**NARRATIVE: PRESENTATION TO PORTFOLIO COMMITTEE ON THE AFRICAN GROWTH OPPORTUNITY ACT (AGOA)**

**FEBRUARY 2016**

**SLIDE 1: OVERVIEW OF SA – US TRADE RELATIONS**

AGOA is a unilateral trade preference programme signed into law on 18 May 2000 and has been extended a number of times. AGOA was renewed in June 2015 by 10 years with special provisions targeting South Africa. South Africa is the first country to be subjected to an out of cycle review under the new AGOA legislation.

The new version of AGOA contains a provision that requires the US to launch a review of South Africa’s eligibility for trade benefits under AGOA within 30 days of the Act being renewed. This 30-day “out-of-cycle’ review stems from the poultry dispute with the US and the request for SA to lift its anti-dumping duties on US chicken cuts, beef and pork.

The US used the following arguments against SA:

* That South Africa is economically too advanced to be reasonably considered a deserving beneficiary of AGOA’s non reciprocal preferences.
* Raised concerns around South Africa’s compliance with respect to AGOA’s eligibility requirements i.e. South Africa’s treatment of certain imports of poultry, pork and beef with anti-dumping measures.
* South Africa’s proposed Private Security Industry Regulation Bill, Petroleum Industry Amendment Bill, the SA-EU TDCA, Protection of Intellectual Property Bill, BBBEE Legislation etc.

Under the new AGOA legislation, the US President has been granted with options with respect to the application and withdrawal of preferences. A country found to be non-compliant with the eligibility criteria can be placed under an out-of-review cycle like South Africa, the benefits can be withdrawn, suspended, terminated.

**SLIDE 2: GRAPH: US – SA FDI FIGURES**

Total bilateral investments between SA and the US increased by 51% from R956 billion

In 2010 to about R2.0 trillion in 2014.

**SLIDE 3: INTRODUCTION TO AGOA**

AGOA forms part of US national legislation. It was signed into law in May 200 by former President Bill Clinton and provides preferential market access to the US market for countries from sub-Saharan Africa, provided that qualifying countries meet AGOA’s eligibility criteria. AGOA’s eligibility criteria include: respect for the rule of law, democratic institutions, human rights, protection of workers’ rights; elimination of barriers to US trade and investment, including the protection of intellectual property rights and not to undermine US national security or foreign policy interests.

The new AGOA legislation was passed in June 2015, with SA included, but with an unprecedented review of SA’s eligibility being ordered. Thus SA was subjected to a so-called out-of-cycle review in August 2015 which entailed a public hearing in the Senate.

At issue was SA’s treatment of US bone-in chicken exports, that was considered to fall foul of AGOA’s eligibility criteria and thus became a central sticking point.

**SLIDE 4: IMPACT OF AGOA ON THE SOUTH AFRICAN ECONOMY**

South Africa has to date been AGOA’s largest and most diversified non-oil exporter utilizing AGOA preferences. AGOA creates over 62,000 jobs in South Africa and 100 000 jobs in the US.

In 2014, 21% of SA’s exports to the US were exported under AGOA, while 16% was under GSP. South Africa’s exports to the US amount to R70, 3 billion in 2014.

US exports to South Africa amounted to R71, 4 billion in 2014.

SA exported over R23 billion worth of vehicles to the US in 2014, supporting 30 000 jobs in Port Elizabeth and Gauteng.

 AGOA has helped to support regional integration and to stimulate regional value chains, especially in the automotive and textile sectors.

**SLIDE 5: IMPLICATIONS FOR SOUTH AFRICA**

On 11 January 2016, President Obama issued a Proclamation that SA is still not meeting AGOA’s eligibility requirements. The notification set in motion the suspension of SA’s agricultural preferences in 60 days, determined to be effective on 15 March 2016.

Meeting the 15 March 2016 deadline for allowing US poultry products into SA will ensure continued duty-free SA agricultural exports to the US and the maintenance of current jobs created by AGOA in this sector.

Failure to meet the March 15 deadline will result in suspension of duty-free access for our agricultural products. This will incur financial costs in the form of duties and possible job losses in the agricultural sector.

There is potential for additional exports of agricultural products to the US which, if realised, will create additional local jobs. South Africa has requested market access for South African beef, lamb, mangoes, litchis, avocadoes and stoned fruits.

Almost 80% of SA’s agricultural exports potentially impacted at this stage comprise approximately 2% of SA’s total exports to the US (based on 2014 trade flow data).

According to the DTI, a shipment of poultry products has recently departed Atlanta in the USA for South Africa.

**SLIDE 6: FUTURE SA – US TRADE AND INVESTMENT RELATIONS**

The US is increasingly advocating for a post-AGOA trade relationship with Africa, based on Free Trade Agreements (FTA).

The United States Trade Representative (USTR) has to submit a report to Congress by June 2016 regarding the future nature of the trade relationship between Africa and the US. The Assistant US Trade Representative for Africa, Ms Florizelle Liser, recently visited SA to consult with the DTI and various other stakeholders on this matter.

During a meeting of the African Ministers of Trade at the Africa-US AGOA Conference held in August 2015, there was some general consensus among the African countries that the US may not renew AGOA in 2025. AGOA eligible countries were encouraged to maximize benefits by effectively utilizing new opportunities offered, develop and implement national strategies on AGOA, develop diversification strategies and stimulate intra Africa trade and regional economic integration.

The DTI has indicated that SA is not ready to enter into a Free Trade Agreement (FTA) with the USA and will consult with business and labour before formulating South Africa’s position on a post-AGOA trade relationship with the USA.