

Docket Number USTR–2023–0003

COSATU Submission:

**Annual Review of Country Eligibility for Benefits
Under the African Growth and Opportunity Act
for Calendar Year 2024:**

South Africa

08 August 2023



COSATU

Submitted to:

**Office of the
United States' Trade Representative**

United States of America

1. Introduction

The Congress of South African Trade Unions (COSATU) is the largest and oldest federation of trade unions in South Africa. It represents nearly 2 million workers across all sectors of the economy. Our members have benefited from the economic opportunities that AGOA has brought to the South African and African economies.

COSATU supports AGOA and believes it is an important developmental platform for South Africa, the Southern Africa region and the continent.

We believe that it is also beneficial to the United States, its companies, workers and pensioners.

The Federation is convinced that South Africa continues to meet the eligibility criteria of AGOA and would benefit from continued membership.

Whilst we support South Africa's continued membership, we believe there is a need to enhance the opportunities currently provided for under AGOA.

2. AGOA Benefits for South Africa

South Africa despite its middle-income status, remains a developing nation. Our economy faces numerous challenges. These include a 42.6% unemployment rate and a 62% youth unemployment, deep levels of rural poverty, massive increases in migration to South Africa from other African and even Asian countries, significant levels of corruption, shortages of electricity, cable theft amongst others.

Key to resolving all of these challenges is to create jobs and grow the economy.

South Africa is fortunate to have a very diversified economy, from mining to manufacturing to agriculture to tourism.

Our trade relations with the US are significant and we have seen many of our sectors benefit from AGOA, these include the mining industry with 400 000 employees, agriculture with 900 000 employees, manufacturing with other 2 million employees amongst others.

Key South African exports include a wide range of minerals, motor vehicles, jewellery and agricultural products.

The favourable tariff regime has been a lifeline for many of these industries, companies and jobs. Auto-manufacturing has been able to grow because of AGOA.

COSATU's fundamental mandate is to protect and create jobs and AGOA is a key pillar in that regard and hence our support for its extension and enhancement.

3. AGOA Benefits for the Southern African Region

South Africa is the economic hub for the Southern African region for historic, infrastructure, transport, logistics and cultural reasons. It is the economic centre of the region and beyond. Many companies across the US use South Africa as their entry point to Africa. If South Africa does not do well, it has an immediate impact on the region and continent.

Namibia, Lesotho and eSwatini's currencies are pegged to the South African Rand. We have a strong customs union with them and Botswana. The region itself is highly integrated.

If South Africa is exited from AGOA, it will have an impact on the region. An example of this is Botswana. Botswana exports 1 million dollars' worth of goods to the US annually. Whilst Botswana has only 2 million citizens, this is still a negligible amount. However, Botswana exports 106 million dollars' worth of components for vehicles assembled in South Africa that are then exported to the US. Thus if South Africa is exited from AGOA and its Ford exports then become less competitive in the US market, it would have a spill over effect on Botswana. There are similar examples in Lesotho and many other states in the region and the continent.

A secondary impact of such an exit, would be not only job losses in the region but increased migration to South Africa which is already battling to cope with one of the world's highest levels of migration.

4. AGOA Benefits for Africa

COSATU believes that Africa has benefited from AGOA. Africa has great potential but for a variety of well known self-inflicted and external factors has not achieved its potential.

We believe that AGOA has been a positive and rare intervention for good in Africa. We think it has done well but that there is space and a need to enhance it further.

Not only do Africans need Africa to develop but so does the rest of the world. Our huge levels of migration are not sustainable or beneficial to any country. A key cause of this migration is the lack of economic opportunities in Africa.

Whilst AGOA cannot fix Africa on its own, the opportunities it brings to the continent to access the world's largest and most advanced economy are critical and need to be nurtured and grown.

5. AGOA Benefits for the United States

The United States has also correctly benefited from AGOA. American companies are invested across Africa with 600 invested in South Africa. These 600 companies in South Africa help to employ directly and indirectly 600 000 South African workers. These companies make healthy profits that are then returned to their owners and shareholders in the US.

Many of these shareholders are American workers' pension funds, for example the California Teachers' Pension Fund is invested in South Africa. American pension funds like South African pension funds, invest in each other's economies as part of diversifying their portfolios and because their returns are beneficial to workers and pensioners in both countries. Many of these are invested in US companies which are invested in South Africa, e.g., Ford Motors.

US companies and workers in America also benefit when key components those companies' products require are made in South Africa and are then shipped to the US to be added in.

Such value-added goods include those needed for motor manufacturing plants in the US but also mineral exports. 12 of the 50 key strategic minerals the US economy depends upon are imported from South Africa. South Africa is one of the leading sources of minerals in the world. The US' economic security is linked to South Africa.

6. South Africa Qualifications

South Africa continues to meet the AGOA qualification criteria.

We are a robust constitutional democracy where various political parties hold office from national to provincial to local government. We have regular elections deemed free and fair by international observers and accepted by all political parties.

We have a robust judiciary that routinely finds against government which then accepts these decisions and implements them.

We have a progressive labour market regime which is not dissimilar to that found in the US or Europe.

Our media is independent and protected. Freedom of speech is constitutionally guaranteed, and we have no political prisoners.

South Africa may be a middle-income country, but it remains a developing nation. A minority, largely White lives a lifestyle similar to the US or Europe. A majority, mostly Black, lives a lifestyle similar to Africa. We remain the world's most unequal society with the scars of apartheid still prevalent despite government's best efforts to eradicate them. This will take to overcome. Central to this is growing the economy and creating decent work as government cannot provide all the benefits and opportunities a society needs.

South African law enforcement agencies have a long and constructive relationship and partnership with their US counterparts and have similar national security concerns.

7. Geo-Political Considerations

COSATU is concerned that the current conflict in Ukraine with Russia may spill over to South Africa. Some in the US have raised concerns that South Africa is siding with Russia and thus should be exited from AGOA and not host the AGOA Summit in November.

We believe that the South African government and some individuals in South Africa have not handled all matters well and at times badly.

COSATU believes and supports the notion that South Africa is non-aligned. South Africa is friends and needs to be friends to all nations as a developing nation. This includes being friends with the US, European Union, China, India etc.

South Africa's has a long history of supporting negotiated settlements to often intractable conflicts. Whilst some may dismiss this as pie in the sky, it is what yielded the South African miracle in 1994 when we achieved a democratic non-racial dispensation and turned our backs on what would have been a fratricidal race war.

Since 1994 South Africa has helped negotiate peaceful resolutions to difficult conflicts in Lesotho, Comores, the Democratic Republic of Congo, Burundi, Sudan and South Sudan, Ethiopia and Eritrea and even assisted in Haiti and Northern Ireland. This experience is what enabled the South African President to travel to Kiev and Moscow to meet the Ukrainian and Russian Presidents and plead for negotiations to end the war.

All wars require some negotiations to bring them to an end. It is in everyone's interests for the war in Ukraine to end. Few countries besides South Africa could go to both Ukraine and Russia and make such a case.

COSATU is concerned about the allegations that arms and ammunition may have been sold to Russia as this would be in violation of South African law. We welcome government's denial that this was approved and its decision to appoint an independent enquiry headed by a retired judge to investigate this. We encourage the US government to share any information it has with this enquiry and if the allegation is proven true, then the South African government must take action against the persons involved.

8. Need to Enhance AGOA

AGOA has yielded positive benefits for South Africa and Africa. We do believe that many of these opportunities have focused on mineral exports, oil and diamonds. We would encourage that the current basket of goods covered by AGOA be expanded as a way of further nurturing Africa's economic development and strengthening trade relations with the US.

9. Conclusion

COSATU like our counterparts in South Africa's business community and government are united in support of AGOA, South Africa's hosting the AGOA Summit in November, South Africa remaining a member of AGOA, and the expansion of goods covered by AGOA.

We believe it has been beneficial to workers in South Africa, the region, Continent and the US. It will be a devastating blow to millions of South African workers and those in the region were South Africa to be graduated out.

Our relations with the US are important, are long standing, healthy and robust. We need to enhance and strengthen them. They are mutually beneficial.

COSATU would like to be afforded the opportunity to continue to engage the USTR. We hope that this could be possible.

Thank you for your time and consideration.

Kind regards,



COSATU

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