



**H.E Ambassador Mninwa J. Mahlangu
Oral Submission to the U.S. International
Trade Commission's Public Hearing on
*"U.S. Trade and Investment with Sub-
Saharan Africa Investigation"***

23 January 2018

09:30 – 11:00

**U.S. International Trade Commission in the
Main Hearing Room
500 E Street, SW, Washington, D.C**

Good Morning!

Thank you Chairman for the opportunity to appear at this Public Hearing.

At the onset, I would like to discuss the country profile of South Africa.

- South Africa is a developing country with a population of 56.5 million people. It has a young Constitutional democracy (24 years) and has managed to build strong institutions, well-developed infrastructure, and continues to maintain the rule of law.
- South Africa is mainly an exporter of primary products and commodities, which leaves the country vulnerable to global shocks. The key

and the Continent in a more mutually beneficial and strategic way, especially on industrial and infrastructure development with opportunities for increasing US investments in key sectors of the economy. The trade negotiations currently under way are aimed at improving African prospects for attracting investment by addressing the issues of small and fragmented markets.

Thank you!

Turning to South Africa – U.S. Investment relations

- Bilateral direct investments between South Africa and the United States increased by more than 100% from US\$13.7 billion in 2012 to about US\$16.8 billion in 2016. Total bilateral investment (FDI, portfolio and other investments) stood at US\$172 billion in 2016.
- South Africa has invested in the U.S. contributing to the creation of jobs and productive capacity. South African company SASOL is building US\$11 billion plant in Lake Charles in Louisiana. Another South African company Sibanye Gold made US\$2.2 billion purchase of Stillwater Mine in Colorado.

- The U.S. remains one of the key investors in South Africa, with an estimate suggesting that there are over 800 U.S. companies doing business in South Africa.

Chairman, the African Growth and Opportunity Act (AGOA) has been the cornerstone of the Sub-Saharan Africa – United States commercial relations and has generated tremendous goodwill for the U.S. in the continent.

- For South Africa, AGOA underpins strong and growing mutually beneficial trade and investment relationship between South Africa and the U.S.

- AGOA enabled South Africa to increase exports of value-added products to the United States, thereby contributing positively toward our national imperatives to boost industrialization and create jobs.
- AGOA promotes intra-African trade and industrialization that in turn promotes the development of regional value chains. For South Africa, we have seen regional value chains developing in sectors such as textile and clothing and also in the automotive sector.
- AGOA has also promoted the development of intra-industry linkages between the South Africa and the U.S. in the manufacturing and agriculture sector.

- strong industry-to-industry linkages resulting in mutually-beneficial trade relations;
- a conducive investment and business climate;
- leveraging by the US industry of South Africa as one of the gateways to the rest of Africa;
- the regional integration agenda that the African market is embarking on with a view to create a market of over 1 billion people and a GDP of US\$ 2.6 trillion and addresses the challenges of small and fragmented markets, a growing middle class and functional regional integration arrangements such as the SADC FTA that shows political will among others.

from US\$3.1 billion in 2001 to US\$4.9 billion in 2016.

- Both exports and imports have recovered beyond their pre-crisis levels in 2008. South Africa enjoyed a trade surplus against the U.S. since 2011 with the exception of 2014 where South Africa experienced a deficit of US\$85 million.
- However, in terms of manufactured exports, the U.S. continues to enjoy a trade surplus. There is therefore a need to continue the focus on changing the structure of trade to more value added products.
- The key factors that underpin the growth in trade include:

- In most sectors, South Africa's exports to the U.S. account for less than 1% of total US imports, thus South Africa's exports do not pose a threat to the U.S. industry and jobs especially given the fact that our production seasons are different. It is therefore important to consider exemption of South Africa to actions that the U.S. plans to take for national security reasons to protect U.S. jobs.
- Further, the US Chamber indicated that 86% of exports to the U.S. by African countries still consist of petroleum. Even for South Africa, a significant portion of our exports (40%) are still commodities.
- Sub-Saharan Africa exports to the United States under AGOA including the Generalised

System of Preferences (GSP) have declined in recent years to the level below 2001.

- The decline in exports can be attributed largely to the decrease in commodity prices, as well as the fact that the US is now self-sufficient in shale gas. This is a clear demonstration of Africa's vulnerability to relying on exports of primary products.
- In 2016, of the 1 835 tariff lines under AGOA, South Africa utilised only 240 tariff lines, which is equivalent to 13% utilization rate. Similarly, South Africa utilised 537 of the 3400 tariff lines available duty-free under GSP for developing countries, which translated to 15% utilization rate.
- Sub-Saharan African countries (inclusive of South Africa) utilised 535 tariff lines under

countries and exceed those of other developing countries.

Chairman, secondly, allow me to touch on South Africa – U.S. Trade relations

- In 2016, the U.S. ranked 3rd as an export destination for South African products after China and Germany. Further, the U.S. ranked 3rd as a source of imports.
- Bilateral trade between South Africa and the US has shown tremendous growth in the past few years. Growing from US\$6.6 billion in 2001 to US\$10.4 billion in 2016. South Africa's exports to the US grew from US\$3.5 billion in 2001 to US\$5.5 billion in 2016. Similarly, the US exports to South Africa grew

South Africa is a relatively open economy, accounts for 0.5% of global trade and is only moderately protected by tariffs:

- The simple average MFN applied tariff is 8.0% (down from 23% in the 1990s).
- 56% of duties are set at 0%. 96.6% of tariff lines bound; South Africa replaced all remaining quantitative controls and formula duties with ad valorem duties.
- The South African tariff book consist of 7 743 tariff lines (down from more than 12 000 in the 1990s), which is much lower compared to tariff books of China, the United States, European Union, India, Brazil, Malaysia and Indonesia.
- The services sectors are open: WTO Services commitments are comparable to many OECD

AGOA and 693 tariff lines under GSP for developing countries, which translated into a utilization rate of 29% and 20%, respectively.

- Therefore, this strengthens the need for Africa to industrialise and attract investments in productive sectors. The key challenge for many African countries in accessing global markets is not necessarily tariffs as can be seen from the low utilisation rate of AGOA but mainly lack of productive capacity and supply-side constraints.
- In order to increase the utilization of AGOA, South Africa has established targeted engagements with key exporters to the US market to understand the challenges in accessing the US market. Engagements are also held with the Export Councils, and the

Provincial Trade Promotion Agencies to create awareness of opportunities presented by AGOA. South Africa is in the process of developing the AGOA Utilisation Strategy.

- The key challenges identified by exporters include the ability to meet the US standards. Further information on challenges will be elaborated on in the written statement.

Finally the African Continent is pursuing the development integration agenda that combines market integration (through the negotiation of free trade areas such as the Tripartite free trade agreement between (COMESA, EAC and SADC) and the Continental FTA), industrial and infrastructure development. This offers opportunities for collaboration between the U.S.

priority for the country is to industrialise, diversify the productive base and move up the value chain.

- As a young democracy, South Africa also has its challenges. These include an unemployment rate of 27.7% with higher levels of unemployment among the youth. It also has a growing inequality and poverty, as well as a challenge with skills, especially among the youth.
- South Africa has well developed policies that are developed through a participative and transparent process with the aim of promoting inclusive growth and sustainable development.

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