Act ("AGOA"), due to expire at the end of September, form a major challenge for members of the Southern African Customs Union ("SACU"). For some members the challenge could be existential and member countries await the 1 August deadline with trepidation.

US President Donald Trump's policies, including tariff and aid policies are likely to wreak havoc in the five (5) members of the SACU: Botswana, Eswatini, Lesotho, Namibia and South Africa.

Table 1: SACU "reciprocal tariffs" by member country announced on 2 April 2025

SACU Member	US Reciprocal Tariff Rate	Share of Direct Goods Exports to US in 2024	Goods Surplus or Deficit with US
Botswana	37%	1.0%	Deficit
Eswatini	10%	1.4%	Deficit
Lesotho	50%	14.5%	Surplus
<b>Namibia</b>	<b>21%</b>	<b>2.6%</b>	<b>Deficit</b>
South Africa	30%	7.5%	Surplus

Source: TradeMap ITC

The reciprocal tariffs announced by US President Trump on 2 April "Liberation Day" were almost immediately paused on 10 April for 90 days (until 9 July) while a 10% tariff was applied. The delay was subsequently extended to 1 August. On 7 July, President Trump wrote to South Africa President Ramaphosa imposing a tariff of "only" 30%, one of two dozen letters sent to larger countries excluding India (a major player in the global diamond industry). Trump subsequently on 17 July promised to send one letter covering 150 smaller countries imposing a tariff of "probably" between 10% and 15%.

## Botswana

Botswana was handed an initial reciprocal tariff of 37% by the Trump administration on 2 April. Globally, the natural diamond industry is in crisis due to a combination of competition from lab-grown diamonds, the fall-out from Covid and high stocks, reduced growth in China, sanctions on Russian diamonds. Botswana announced it would reduce output to 15 million carats in 2025 from 17.93 million in 2024 and 24.6 million in 2023 and temporarily halted production at Jwaneng mine (the world's largest diamond mine) and Orapa mine for 3 months from May 2025. No involuntary job losses have been announced. According to the IMF, the Botswana economy is heavily dependent on diamonds, which account for around 80% of exports, 33% of fiscal revenues, and 25% of GDP. Botswana's GDP contracted by 3% in 2024 and is expected to contract again in 2025. A major concern is what happens to diamond exports which, although mostly not directly exported to the US, ends up in the US because it remains by far the world's largest market for diamond jewellery.

On 10 July the Bank of Botswana announced that it would allow the Pula to depreciate by 2.76% over the next year, more than previously announced. It was set to depreciate by 1.51% in December 2024. The country reviews its exchange rate twice a year, adjusting it upwards or downwards through a crawling band exchange rate regime under which the pula is pegged to a basket of currencies including the South African rand. Botswana has typically held foreign reserves equal to more than 10 months of import cover but this has fallen in recent years.

## Eswatini

Eswatini faces the lowest reciprocal tariff of all SACU members. On 16 July 2025 it was reported that the US had flown five detainees who were nationals from Jamaica, Laos, Cuba, Yemen and Vietnam to Eswatini. These detainees were indicted criminals. Eswatini stated that this was the "result of months of robust high-level engagements" with the US.



Eswatini government spokesperson Mdluli said the nation would now collaborate with the US and the International Organization for Migration (IOM) “to facilitate the transit of these inmates to their countries of origin.” It is not clear how Eswatini stands to benefit from housing US deportees. Government spokesperson Mdluli told CNN that “the terms of the agreement (with the US) remain classified information.” Eswatini benefits from preferential trade agreements like AGOA, which allows duty-free access for certain products like apparel and grapefruit to the US. Only around 1% of Eswatini’s exports are directed towards the US.

## Lesotho

Lesotho faces the highest reciprocal tariff of all SACU members. Lesotho's reliance on the US due to AGOA preferences has left the country on the brink of disaster following the Trump administration's decision to cut off aid. Its manufacturing sector too is under threat, thanks to uncertainty around the renewal of the AGOA. About 25%-30% of Lesotho’s exports are directed to the US. Lesotho has declared a national state of disaster for the next two years, amid the fallout from tariffs and aid cuts imposed by the US. With unemployment already around 30%, the government is warning of an additional 40,000 job losses in the textile sector if AGOA is not renewed by the end of September.

## Namibia

The US was the eleventh most important export market for Namibia in 2024 comprising uranium, diamonds and marble as well as small quantities of meat and fish as well as charcoal. Namibia’s first export consignment under the African Continental Free Trade Agreement was salt to Nigeria which was originally destined for the US prior to the imposition of tariffs. Like Botswana, a major concern is what happens to diamond exports which, although mostly not directly exported to the US, ends up in the US because it remains by far the world’s largest market for diamond jewellery.

## South Africa

South Africa’s relationship with the Trump administration has been particularly fraught because of the widespread belief amongst his MAGA supporters that a white genocide is taking place in the country and that much current legislation discriminates against whites. This culminated in a painful visit to the White House by President Ramaphosa on 21 May 2025 where he was ambushed by President Trump with videos and photographs purportedly showing evidence of genocide. It is not clear what the visit was intended to achieve but it did not damage the bilateral relationship further. It came after the person nominated to be South Africa’s ambassador to the US Ebrahim Rasool was declared a persona non grata in the United States on 14 March. “Ebrahim Rasool is a race-baiting politician who hates America and hates POTUS,” Marco Rubio wrote, using the acronym for President of the United States. “We have nothing to discuss with him and so he is considered PERSONA NON GRATA.” The Democratic Alliance (DA) revealed this week that the US government had rejected President Cyril Ramaphosa's special envoy, denying him a diplomatic visa in May and refusing to recognise him as an "official interlocutor". Ramaphosa had created the post for Mcebisi Jonas, the non-executive chairman of mobile phone giant MTN and a respected former deputy finance minister, to improve South Africa's rock-bottom relationship with the US. This comes on top of disagreements over South Africa’s laying of the charge of genocide against Israel at the International Criminal Court on 29 December 2023. The US has boycotted meetings of the G20 which South Africa currently chairs. Meanwhile, some 7.5% of South Africa’s total exports are directed to the US including platinum and gold, vehicles, iron and steel, and aluminium, machinery, organic chemicals, and edible fruits.

## Implications for SACU

As SACU countries wait to see what reciprocal tariffs they are likely to end up with on 1 August 2025, the overall effect of the tariffs will be to suppress direct exports to the US, suppress indirect exports of diamonds to the US (unless diamonds receive a waiver like certain other minerals), reduce GDP and raise unemployment in the short to medium term across the bloc until new export markets develop to take the place of the US. This reduction in GDP will reduce demand for imports, reduce SACU revenues, and reduce the amount available for distribution to SACU members including Namibia through the revenue-sharing formula.



Table 2: Dependence on SACU revenue

SACU Member	Share of Revenues from SACU in FY25/26 Budget
Botswana	32.3%
Eswatini	35.0%
Lesotho	30.9%
<b>Namibia</b>	<b>26.3%</b>
South Africa	0.5%

SACU's four (4) smaller member states are highly dependent on revenues from the SACU Common Revenue Pool as shown in the table above. This financial year Namibia is the least dependent of the 4 smaller members. This financial year will see South Africa transfer R73.6 billion into the CRP leaving it with only R10.6 billion from customs revenues, something which is leading to a great deal of unhappiness with the Revenue Sharing Formula agreed in 2002. This formula compensates the 4 smaller members through a customs component (based on intra-SACU trade), an excise component (based on the relative sizes of the economies) and a development component (based on 15% of the excise component). Member payments are agreed at the beginning of each financial year based on estimates and then adjusted in later financial years according to actual data. Thus, the SACU revenue included in Namibia's budget is what will actually be received during the financial year. The depressing effect of US tariffs on SACU revenues are likely to lead to reduced revenues from those included in the 2025/25 budget but at this stage it is hard to quantify the impact. The medium-term forecasts contained in the budget are already quite negative and envisage SACU revenues declining in importance over the three-year period.

Table 3: Current Namibian Budget Estimates for SACU Revenue

	FY25/26	FY26/27	FY27/28
SACU Revenue	24,348	23,772	21,980
Change		-2.4%	-7.5%
Share	26.3%	24.5%	20.8%
Total Revenue	92,631	96,885	105,785

Source: Ministry of Finance

## What Happens to AGOA?

The AGOA, which has been the cornerstone of US trade policy towards the continent since May 2000 enjoying bipartisan support and providing duty-free access to the US market for 1,800 goods to eligible countries and which was last renewed in 2015, is due for renewal on 30 September 2025. All five SACU member countries are eligible countries out of 30 countries in total. Countries deemed to be high income by the World Bank graduate out of AGOA. Namibia has exported diamonds, marble and granite, meat and fish, and charcoal under AGOA.

## The Key Questions: Is There A Deal To Be Made?

In the limited public debate since 2 April, little attention seems to have been paid to the reality of what the actual level of SACU tariffs and Non-Tariff Barriers (NTBs) are that imports from the US face coming into the Union. While tariffs are generally determined at the SACU level, NTBs are mostly determined by member states. Some googling reveals an average of 7.5%, much lower than what the US is proposing to impose on most SACU countries. Furthermore, the tariffs being imposed by the US are not obviously related to trade surpluses or deficits between SACU members and the US.

It is proving hard for smaller countries to get any face time with the US which would allow negotiations which might yield concessions, notwithstanding the fact that it is anyway hard to fathom what the US "ask" is of SACU members which might form the basis of negotiations. Are SACU members in a position to throw any bones to the US – mineral prospecting licences for example - which may lead to a reduction of tariffs? The stakes may be high enough to warrant such action. It is possible that progress might be made which would allow diamonds tariff exemption in the same way



0,0005	4,85%
0,0003	13,04%
0,0001	50,00%
0,0003	14,29%
0,0005	12,50%

as certain other minerals. A higher tariff for India than Botswana, for example, could even potentially boost diamond cutting and polishing although it is hard to base long-term commercial strategies on tariffs that can change on a whim. Meanwhile SACU awaits 1 August.

# Contact Us

Department	Email Address
General	info@ijg.net
Compliance	compliance@ijg.net
Finance	finance@ijg.net
Corporate Finance & Advisory	advisory@ijg.net
Money Market Transactions	instructions.wealth@ijg.net
Wealth Management	wealth@ijg.net
Stockbroking	dealing@ijg.net
Private Equity	privateequity@ijg.net
Research & Data	research@ijg.net
Unit Trusts	info@prescient-ijg.net

No representation is given about, and no responsibility is accepted, for the accuracy or completeness of this document. Any views reflect the current views of IJG Holdings (Pty) Ltd. The views reflected herein may change without notice. IJG Holdings (Pty) Ltd provides this document to you for information purposes only and should not be constructed as and shall not form part of an offer or solicitation to buy or sell securities or derivatives. It may not be reproduced, distributed or published by any recipient for any purposes.



**Independent. Focused.  
Personalised.**

4th Floor, 1@Steps, C/O Grove & Chasie Streets, Kleine Kuppe  
P O Box 186, Windhoek, Namibia, Tel: +264 81 958 3500, [www.ijg.net](http://www.ijg.net)

**ADVISORY | BUSINESS BROKING | INVESTMENT MANAGEMENT | PRIVATE EQUITY | STOCKBROKING | UNIT TRUSTS | WEALTH MANAGEMENT**