PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

NATIONAL ASSEMBLY
MEMBER OF PARLIAMENT
PO Box 15 Cape Town 8000 Republic of South Africa
Cell: 082 459 9342
e-mail: dion@da.org.za
www.parliament.gov.za
www.da.org.za

07 July 2023

SUBMITTED VIA REGULATIONS.GOV

Esteemed Members of the AGOA Implementation Subcommittee of the Trade Policy Staff Committee (AGOA Subcommittee)

2024 AGOA ELIGIBILITY REVIEW, SOUTH AFRICA, DOCKET NUMBER USTR-2023-0003

SUBMISSION TYPE: COMMENT

In my capacity as a representative of South Africa's second largest political organisation, and official opposition, the Democratic Alliance (DA), I hereby submit our formal comments concerning the Annual Review of Country Eligibility for Benefits Under the African Growth and Opportunity Act (AGOA). This is with particular reference to the ongoing deliberations surrounding the status of South Africa's continued participation in AGOA.

The crux of the matter lies in South Africa's perceived reticence and unwillingness to condemn Russia's unlawful invasion of Ukraine. South Africa's currently maintained non-aligned stance concerning this international conflict is unquestionably rooted in our intricate local political dynamics. However, it is of utmost importance to consider the wider, more complex political landscape of our nation.

The DA, as South Africa's main political opposition, categorically and unequivocally condemns the illegitimate invasion of Ukraine by Russia. Our stance on this matter diverges markedly from that of the ruling party and is indicative of the political diversity that thrives within our borders. Therefore, it is prudent to assess South Africa's eligibility for AGOA not solely based on the position of the government, but by taking into account the multiplicity of voices in our political sphere.

South Africa has been a beneficiary of AGOA since its inception, and the benefits of this partnership have been mutual and substantial. The country has made significant strides in meeting the eligibility requirements of AGOA, and we believe that it is in the best interest of both South Africa and the United States of America (USA) to continue this beneficial relationship.

Eligibility requirements for AGOA are stringent and designed to ensure that beneficiary countries adhere to certain standards of governance, economic policy, and human rights. We believe that South Africa not only meets these requirements but is committed to continually improving in these areas.

Analysis of South Africa's Compliance with Each of the AGOA Eligibility Requirements:

1. **Market-Based Economy**: South Africa has one of the most advanced and diversified economies in Africa. It has a mixed economy where there is a high rate of private sector participation along with state intervention in strategic sectors. This demonstrates South Africa's commitment to a market-based economy.

2. **Rule of Law**: South Africa has a robust legal framework that is based on the Constitution, which is the supreme law of the land. The country's judiciary is independent and has a history of upholding the rule of law, even against the highest offices in the country. This commitment to the rule of law is a strong indication of South Africa's continued eligibility for AGOA.

3. **Political Pluralism**: South Africa is a multiparty democracy where political pluralism is enshrined in the Constitution, ensuring that a diverse range of voices and interests are represented in policymaking. Regular, free, and fair elections have also been held since the end of apartheid in 1994 and power transitions have occurred smoothly.

4. **Right to Due Process**: The South African Constitution guarantees the right to a fair trial and due process. The country's legal system is designed to ensure that everyone, regardless of their status, has access to justice.

5. **Elimination of Barriers to U.S. Trade and Investment**: South Africa has actively worked to reduce barriers to international trade and investment. The country has a number of bilateral investment treaties and is part of the African Continental Free Trade Area (AfCFTA). South Africa also has a strong relationship with the U.S., being its largest trading partner in Africa.

6. **Economic Policies to Reduce Poverty**: South Africa has implemented numerous policies aimed at reducing poverty and inequality. While challenges remain, these efforts demonstrate South Africa's commitment to poverty reduction.

7. **System to Combat Corruption and Bribery**: South Africa has well established legal and institutional mechanisms, like the Special Investigating Unit (SIU), the Public Protector and the Directorate for Priority Crime Investigation (the Hawks) to combat corruption and bribery. In addition, the country has made significant strides in addressing corruption through the establishment of the Zondo Commission, officially known as the Judicial Commission of Inquiry into Allegations of State Capture. The Commission, led by then Deputy Chief Justice Raymond Zondo, has been instrumental in investigating allegations of state capture and corruption at the highest levels of government and public sector. Despite these efforts, corruption remains a significant challenge, but the commitment to address this critical matter is clear and ongoing.

8. **Protection of Internationally Recognized Worker Rights**: South Africa has a strong labour rights framework, with the right to fair labour practices enshrined in the Constitution. South Africa is also a member of the International Labour Organization (ILO) and has ratified numerous international labour standards.

9. **National Security, Foreign Policy Interests, and Human Rights**: South Africa has a history of peaceful co-existence and has not engaged in activities that undermine U.S. national security or foreign policy interests. The country is committed to upholding internationally recognized human rights, as evidenced by its progressive Constitution and its ratification of key international human rights treaties.

AGOA, since its inception, has been a cornerstone of South Africa's economic development. It has fostered growth, enhanced competitiveness, and created jobs. However, the potential discontinuation of South Africa's eligibility for poses a significant threat to our economy.

South Africa is battling economic crises on multiple fronts in the form of blackout and the cost-of-living crisis which is hampering growth prospects. Any negative shift in trade relations between the USA and South Africa would have a devastating impact on the local economic environment.

Analysis of the Potential Economic Consequences Should South Africa's Eligibility Not Be Renewed:

1. **Loss of Market Access and Export Revenue:** The discontinuation of AGOA would result in a significant loss of market access and export revenue for South Africa. In 2022, South Africa exported goods worth approximately R275-billion to the USA, of which about 21.6% – or R59.59-billion – entered the States under AGOA. This duty-free access to the US market has been instrumental in maintaining our trade surplus, which stood at R150.89-billion in 2022.

2. **Impact on Industrialization:** AGOA has been a key driver of industrialization in South Africa, particularly in the automotive sector. The tariff benefit of AGOA for exports of autos to the US is about 10%, equating to a saving of around R3-billion. Without AGOA, these savings would be lost, pricing South African cars out of the US market and hindering our industrial growth.

3. **Job Losses:** AGOA has been an essential job creator in South Africa, supporting over 62,000 direct and indirect jobs in 2020, according to the South African Department of Trade and Industry. These jobs span numerous industries and interlinked supply chains across every sector that have benefited from AGOA either directly or indirectly. Should AGOA not be renewed, a significant proportion of these jobs could be at risk.

4. **Increased Export Costs:** Without AGOA, South African exporters would face increased costs due to tariffs, making our products less competitive on the international market. With the impact of load shedding, a deterioration in the Rand driving input prices, continued deteriorating infrastructure, rising interest rates and crime to contend with, no sector of the economy can afford to lose a market or have its products become less competitive. This would have a detrimental effect on our export revenue and overall economic performance.

5. **Impact on the Apparel Industry and Agricultural Sector:** The apparel and agricultural sectors are two of the main beneficiaries of AGOA. In 2022, apparel exports from South Africa to the US totalled $1.3 billion while R8 billion in agricultural products was exported in the same year. Losing AGOA would severely impact these sectors and significantly decrease production.

South Africa's strategic importance to the United States extends beyond trade and economic ties. As a geostrategic partner, South Africa offers unique advantages that can significantly enhance the US's global positioning and interests.

Key Areas Where Maintaining Strong Bilateral Relations With South Africa's Partnership Can Provide Substantial Benefits To The US:

1. **Geographical Location:** South Africa's geographical position at the southern tip of the African continent is of immense strategic importance to the United States. Its location on the Indian Ocean rim, which, along with India and much of Africa's east coast, provides access to the Suez Canal, a critical shipping route that connects the Mediterranean Sea to the Red Sea, significantly reducing the journey for goods shipped from Asia to Europe.

   Moreover, South Africa's position on the South Atlantic is becoming increasingly important. The South Atlantic is home to some of the most valuable geostrategic real estate in the world. If Western countries lose access to South Africa's ports, their access to the South Atlantic could be compromised, which could have significant implications for global trade and security.

2. **Resources and Critical Minerals:** South Africa is rich in resources and critical minerals, including Platinum Group Metals (PGMs). These metals are used in a wide range of technologies, including catalytic converters, electronics, and fuel cells. South Africa is the world's largest producer of platinum and a significant producer of palladium and rhodium. These resources are crucial for the US manufacturing sector, particularly for the production of high-tech goods and green technologies.

3. **Rising Consumer Market:** Africa, and by extension South Africa, is urbanizing rapidly, with more cities of over a million people than Europe and America combined. As income levels rise, the continent is becoming an increasingly important consumer market. American companies stand to benefit significantly from this growth, but only if they maintain a strong presence on the continent. South Africa, with its well-developed infrastructure and relatively stable political environment, is a key gateway to this market.

4. **Political Influence:** Africa has over 50 votes in global forums such as the United Nations. Losing influence over these votes could have significant implications for the USA, particularly on issues where there is a divide between Western and non-Western countries. South Africa, as a respected player on the continent, can serve as a bridge to foster a more balanced and cooperative global dialogue.

5. **Regional Stability:** South Africa is a regional power – the stability of the Southern African region is linked to a stable and secure South African state. If South Africa were to become unstable, due to a strained relationship with the West, it would have far-reaching consequences for the entire region. With the ongoing rise in immigration from unstable and poor countries to the West, an unstable Southern Africa region might create another frontier for immigrants. This stability also aligns with the US's interest in maintaining global peace and security.

Thank you for the opportunity to comment on this very important matter. We urge the AGOA Subcommittee to consider the facts presented in this submission and to renew South Africa's eligibility for AGOA for another year.

Dr Dion George MP
Shadow Minister of Finance
Democratic Alliance