

TESTIMONY BEFORE THE HOUSE FOREIGN AFFAIRS AFRICA SUBCOMMITTEE  
“Examining the U.S.-South Africa Relationship”

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Thank you, Mr. Chairman, for giving me this opportunity to testify today on the economic relationship between the US and South Africa. My perspective is based on 45 years of experience, beginning with my Peace Corps volunteer service in neighboring Botswana in the late 1970s, when the grip of apartheid began to weaken. Since then, I have devoted a large part of my career and personal time to South and Southern Africa as a lawyer, development adviser, investor, academic and philanthropist. I was also a charter member of an ad hoc working group that advised on and advocated for the passage and subsequent extensions of AGOA and PEPFAR.

South Africa can be viewed as a glass that is both half empty and half full. Among Sub-Saharan Africa economies, SA is by any measure the most advanced. It offers sophisticated capital markets including the Johannesburg Stock exchange, which is among the world’s oldest, having been established in 1887. It offers financial institutions and professional services that are world class. SA has five of the continent’s leading research universities, all of which collaborate with US counterparts in myriad areas and whose research extends across Africa. Since the end of apartheid, South African companies such as MTN, Shoprite, Standard Bank, ABSA and Aspen have become omnipresent in Africa. The courts in South Africa are professional and independent, and contracts are reliably enforced.

SA’s media is open, independent and outspoken, and it has an international following, evidenced by the success of the Daily Maverick, which is the world’s fifth most popular news site. Its business media plays an essential role in commerce across Africa. SA’s Reserve Bank is independent of government and operated in accordance with global monetary standards, and its Department of Treasury does its best to monitor fiscal policies. The result of this independence is that the Rand is the most stable and

convertible currency in Africa. The Southern Africa Customs Union was founded in 1911 and includes South Africa's four neighboring countries, ensuring duty-free trade across borders and providing a revenue-sharing formula among its members.

From a civil liberties perspective, there are no constraints on free speech or exercise of religion. Since 1994, South Africa has held free and fair elections and has a vibrant multi-party democracy. And SA has a robust civil society that forced President Thabo Mbeki to abandon his disastrous policies on HIV/AIDS and took to the streets to protest the excesses of "State Capture" during the destructive presidency of Jacob Zuma. Recently, a public ombudsman was removed by Parliament on suspicion of corruption and overreach.

Yet, while clearly not a failed state, by many measures, South Africa is a failing one. Unemployment is estimated to exceed 40% -- and is at over 50% for youth. Almost 50% of South African households receive some form of welfare payment, and the country has among the worst distributions of wealth in the world. Labor is expensive and inflexible. While corruption and criminality have been present for decades, they are now at frightening levels and involve international criminal networks from Nigeria, Russia and China, resulting in South Africa's being placed on the FATF "grey list." Infrastructure is collapsing, including the electrical grid, road and rail systems, ports, and water supply and sanitation systems at national and local levels. The failure to deliver on critical public services has undermined confidence in government and generated high levels of apathy among South Africa citizenry, resulting in record low turnout in recent elections and a brain drain. Lastly, xenophobia toward immigrants from other parts of Africa is rampant and often turns deadly.

The US economic relationship with SA also has some positives and some negatives. No country has benefited from AGOA as much as South Africa. Last year, according to the Africa Coalition for Trade, SA exported over \$14 billion in goods to the US (with about a quarter of these goods benefiting from AGOA duty-free access), and the U.S. exported \$6.5 billion of goods (an increase of 15% from 2021) and another estimated \$2 billion of services. Our imports from SA include manufactured goods and agricultural

products that employ tens of thousands of people and have fostered the emergence of regional value chains. For example, automotive components are built in Botswana and transported for final assembly in SA.

Over 600 US companies operate in South Africa, and many do so as a gateway to Africa. Indeed, South Africa's leading trade partner is "the rest of Africa." Blue-chip US companies, such as Pfizer, J&J, Amazon Web Services, Stellantis and Ford, have recently invested billions of dollars in South Africa, often in partnership with South African companies. South Africa plays an important role in our quest to secure supplies of critical minerals as it is the world's leading supplier of the platinum group of metals and plays an essential role in the extraction, processing and transport of critical minerals from neighboring countries. While our diplomatic relationship has not been as constructive as many would wish in such areas as intellectual property rights and at the UN, SA does provide fertile ground for US development assistance, most notably with PEPFAR, where US funds undergird SA's infectious disease efforts. Additionally, there are myriad collaborations between leading US academic institutions and their SA counterparts. For example, Texas Children's Hospital is supporting the training of Southern African pediatric oncologists and eventually nurses at two leading academic hospitals in South Africa. And last, among all nations, the US is the leading contributor to South African tourism.

But our relations with SA have been colored by recent developments. Since the end of apartheid, South Africa's trade relationship with China has blossomed, and China is now its largest single trading partner. However, there is much dissatisfaction on both sides of that relationship. China has not been able to assert its will over SA as it has in other African nations, and there is much dissatisfaction in SA because trade largely involves raw material exports and finished good imports. While the South African government is a willing member of BRICS, many South Africans fear that BRICS will become primarily a vehicle of Chinese commercial and political influence.

SA's relationship with Russia is perplexing, The recent joint military maneuvers with China and Russia, while long planned, raised concerns,

especially at they occurred on the anniversary of Russia's invasion of Ukraine and underscored SA's ambivalence about joining the US and its allies in reproaching Russia for its aggression at the UN and other fora. This seemingly burgeoning relationship was cemented by pictures of President Cyril Ramaphosa embracing Vladimir Putin when he joined 18 other African heads of state at the recent Africa-Russia Summit in St Petersburg. The ANC's largest donor is also a Russian oligarch with mining interests in South Africa; this closeness is not new, however. The ANC received decades of support from the Soviet Union in its struggle against apartheid, and many of its ageing leaders were educated in the Eastern Block. Upon the installation of a democratic government, South Africa and the then-Russian Federation entered into an agreement of cooperation. Moreover, Nelson Mandela made a state visit to Russia in 1999, and Vladimir Putin traveled to South Africa in 2006. Russia's economic influence in South Africa is minuscule in comparison to that of the U.S., and recent polls show that South Africans do not support Russian aggression in Ukraine. Moreover, in my many visits to SA, I do not see any evidence of an embrace of Russia at any meaningful level.

In conclusion, while I understand and share the concerns of many about the direction of our relations with SA, I would oppose making it ineligible for AGOA. First, I do not believe that its embrace of Russian constitutes a direct threat to US security interests. Second, those goods exported to the U.S. provide critical jobs in South Africa and provide lower-priced goods for US consumers. Indeed, South Africa is the largest supplier of whole oranges into the US market. Third, SA's removal from AGOA would only play into the hands of anti-U.S. elements within the ANC and the radical EFF party. Also, as SA is a member of SACU, it would be impossible administratively to impose a restriction on SA exports without damaging the economies of other member states with which we enjoy close relations.

Rather, while AGOA needs to be extended in this Congress, that does not preclude restarting negotiations for a US-SACU Free Trade Agreement, as is now being negotiated with Kenya. Also, as South Africa has an Economic Partnership Agreement with the European Union that disadvantages US exports, we could make SA's continuation as an AGOA beneficiary subject

to the grant of equivalent status to the U.S. Third, I am hopeful that Africa will conclude the African Continental Free Trade Agreement before the expiration of the next extension of AGOA, which will create an opportunity for the U.S. to negotiate a continent-wide free trade agreement. Last, while not related to trade, I believe that the U.S can make three vital contributions to South Africa and Africa, the world's youngest continent: first, by transferring technology, second, making available creative capital and third, educating young African leaders in the US, such as through the remarkably successful Young African Leadership Initiative program.

Thank you once again for the opportunity to address this important relationship, and I welcome your questions.