

# Presentation to the Portfolio Committee on Trade and Industry on AGOA

Presented by Minister Rob Davies  
on the 4<sup>th</sup> of August 2015



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# Background

- The reauthorisation of the African Growth and Opportunity Act (AGOA) passed Congress on June 25.
- President Obama signing the AGOA Extension & Enhancement Act (AEEA) of 2015 into law on June 29.
- On the 21<sup>st</sup> July USTR published notice in Federal Register announcing an out-of-cycle review for SA to determine its eligibility.
- A public hearing is scheduled in Washington DC on the 7<sup>th</sup> August 2015
- South African Government will make written and oral statements at the hearing.
- An AGOA stakeholder meeting was convened by dti in Pretoria on Friday (31<sup>st</sup> July) to agree on an approach to the public hearing.
- The government and stakeholders agreed to coordinate their messaging to the public hearing.
- The submission argues that South Africa is eligible for continued participation in AGOA for the following 5 main reasons:



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# 1. AGOA has contributed to building a mutually beneficial Partnership between South Africa and the United States

- AGOA has helped to transform the trade relationship between South Africa and the United States from one based mainly on exports of commodities to that based on more value-added trade in manufactured products
- AGOA is mutually-beneficial for both South Africa and the USA. For example, growing intra-industry trade in the automotive sector between SA and the USA
- Brookings Institute indicate that AGOA has created 100 000 jobs in the United States and another 62 000 jobs in South Africa.
- Therefore, AGOA is a win-win for both South Africa and the United States.



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## 2. AGOA supports Regional Integration in Africa and removing South Africa would diminish AGOA

- The share of SSA exports in total US imports declined from 1.63% in 2013 to 1% in 2014.
- South Africa is the only significant exporter of value added manufactured products under AGOA to the USA.
- AGOA has supported the creation of regional value chains.
- South African Government and the private sector remain at the centre of regional integration in the continent.
- The removal of South Africa will further reduce the benefits of AGOA to the SSA region.



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### 3. AGOA contributes to the Fight against Poverty, Unemployment and Inequality in South Africa

- SA disagrees with view that it is a more developed country and should possibly be removed from AGOA.
- Reality is that South Africa is currently facing the triple challenges of poverty, unemployment and inequality.
- AGOA has helped in the critical area of job creation in South Africa.
- AGOA preferences in the citrus industry provide thousands of rural jobs to mostly women workers, thus alleviating poverty of rural households.
- In the auto sector AGOA creates high value, high skill jobs, that helps to stabilise South Africa's nascent democracy.



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## 4. South Africa has made significant and continual progress in addressing Bilateral Trade and Investment concerns of the US

- Intense discussions on some trade concerns (poultry) resulted in significant breakthrough at the Paris Meeting held on the 4<sup>th</sup> and 5<sup>th</sup> of June, 2015.
- Paris: undertaking to grant a quota of 65 000 tons frozen bone-in chicken pieces to the US, that would increase by an annual growth factor.
- Since Paris meetings South Africa has already taken the following steps:
- understandings reached between the two industries, (SAPA) USAPEEC and the USA National Chicken Council – draft agreement sent by SAPA to USAPEEC.
- South African Government is currently finalising Guidelines for the allocation and administration of the agreed quota.
- Department of Agriculture, Forestry and Fisheries (DAFF), is engaged with its counterparts in USDA on support historical disadvantaged individuals (HDIs) in South Africa.
- The SPS issues are complex and progress made with regard to poultry, beef, and pork, are hence explained more fully below.



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# *Significant Progress made on SPS Issues*

- South Africa's Veterinary experts have had several bilateral engagements since the Paris 4<sup>th</sup> and 5<sup>th</sup> June meeting including in Paris, Baltimore and via Video Conference (27th July) to resolve SPS issues of mutual concern, and have made significant progress on the technical issues that would facilitate trade.
- On poultry: almost 20 US States - outbreaks of Avian Flu - no outbreaks in the past 6 weeks. If no further outbreaks in the next 6 weeks the US could declare itself free of Avian Flu. A great deal of progress has already been made on the veterinary health certificate for poultry.
- On beef, the government of South Africa is pleased to announce that Cabinet has approved the lifting of a ban on boned beef from several countries which had Bovine Spongiform Encephalopathy (BSE) including the United States.
- On pork, the Animal Health Authorities of both governments have been undertaking the necessary technical work to ensure safe trade from at least three diseases, namely, Trichinella, Porcine Reproductive & Respiratory Syndrome (PRRS) and Aujeszky. South African Vets have made significant progress and have been able to approve a list of pork cuts.
- South Africa also raised its concerns regarding SPS on its exports of apples, pears, stone fruits, litchis, citrus, avocados, beef, chicken breast, mutton/lamb meat, sheep and goat embryos, horses, poultry and ostrich.



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## 5. South Africa is open for Trade and Investment and has established excellent bilateral communication channels with the US

- South Africa is a relatively an open economy with the average tariff at 8.3% in 2014 and 56% of tariffs at zero.
- the Annual Trade and Investment Forum (TIFA) continues to provide an invaluable platform to address and exchange views on policy issues.
- the US Government and interested US parties can participate fully in the ongoing policy debates in South Africa through the transparent public consultation processes provided for in South Africa's institutional and legislative mechanisms.
- South Africa has an outstanding judicial process and Constitution that protects the democratic rights of its citizens, and safeguards the property and investments of foreigners.



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# *South Africa's message to the US on its AGOA eligibility*

- AGOA has contributed significantly towards building a mutually beneficial partnership between the USA and South Africa.
- South Africa is a vital part of the regional integration and development process underway in Africa and removing South Africa from AGOA would substantially diminish the significance of AGOA for sub-Saharan Africa and the United States.
- The breakthrough made at the June 6-7<sup>th</sup> meeting in Paris on the poultry issue and the ongoing progress being made on the SPS issues related to poultry, beef and pork offer significant opportunities for the US and South Africa to increase their trade in Agriculture.
- South Africa is a relatively open economy and trade and investment relations between South Africa and the United States have continued to grow and deepen during the period under AGOA.
- Bilateral mechanisms, such as TIFA, have provided an excellent forum for the resolution of trade and investment concerns.
- South Africa meets all the eligibility criteria to remain a beneficiary of AGOA for the next 10 years.



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**THANK YOU**



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