



**NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SOUTH AFRICA**

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N24 AGOA  
4<sup>th</sup> August, 2015

Mr E Gresser  
Chairman  
AGOA Implementation Sub-Committee of the Trade Policy Staff Committee (TPSC)  
Email: [www.regulations.gov](http://www.regulations.gov)

**Reference: Docket number USTR-2015-0009**

Dear Mr Gresser

**ELECTRONIC SUBMISSION BY NAAMSA AND NAACAM IN RESPONSE TO THE 'OUT OF CYCLE' (AGOA) REVIEW OF SOUTH AFRICA: AFRICAN GROWTH AND OPPORTUNITY ACT (AGOA)**

**1. Introduction**

The National Association of Automobile Manufacturers of South Africa (NAAMSA) represents the interests of South African vehicle manufacturers producing a broad range of new motor vehicles in South Africa for both the domestic and export markets.

The National Association of Automotive Component and Allied Manufacturers (NAACAM) represents the interests of original equipment and replacement parts producers in South Africa for both domestic usage and increasingly for export markets. NAACAM have confirmed that this submission represents and carries the concurrence of the South African component Association.

**2. Background to the AGOA 'Out of Cycle' Review of South Africa**

The Office of the United States Trade Representative (USTR) will undertake the 'out-of-cycle' Review of South Africa's trade practices and the country's commitment to market principles.

The outcome of the Review will determine the extent to which South Africa will continue to enjoy the benefits in terms of the African Growth and Opportunity Act (AGOA) which provides duty free access for a broad range of South African products, including motor vehicles and components, into the United States.

In terms of a notice published in the US Federal Register the Review will focus on whether South Africa has established or is making continual progress toward establishing, *inter-alia*: a market based economy; the rule of law, political pluralism, and the right to due process; the elimination of barriers to US trade and investment; economic policies to reduce poverty; a system to combat corruption and

bribery; and the protection of internationally recognized worker rights. In addition, the country may not engage in activities that undermine US national security or foreign policy interests or engage in gross violations of internationally recognized human rights.

The deadline for comment by interested parties is 5<sup>th</sup> August, 2015 and submissions have to be in electronic format.

### **3. Submission by NAAMSA and NAACAM on the Specific Terms of Reference**

In commenting on the terms of reference – as a general statement, the two Associations would point out that in many respects South Africa already complies and, in some cases, exceeds internationally accepted norms and standards in respect of most of the requirements and criteria which will be the subject of the Review.

Comment on the specific focus of the Review, namely, whether South Africa has established or is making continual progress towards establishing / implementing a number of socio-political-economic performance criteria is summarised hereunder –

#### **3.1 A market-based economy**

The South African economy is a market-based order based on the principles of free enterprise. The economy is characterized by the involvement of an extensive private sector operating in conjunction with a number of parastatals and state-owned enterprises. United States business interests are well represented in South Africa with most of the leading American multi-national corporations actively participating in the South African economy.

#### **3.2 The rule of law, political pluralism and the right to due process**

The Rule of Law is prescribed in the Constitution of South Africa and applies to all citizens and businesses in the country.

South Africa is generally acknowledged for its focus on human rights, its independent judicial and legal system and independent media which serve to underpin the country's constitutional democracy.

South Africa is a multi-party democracy (i.e. political pluralism) with effective and robust parliamentary and legislative processes based on the principle of extensive consultation with stakeholders, including business.

All citizens in South Africa and all business operations have the right to due process as is manifest in the increasing litigation in the country.

#### **3.3 The elimination of barriers to US Trade and Investment**

Other than certain regulatory technical, safety and health provisions, the two Associations are unaware of any significant barriers to US Trade and Investment.

In fact, as will be shown later in this submission, automotive trade between the United States and South Africa has shown consistent growth with imports into South Africa from the USA growing at a substantially faster rate than South African automotive exports to the United States.



Please refer the economic commentary in section 4.

Where there are legitimate concerns on the part of US interests regarding barriers to trade and investment – these can and should be addressed between the respective governments / administrations. It is our understanding that the South African government remains open and willing to consider any issues in this regard.

### **3.4 Economic Policies to reduce poverty**

South Africa has implemented a broad range of poverty alleviation initiatives including social grants which are disbursed on a monthly basis to 16.5 million citizens.

In addition, many aspects of official economic policy in South Africa is directed at reducing unemployment, poverty and inequality.

The biggest challenge in this regard confronting South Africa is an economy which is confronted by numerous challenges and a relatively low economic growth rate of between 1.5% and 2.0% per annum.

A substantially higher growth rate of around 5.0% - which is the aim of South Africa's National Development Plan – is essential to boost growth and development, employment and to reduce inequality and poverty in the country.

This is one of the reasons why continued full eligibility by South Africa in terms of AGOA is so essential – since it does support future growth and development of the automotive industry in South Africa which contributes about 7.2% at present to South Africa's Gross Domestic Product.

### **3.5 A system to combat corruption and bribery**

South Africa has in place anti-corruption and bribery legislation although there are concerns about its efficacy and implementation.

Opposition parties in parliament and the South African media in general are extremely vocal about fraud and corruption and, where it occurs, those involved are held accountable through public scrutiny and criticism.

As a matter of policy, the private sector in South Africa is opposed to all forms of fraud, corruption and bribery.

### **3.6 The protection of internationally recognized worker rights**

South Africa is generally recognized internationally as a country which has adopted and implemented a leading position in respect of worker rights, as well as human rights. South Africa complies and in many instances exceeds international labour organization standards governing worker rights.

Worker rights are protected by statutes such as the Labour Relations Act and the Basic Conditions of Employment Act – amongst others – as well as an active Trade Union movement in the country.

There is no reason to believe that South Africa will not remain at the cutting edge internationally on matters relevant to human rights and worker rights.

**3.7 The country may not engage in activities that undermine US national security or foreign policy interests or engage in gross violations of internationally recognized human rights**

The two Associations are unaware of any possible activities that could compromise US national security or foreign policy interests. We are also not aware of any gross violations of internationally recognized human rights.

**4. Economic Commentary: The Importance of AGOA to both the South African and United States automotive sectors**

The mutual benefits of two-way trade in automotive products – vehicles and components – for both the United States and South Africa are considerable. As confirmed by the SA-US automotive trade data – **schedules attached** – 2001-2014.

Moreover, vehicle imports by South Africa from the United States have also continued to grow significantly in recent years. These are vehicles manufactured in US automotive plants supporting US manufacturing and employment. The following figures are relevant -

*Vehicle imports by South Africa from the United States: 2013 – 2014*

	<u>2013</u>	<u>2014</u>
BMW	3 724	4 309
Chrysler	7 343	7 420
Mercedes	<u>2 339</u>	<u>2 217</u>
<i>Total</i>	13 406	13 946

The increasing number of vehicle imports into South Africa from the USA (R4.7 billion in 2014) and the growth in trade and component exports results in the following benefits for American companies –

- Positive contribution to manufacturing facilities utilisation and to company overheads at US auto corporations
- Growing vehicle exports from the US to South Africa supports demand for US manufactured original equipment components used to build such vehicles
- Moreover, growing two-way trade contributes positively to sustaining employment in the United States supplier and vehicle manufacturing industries, as well as in South Africa and sub-Saharan African countries. The industry is increasingly involved in regional integration and the building of automotive capacity in other African countries.

The argument that South Africa's Free Trade Arrangement with the European Union is keeping a significant array of American products out of the South African market is not born out by the facts, particularly in respect of automotive trade. The **attached** schedule confirms that automotive exports from the United States to South Africa have grown at a far higher rate than automotive exports from South Africa to the US. In 2014 alone, the growth in annual US exports to SA increased by 17.8% whilst SA exports to the US declined by 8.0%.

## 5. Concluding remarks

AGOA represents an important and generous instrument to support the future growth and development of South Africa and sub-Saharan Africa – whilst at the same time offering positive spin-offs for American businesses.

It is our considered view that growing trade, investment and business relationships benefits both parties. In the final analysis, it is better for the US administration to be able to continue to influence the South African government and its policies rather than to marginalise the relationship between the two countries which would reduce leverage and compromise existing goodwill between the two countries.

NAAMSA and NAACAM welcome the opportunity to provide comment on the 'out of cycle' Review of South Africa's AGOA eligibility for benefits and this submission is on behalf of South African automotive companies which includes all the major American multi-national automotive corporations as well as a growing number of United States automotive component manufacturers.

Sincerely

A handwritten signature in dark ink, appearing to read 'NMW Vermeulen', with a long horizontal stroke extending to the right.

**NMW VERMEULEN**  
**DIRECTOR**



# USA – SA automotive trade data : 2014

## Millions of Rand : Top ten product categories

USA (Total trade R28 962,2 million) – 2014

Main products	Exports R17 145,0 million	Main products	Imports R11 817,2 million
Light vehicles	12 419,9	Light vehicles	4 720,6
Catalytic converters	2 904,5	Original equipment components	2 426,0
Engine parts	813,9	Engine parts	730,9
Silencers / exhausts	159,0	Engines	395,2
Axles	124,8	Automotive tooling	360,7
Gear boxes	48,4	Transmission shafts / cranks	345,3
Tyres	47,6	Tyres	255,4
Shock absorbers / suspension parts	43,4	Gauges / instruments / parts	238,6
Radiators / parts	40,8	Catalytic converters	88,4
Automotive tooling	31,0	Gaskets	71,2
Other	511,7	Other	2 184,9

# SA – US automotive trade 2001 to 2014 (R million)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
SA exports to USA	4 705,2	6 292,5	5 384,5	4 181,6	3 206,5	5 769,7	6 903,0	17 871,1	15 000,8	15 718,2	19 099,7	18 623,1	19 138,7	17 145,0
US exports to SA	2 375,1	2 936,0	2 991,4	2 968,7	3 238,8	3 916,5	5 407,0	6 354,5	4 076,4	5 253,3	8 285,5	9 616,1	10 020,0	11 817,2
Total trade	7 080,3	9 228,5	8 375,9	7 150,3	6 445,3	9 686,2	12 310,0	24 225,6	19 077,2	20 971,5	27 385,2	28 239,2	29 158,7	28 962,2

% increase in automotive exports from SA to USA from 2001 when AGOA commenced to 2014 : 264,4%

% increase in automotive exports from USA to SA from 2001 to 2014 : 397,5%

% increase in total automotive trade from 2001 to 2014 : 309,1%