Economic Environment

South Africa lists five reasons for continued AGOA eligibility

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South Africa planned to offer five reasons as to why it should retain its status as an African Growth and Opportunity Act (AGOA) beneficiary during public hearings scheduled for Friday in Washington DC. The US House of Representatives passed a ten-year extension to AGOA in late June and President Barack Obama signed its renewal soon thereafter.

Once signed, however, South Africa faced an ‘out-of-cycle’ review, which would assess the country’s continued eligibility under Section 104 (a) of the Act, which deals with a beneficiary’s progress towards being a market-based economy with open, rules-based trading and minimal government interference.

Prior to the extension, the US had warned that South Africa’s inclusion hinged on it making market-access concessions for US poultry exporters—a deal that was eventually concluded between the respective poultry industries during a meeting in Paris, France, in early June.

South Africa sustained its 15-year antidumping duties on American chicken imports, but set a 65 000 t/y quota for bone-in chicken cuts arising from the US; a concession that was expected to smooth the way for its continued AGOA eligibility.

Trade and Industry Minister Dr Rob Davies told the Parliamentary Portfolio Committee on Trade and Industry on Tuesday that South Africa’s approach to the public hearings had already been canvassed with stakeholders, who had agreed to coordinate their messaging.

“Our common view is that South Africa meets all the eligibility criteria to remain a beneficiary of AGOA for the next ten years,” Davies said, while outlining the country’s five key arguments.

Firstly, South Africa would highlight the contribution of AGOA to the building of a “mutually beneficial partnership” between South Africa and the US. “AGOA has helped to transform the trade relationship between South Africa and the US from one based mainly on exports of commodities to one based on more value-added trade in manufactured products,” Davies said.

The unilateral trade concession, which had been in place for 15 years and was initially set to expire
at the end of September, had also created 100 000 jobs in the US and 62 000 in South Africa. “Therefore, Agoa is a win-win for both South Africa and the US,” Davies said.

Secondly, the arrangement was supportive of regional integration and progress in this regard could be undermined by excluding South Africa as a beneficiary.

Thirdly, the Act contributed to the fight against poverty, unemployment and inequality in South Africa, which remained a threat to the country’s growth and development, despite its relative development when compared with many other Agoa beneficiaries.

South Africa had also made “significant and continual progress” in addressing America’s bilateral trade and investment concerns, including sanitary and phytosanitary issues surrounding poultry, beef and pork, as well as the export of US poultry to South Africa.

“Lastly, SA is a relatively open economy and trade and investment relations between South Africa and the US have continued to grow and deepen during the period under Agoa.” Bilateral mechanisms, such as the yearly Trade and Investment Forum had provided an excellent forum for the resolution of trade and investment concerns, Davies added.

Global Trends - Wine Industry Key Elements

Why Does South Africa Put Up Barriers to Chinese Tourists?

Gordon’s View.

For several years until mid-2014, tourist visitors from China were rising 30% annually and China had become South Africa’s 5th largest source of tourists.

Since then, visitor numbers have declined 32%, with a 46% decline in the 4th quarter of 2014. Wow!

At a time when Chinese outbound international tourists grew close to 20% last year – visitors to Japan up 80%, to Australia up 18% – that takes some doing.

As a result of the decline, Chinese tour operators are now removing South Africa as a destination from their brochures and Air China has postponed a direct flight to South Africa.

What happened?

In mid-2014, South Africa introduced new visa laws. These require citizens of countries where South Africa requires a visa to come to South Africa to appear in person at the embassy or consulate to apply. There is no “mail in” option available.

Specifically in China, this would require any potential traveler to come to either Shanghai or Beijing (there is one South African visa officer in each location) and wait in the city for several days while biometric data is taken and the visa is processed. I have heard claims that the cost of travelling for the visa is greater than the cost of travelling to South Africa from China. This is simply diverting Chinese travelers to other countries – Botswana and Kenya in Africa, Australia and New Zealand in the Pacific.

Why was this new visa law introduced? The South African government’s intent was to do (and to be seen to do) something about illegal immigration into the country. However, this blunt, one size fits all policy was implemented without regard for the costs it would impose on the potential traveler or whether South Africa had an illegal immigration problem from that specific country.

If South Africa has consulates with visa officers in 20 or 30 cities in China, the issue might have less impact, although the process would still be time consuming. But they don’t: they just have two. I can find no research to show that there is illegal immigration of any scale from China to South Africa.
Can it be fixed?

How to get out of this situation before Chinese tourists are put off trying to go to South Africa for good? One option, although likely to be politically impractical, is to move back to the old mail based visa application system.

Another might be to pay another country’s consulates to perform the service.

A final, slightly longer term, option would be for China to use its ICT partnership with South Africa to fund the installation of a state of the art biometric arrival system for South African immigration officers. This could collect all the needed biometric information on arrival and make physical visits to a consulate unnecessary. This last option really should be doable and could be a very visible positive outcome from this partnership.

Let’s hope change happens. Otherwise I don't see a turnaround in the downward trend of Chinese visitors to South Africa any time soon.

Many thanks to the China in Africa podcast for showcasing this issue.

Gordon Orr is a Director and Chairman of McKinsey Asia, based in Shanghai.

Comment: China as a growing consumer market and Tourism as an enabler are strategic outcomes of WISE. Central Government’s inability to implement practical win-win solutions will for sure impact negatively on our industry. Hopefully industry leaders will raise this important issue in discussions with government.