



## **Doing Business in South Africa 2014 Country Commercial Guide for U.S. Companies**

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## Chapter 1: Doing Business in South Africa

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### Market Overview

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The South Africa Country Commercial Guide (CCG) presents a comprehensive look at South Africa's commercial environment, using economic, political and market analysis.

South Africa is a country of 51 million people, rich in diverse cultures and natural heritage. Enjoying relative macroeconomic stability and a largely pro-business environment, South Africa is a logical and attractive choice for U.S. companies seeking to enter the sub-Saharan Africa marketplace. The country covers 1.22 million square kilometers and is the world's largest producer of platinum, vanadium, chromium and manganese.

South Africa is the most advanced, diverse, and productive economy in Africa. However, its growth does not match that of other African economies. In 2013, its gross domestic product (GDP) grew by 2% to R 405.3 billion, equaling a nominal GNI per capita of R73,436.

The mature nature of the South African economy is reflected in the mix of economic sectors:

- primary (including agriculture, fishing and mining): 7%
- secondary (manufacturing, construction and utilities): 20%, and
- tertiary (trade, transport and services): 73%

The tourism sector has experienced above global average growth, capitalizing on South Africa's natural beauty, wild life reserves and excellent infrastructure. The sector is a major foreign exchange earner, along with minerals, agricultural products and some niche, high-tech sectors.

The country's urban areas boast well-developed infrastructure, comparable to OECD standards. Its growing service sector is a major employer, and the private, corporate side of the economy is well-managed, although facing slow productivity gains. The banking and financial services sector is stable and has weathered the worldwide financial crisis well. The Johannesburg Stock Exchange (JSE) ranks among the top emerging market exchanges in the world.

South Africa is well integrated into the regional economic infrastructure as formalized by membership in the Southern African Development Community (SADC). In addition, the Southern African Customs Union (SACU) agreement with Botswana, Namibia, Lesotho and Swaziland facilitates commercial exchanges. South Africa is a WTO member. In

2011, South Africa joined Brazil, Russia, India and China as the only African country in the leading emerging market group, BRICS.

In 2012, South Africa saw an increase in the stock of U.S. Foreign Direct Investment (FDI) from R61.76 billion to R62.24 billion. The United States is the largest portfolio investor in South Africa with investments of over R 921 billion as of 2012 and is the second largest source of FDI in South Africa, after the United Kingdom.

Mergers and acquisitions (M&A) activity in South Africa came under pressure in the first two quarters of 2013 amid slower emerging market growth due to heightened risk aversion, a volatile Rand and labor unrest. During the first half of 2013, 206 transactions were recorded in South Africa with an estimated total value of R121.4 billion. In 2012's first half, 217 transactions worth a total of R65 billion were recorded. The second quarter of 2013, however, returned only 67% of the value achieved in the first quarter, which was R48.7 billion compared with R72.7 billion.

The African Growth and Opportunity Act (AGOA), passed by the U.S. Congress in 2000, provides duty-free access to the U.S. market for most sub-Saharan African countries, including South Africa. The United States and South Africa signed a new TIFA in 2012. The United States and SACU concluded a Trade, Investment and Development Cooperation Agreement (TIDCA) in 2008. The United States and SACU rely on TIDCA as a forum to conclude a range of agreements on various trade facilitation issues and other areas of cooperation.

The United States is a critical trading partner for South Africa, and ranks annually as South Africa's second or third largest partner in two-way trade of goods by value.

	2011	2012	2013
U.S. Exports to South Africa	7,257	7,553	7,292
U.S. Imports from South Africa	9,487	8,657	8,480
U.S. Trade Balance with South Africa	-2,229	-1,104	-1,187

The U.S. government released the presidential policy directive “[U.S. Strategy Toward Sub-Saharan Africa](#)” in June 2012. In support of its implementation, during her November 2012 visit to Johannesburg, Acting Secretary of Commerce Rebecca Blank launched the “Doing Business in Africa” (DBIA) campaign, bringing together resources of various USG agencies to increase trade and investment opportunities for U.S. businesses in Africa. For further information on DBIA, please see <http://export.gov/africa/>

## Market Challenges

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U.S. firms entering this market must contend with a typically mature and competitive market with well-established European and Asian competition. A trade agreement with the European Union enables many European products to enter South Africa duty-free or at lower rates than U.S. products.

Broad-Based Black Economic Empowerment (B-BBEE) policies aimed at redressing economic imbalances among historically disadvantaged communities require consideration by all firms planning to do business with the South African government, but also within the general business community. New more ambitious requirements were introduced in 2013 to enter into force in early 2015. A few companies have addressed the ownership element of B-BBEE by implementing “equity equivalent” programs that emphasize training and development of local companies. The SA Government is continuously enhancing the mandatory industrial localization requirement for foreign suppliers who often view this as a cost and risk factor for doing business in South Africa.

It is important to note that serious concern has been growing around a host of economic and regulatory factors that impact foreign businesses. These include increasingly aggressive labor action, persistently high unemployment, violent crime and corruption, insufficient infrastructure and poor government service delivery. Noteworthy is the government’s repeatedly delayed roll-out of additional electricity generation that has seen power to mines and industry curtailed. These problems have been compounded by concerns around the direction of economic policy.

The South African government has since 2012 announced plans to tighten labor and foreign ownership laws, mandated industrial localization and weakened commercial property rights. Sectors of specific concern have included the extractive industries, security services and agriculture. It remains uncertain in which direction government will go to address rigidities in labor regulations in the face of popular discontent around unemployment.

Despite current uncertainties, as the most advanced, broad-based economy on the continent, South Africa still offers investors a diverse and mature economy with vibrant financial and other service sectors, as well as preferential access to export markets in the United States, the European Union and the Southern African Development Community (SADC). Standards are generally similar to those in most developed economies, U.S. investors find local courts fair and consistent, and infrastructure is well-developed. Similarly, democratic life is well-established with transparent and contested elections, an appreciation for the rule of law, and citizens maintaining significant pride in the constitution and the peaceful formation of the post-Apartheid state.

Still, South Africa is a destination conducive to U.S. investment, and should remain so as the dynamic business community is highly market-oriented and the driver of economic growth. South Africa offers ample opportunities, and continues to attract investors seeking a location to access the rest of the African continent whose emerging economies have become more and more attractive.

Although unemployment remains high (official figure of about 25%), skilled labor can be difficult to find in many, if not most, technical and professional segments due to emigration and the poor state of the education system. In addition, HIV/AIDS affects approximately one in ten South Africans with unfortunate implications for labor availability, productivity and healthcare costs. Annual labor negotiations have been marked by increased, partly violent unrest in the ramp-up to the May 2014 general elections, that eventually turned out to be surprisingly peaceful.

Transparency International's Corruption Perceptions Index in 2013 ranked South Africa at 72 out of 177 countries -- tied with Brazil, but ahead of Russia, India and China.

## **Market Opportunities**

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Opportunities for U.S. exporters and investors in South Africa reflect its growing consumer base, and efforts to upgrade and develop its infrastructure to fuel economic growth.

Factors benefiting U.S. exports include:

- Sophisticated financial services and legal services sectors;
- Infrastructure improvements;
- South Africa's position as an entryway to other countries and markets in Sub-Saharan Africa;
- The strong reputation enjoyed by U.S.-branded goods;
- South African Government-owned utilities such as Eskom (electric power) and Transnet (transportation) have formalized capital expenditure plans amounting to more than R675.5 billion

In general, the best prospects for exports are in capital goods, though opportunities exist in a wide range of consumer products, services and franchising.

Of particular note are:

- Electricity Power Generation Systems;
- Aviation;
- Automotive Components;
- Transportation, Infrastructure and Civil Construction;
- Franchising;
- Renewable Energy;
- Pollution Control Equipment;
- Mining Equipment;
- Medical Equipment and Healthcare Services;
- Telecommunications; and
- Information Technology.

## **Market Entry Strategy**

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Because the South African market is sophisticated, entry should be well planned, taking into consideration the following factors:

- The skewed demographic income distribution pattern, where 10% of the population earns 45% of national income;
- The price-sensitive nature of the majority of consumer demand;
- Distribution issues, given that large retail centers are concentrated in five metropolitan regions;
- Well-developed consumer protection rules and enforcement;
- A conservative market that tends to stick to known suppliers and therefore

- requires sustained market development; and
- South Africa's position as a stepping stone for developing market opportunities in Sub-Saharan Africa: the marketing mix should anticipate this medium-term option. However, the new-to-market foreign supplier will find markedly different conditions when venturing northwards. This lack of regional integration relates especially to financial services, trade documentation and road transportation networks and may have a significant impact on the cost of doing business.

A judicious selection of one of three low-risk entry strategies (representation, agency or distributorship) is required by new-to-market entities. If you are selling to the government or government-funded organizations, any local partner should be B-BBEE-compliant and be aware of local procurement regulations.

In addition to this Country Commercial Guide, the Commercial Service offices in Cape Town and Johannesburg offer many services designed to assist you in developing your market entry strategy into South Africa. For a detailed description of these services please visit:

[http://export.gov/southafrica/eg\\_za\\_036964.asp](http://export.gov/southafrica/eg_za_036964.asp)

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## **Chapter 2: Political and Economic Environment**

For more information on the political and economic environment of South Africa, please click on the link below to the U.S. Department of State Fact Sheet.

<http://www.state.gov/r/pa/ei/bgn/2898.htm>

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#### **Using an Agent or Distributor**

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One of the first steps an exporter may wish to take in locating an agent or distributor in South Africa is to contact the U.S. Commercial Service in South Africa and register for one of the services specifically designed to meet the needs of U.S. client companies. South Africa offers foreign suppliers a wide variety of methods to distribute and sell their products, including using an agent (also known as a Commission Sales Representative, or CSR) or distributor. A link to details of these services is available at the end of this report.

In South Africa, the terms "Agent" and "Distributor" have a very specific meaning: "agents" work on a commission basis after obtaining orders from customers; distributors buy, carry stock and sell products directly to customers.

Agents often distribute durable and non-durable consumer goods, as well as some industrial raw materials. They may be particularly appropriate when products are highly competitive and lack a large market. It is common to appoint a single agent capable of providing national coverage either through one office or a network of branch offices. In addition to their role as the local representatives of U.S. exporters, agents should be able to handle the necessary customs clearances, port and rail charges, documentation, warehousing and financing arrangements.

Local agents representing foreign exporters, manufacturers, shippers, or other principals who export goods to South Africa, are fully liable, under South African import control law, for all regulations and controls which are imposed on the foreign exporters. Local agents are required to register with the Director of Import and Export Control of the Department of Trade and Industry. It is important for a U.S. exporter to maintain close

contact with the local agent to track changes in importing procedures and to ensure that the agent is effectively representing the sales interest of the exporter.

Typical commission rates for agents (also known as a Commission Sales Representative, or CSR) in South Africa depend upon the contract concluded and upon the CSR's responsibility. These rates can range from 3% -25% commission per concluded transaction. Companies sometimes pay a retainer fee plus costs plus an incentive scale on deals.

Distributors who buy for their own account and carry a wide range of spare parts often handle capital equipment and commodities such as chemicals, pharmaceuticals, and brand new products on an exclusive basis. Leading distributors often have branches throughout South Africa and sell to both wholesalers and retailers.

When appointing a South African distributor, U.S. exporters should take care to find out if the distributor handles a competing product. In some instances, major South African corporations whose holding companies market products competing directly with American products have approached some U.S. exporters.

In South Africa's competitive marketplace, it is essential that the U.S. exporter provide adequate servicing, spare parts, and components, as well as qualified personnel capable of handling service inquiries. In most cases, after-sales service should be available locally since potential delays often lead purchasers to seek alternative suppliers.

The U.S. Commercial Service has found that the most successful ventures entered into by U.S. companies have been preceded by thorough market research. This is an important first step before engaging in a search for agents or distributors. Once contacts are established, U.S. companies should visit South Africa, since first-hand knowledge of the market is an advantage. Such a visit provides an opportunity for a personal appraisal of the prospective agent or distributor. U.S. exporters should carefully investigate the reputation and financial references of a potential agent or distributor and establish a clear agreement delineating the responsibilities of both the exporter and the agent.

The Commercial Service (CS) in South Africa offers a number of business facilitation services, including market research, appointment-setting, and background checks on potential business partners. For a full list of the services offered, please visit:

<http://export.gov/southafrica/index.asp>

As part of the Presidential National Export Initiative (NEI) and the Doing Business in Africa (DBIA) campaign, CS South Africa coordinates market research and business facilitation in a number of sub-Saharan African states. These include:

- Angola
- Benin
- Botswana
- Burkina Faso
- Cote d'Ivoire
- DRC Congo

[Gambia](#)  
[Guinea](#)  
[Lesotho](#)  
[Liberia](#)  
[Madagascar](#)  
[Malawi](#)  
[Mali](#)  
[Mauritius](#)  
[Mozambique](#)  
[Namibia](#)  
[Senegal](#)  
[Swaziland](#)  
[Zambia](#)

For additional information, please e-mail the U.S. Commercial Service office at:  
[Johannesburg.office.box@trade.gov](mailto:Johannesburg.office.box@trade.gov)

## **Establishing an Office**

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Since 2009, South Africa has slowly been slipping in the World Bank's Ease of Doing Business Index, to attain a ranking of 41 in 2013. However, South Africa has consistently done well for ease of access to credit and has shown improvements in trading across borders.

The Companies Act Of 2011 makes no distinction between locally-owned and foreign-owned companies. Companies may be either private or public. Foreign companies establishing subsidiaries in South Africa must register the subsidiary in accordance with the Act.

Under the current law, all companies, whether public or private, are required to be audited. The Act allows for private entities to choose - they can decide to be audited or, alternatively, they may be subject to an independent review of their financial statements. The Act introduced far-reaching changes to the South African corporate regime. A director may now be held liable for losses sustained for a breach of duty, although the new Act includes "prescribed officers" amongst the company's employees who may be similarly responsible. The category of prescribed officers may expose persons in management positions who are not directors to new obligations and possible personal liability.

Foreign companies may establish a local branch office in South Africa by registering the branch as an "external company" with the Registrar of Companies. Any nonresident or foreign company must register within 21 days of establishing an office in South Africa. Government approval is not required for registration and there is no requirement that a percentage of share capital be held locally. The branch company must file annual financial statements with the Registrar within six months after the end of its fiscal year. Branch profits remitted to a foreign firm's headquarters are not subject to withholding tax. The legal liabilities of a branch are not limited to only its South African assets.

In order to make South Africa a more attractive location for multinational enterprises wishing to invest in Africa, a Headquarter Company (HQC) regime has been introduced in South Africa. The rules create a more attractive fiscal and regulatory environment

necessary for foreign holding companies seeking entry into Africa, and rules eliminate certain barriers which had discouraged foreign investors from using South Africa as a holding company location. There are three forms of business enterprises in South Africa: Private Companies (Pty), Public Companies (Ltd), and Close Corporations (CC). South Africa has an estimated 400,000 Private Companies, 4000 Public Companies, and 1.6 million Close Corporations.

Each form has its own setup and reporting requirements as detailed below:

### **Private Companies:**

A locally registered private company, identified by the words "Proprietary Limited" (Pty) in its title, is a form commonly used to carry on operations as a subsidiary of a foreign company. Private companies may have up to 50 shareholders, but cannot offer shares to the public or transfer them and are not required to have a minimum capital subscription.

Private Directors need not lodge a written consent with the Registrar and they need not be South African nationals or residents of South Africa. The registration of a company is established by filing the following information with the Registrar of Companies:

- A certified copy of the Memorandum and Articles of Association;
- The registered address;
- The name and address of the company's local auditor; and a share capital duty receipt.

Private companies are not subject to the statutory meeting and reports requirements of public companies and do not have to lodge their annual financial statements with the Registrar.

### **Public Companies:**

Public companies, designated by the word "Limited" or letters "Ltd" in the title, are formed to raise funds by offering shares to the public. Therefore, there is no limit on the number of shareholders in a public company. Public companies are required to file annual financial statements and reports with the Registrar of Companies.

For public companies that issue a prospectus, proof must be submitted to the Registrar that each director has paid full price for the shares and the number of shares issued equals the stated minimum subscription. For public companies with share capital, the following must be forwarded to the Registrar:

- A director's statement that capital is adequate for business operation;
- Particulars of the directors and officers; and
- Proof that the annual duty has been paid.

A public company may not commence operations prior to receipt of the Registrar's certification.

## Close Corporations:

Close corporations, designated by the letters "CC" after their names, are a form of business organization unique to South Africa. They can only be organized by natural citizens of South Africa and are limited to a maximum of ten persons. Close corporations are subject to fewer registration and operating regulations than companies.

However, the Companies Bill forbids the new registrations of CC's, and the Companies and International Property Registration Office (CIPRO) has established a new process whereby these companies would be required to file annual tax returns. As many of these companies are thought to be dormant, this procedure is intended to give CIPRO more up-to-date information on how many of these companies are still active.

For more information on company formation and registration contact:

Companies and International Property Commission (CIPC)  
Postal Address: PO Box 429, Pretoria, 0001  
Physical Address: The DTI Campus, Block F, 77 Meintjies Street  
Sunnyside, Pretoria  
Tel: +27 (0)12-394-9500;  
Fax: +27 (0)12-394-9501  
Email Address: [info@cipc.co.za](mailto:info@cipc.co.za)  
Website: <http://www.cipc.co.za/Default.aspx>

## Franchising

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Franchising has become more popular in recent years, as it is perceived to be an effective way to conduct and grow successful businesses across a range of services. Franchising also plays an important role in furthering the development of small and medium businesses. Job creation, poverty alleviation, economic growth and black empowerment rank high on the South African government's agenda, and there appears to be a growing recognition by the South African Government (SAG) that franchising can be an effective business model to address these needs.

More information about this sector can be found in Chapter Four within the Franchising sub-section.

Additional information can also be found at:  
Franchise Association of Southern Africa (FASA)  
Postnet Suite 256, Private Bag X4, Bedfordview, 2008  
Physical Address: First Floor, Block A, Eastgate Office Park,  
South Boulevard, Bruma 2198  
Tel: +27 (0) 11 615 0359; Fax: +27 (0)11 615 3679  
Ms. Vera Velasis, Executive Director  
Email: [fasa@fasa.co.za](mailto:fasa@fasa.co.za)  
Website: <http://www.fasa.co.za/>

## Direct Marketing

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Direct marketing is expected to grow over the next ten years. Direct marketing channels in South Africa include:

- Direct e-mail selling - such as Internet viral campaigns (where one email user nominates “friends” to participate in a promotional campaign and to his/her own benefit hands over the email addresses of friends and colleagues);
- Direct selling channels - such as the independent agent or distributor system; and
- Internet marketing – which has also grown rapidly as South African consumers become more comfortable about handing over banking details and ordering from non-brick and-mortar companies.

## Joint Ventures/Licensing

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Joint ventures and licensing arrangements involving foreign entities attract the attention of the South African regulatory authorities when repatriation of funds (royalties, fees and profits) from South Africa to a foreign recipient is agreed to or possibly required in the future.

When a company is interested in entering into a foreign licensing agreement to manufacture a product in South Africa, the South African licensee must submit an application to the Department of Trade and Industry (DTI). DTI, in turn, will make a recommendation to the South African Reserve Bank (SARB) which must approve the payment of royalties. When a licensing agreement involves no manufacturing, the request for exchange control approval is sent directly to SARB by the South African licensee.

The calculation of discretionary funds (royalty, fees etc.) that can be set by the parties to a Joint Venture or Licensing arrangements are subject to a complex foreign exchange controls set by the SARB that have been made less onerous over recent years. Contract conditions involving obligatory purchasing and pricing agreements or requiring the licensee to sole source articles from the licensor are prohibited.

More detailed and up to date information on the foreign exchange aspects of joint ventures and licensing can be obtained from the SARB or an approved foreign exchange dealer and can be found in the SARB's Exchange Control Manual, accessible via the following website.

<http://www.resbank.co.za/RegulationAndSupervision/FinancialSurveillanceAndExchangeControl/EXCMan/Pages/default.aspx>

## Selling to the Government

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Government purchasing is a significant and growing factor in the South African economy as it addresses infrastructure deficits that include energy, transportation, communications, health and education.

In February 2013, SA Minister of National Treasury Mr. Pravin Gordhan, announced public-sector-driven infrastructure spending would involve R827 billion over the next

three years. This included provinces and municipalities spending most of R430 billion for schools, hospitals, clinics, dams, water and electricity distribution networks, electrification of over a million new homes, sanitation schemes, building more courtrooms and prisons, and improved bus, commuter rail and road links. It also included State-Owned Companies like Eskom and Transnet financing R400 billion of projects.

Nearly all purchasing (at all three levels of government – national, provincial and municipal) is done through competitive bidding on invitations for tenders, which are published in an official state publication, the State Tender Bulletin ([http://www.gov.za/documents/index.php?term=&dfrom=&dto=&tps\[\]=7&subjs\[\]=0](http://www.gov.za/documents/index.php?term=&dfrom=&dto=&tps[]=7&subjs[]=0)) and sometimes in leading newspapers. Although the purchasing procedures of the central government and parastatal institutions favor local manufacturers, an overseas firm is not precluded from bidding if the firm has an agent in South Africa to act on its behalf. As a general practice, payment is made to the local agent. Several factors impact the process of selling to the SA Government and its agencies.

### **Central Government Procurement:**

South Africa has changed its government procurement to a “Supply Chain Management” process to streamline the buying procedures of national, provincial, local, and state-owned companies. As part of the Public Finance Management Act Regulations of 1999, procurement accountability has devolved to “accounting officers.” Depending on their level of responsibility, accounting officers may approve government purchases up to a certain amount.

The South African Constitution lays out basic, socio-economic principles for government procurement. Procurement by an organ of State or any other institution identified in national legislation must be “in accordance with a system which is fair, equitable, transparent, competitive and cost-effective,” while also allowing for categories of preference and the protection, or advancement, of persons disadvantaged by unfair discrimination, within a framework national legislation. Other principles on which procurement must be based in South Africa are accountability and the just-in-time (JIT) delivery principle.

Purchases are generally by competitive tender for project, supply and other contracts. Bidders generally need not pre-qualify, but the ability of bidders to supply goods or render a service generally is examined. Foreign firms can bid through a local agent. The due date for a bid is usually at least twenty-one days from the publication of the notice. As a general practice, however, a lead-time of thirty to forty-five days is allowed. Bids for government tenders must be on a basis of all costs included to the specified delivery point.

### **Local Content Requirements:**

Since 2011, the SAG has ramped up its local content requirements. The Department of Public Enterprises (DPE) has formulated the Competitive Supplier Development Programme (CSDP), aimed at building up the local supply base. This is becoming increasingly important in the bidding process, particularly for foreign firms.

Previously, state-owned enterprises (SOE's) participated in the National Industrial Participation Programme (NIPP), an import-offset program for government agency expenditure managed by the Department of Trade and Industry (DTI). Under the NIPP program, all imports of more than R96.5 million required the supplier to work with DTI to invest the equivalent of 30% of the value of the purchase in a non-related industry. However, under CSDP, companies now have more discretion to meet government requirements in this area.

Foreign prospective suppliers need to look closely at localization requirements, which are complex, evolving, and vary by sector.

The logistics SOE, Transnet, has formulated guidelines for the CSDP program:

[http://www.transnet.net/BusinessWithUs/iCLM%20HQ%200624%20Supply%2028%20Studdle%20Carriers/The%20Contract/Part%201%20Agreements%20Contract%20Data/C1\\_2%20Contract%20Data%20Part%201/Annexure%20C%20-%20CSDP/Supplier%20Guidelines%20CSDP.pdf](http://www.transnet.net/BusinessWithUs/iCLM%20HQ%200624%20Supply%2028%20Studdle%20Carriers/The%20Contract/Part%201%20Agreements%20Contract%20Data/C1_2%20Contract%20Data%20Part%201/Annexure%20C%20-%20CSDP/Supplier%20Guidelines%20CSDP.pdf)

### **Black Economic Empowerment (BEE):**

A pivotal consideration with the government and parastatal procurement process is that manufacturers or suppliers to government need to qualify as BEE (Black Economic Empowerment) partners. These criteria aim to quantify the contribution by these partnerships to empower previously disadvantaged individuals according to a varying mix of the following parameters:

- Black Ownership
- Black Management Control
- Employment Equity
- Percentage of Black Skilled Personnel
- Preferential Procurement from Black/BEE Suppliers
- Skills Development Initiatives
- Enterprise Development initiatives for Black Businesses

Note in 2013 South Africa introduced new more ambitious requirements consolidating the parameters into five elements. These new regulations enter into force in early 2015. In BEE legislation, the term "Black" is used generically to refer to South African citizens of the following racial/ethnic groups: Blacks (those whose ancestry is exclusively/almost exclusively African), "Coloureds" (those of mixed European/African or European/Asian origin), or Indians (those whose ancestry originates in the Indian sub-continent). A 2008 Court decision expanded the BEE program to include South African Chinese.

The Broad-Based Black Economic Empowerment Act of 2003, the legislation enacting the BEE strategy, directs the Minister of Trade and Industry to develop a national strategy for BEE, issue BEE implementing guidelines in the form of Codes of Good Practice, encourage the development of industry-specific charters, and establish a National BEE Advisory Council to review progress in achieving BEE objectives. While firms are not legally required to meet BEE criteria, in practice they have little or no chance of competing if they do not.

BEE Codes of Good Practice and other pertinent legislation may be found on DTI's website: [https://www.thedti.gov.za/economic\\_empowerment/bee\\_codes.jsp](https://www.thedti.gov.za/economic_empowerment/bee_codes.jsp)

### **Public Private Partnerships (PPP):**

The South African Government and its parastatals also give close attention to public private partnerships (PPP). This mode of outsourcing operational responsibility is an alternative to direct government procurement. While it allows a variety of leasing options, it can also include buying a service from a private entity. This mode of business implies less risk for government due to a significantly reduced capital investment requirement, and a predictable expenditure model (linked to the fee structure payable to the service provider) while at the same time allowing BEE entities to benefit from traditional government operations. The more complex PPP tender bidding process has in some cases also led to longer adjudication and awarding timelines.

In some quarters of organized labor, the PPP process has been criticized as leading to greater privatization and deregulation.

The SA Ministry of Finance (Treasury) administers the government procurement process. For more information:

South African National Treasury  
PPP Unit  
Tel: +27 (0)12 315 5741  
Fax: +27(0)12 315 5477  
Website: <http://www.treasury.gov.za/>

### **Offsets and Counter-Trade:**

South Africa's National Industrial Participation Program (NIPP) mandates a counter-trade/offset package for state and parastatal purchases of goods, services, and lease contracts over R96.5 million. Under the program, all bidders on government and parastatal contracts who exceed the imported content threshold must also submit an Industrial Participation package worth 30% of the imported content value. These NIPP requirements are issued with the tender documentation of all government and parastatal tenders and are overseen by the Industrial Participation Secretariat of the Department of Trade and Industry.

The Department of Trade and Industry administers the NIPP:  
[http://www.thedti.gov.za/industrial\\_development/nipp.jsp](http://www.thedti.gov.za/industrial_development/nipp.jsp)

### **Parastatals:**

Parastatals (also known as state-owned enterprises - SOEs), local authorities, and major private buyers, such as mining companies, must follow practices similar to central government. Parastatal procurement is guided by and bound to the schedule of local content preference. Local government purchases are increasingly significant and also involve overseas bidding. With decentralized procurement by the nine separate provincial governments in South Africa, the prospects for additional government procurement below the central government level are significant, even though strict budgetary restraints are in place and many agencies face a lack of capacity in rolling out and managing projects.

## **Special Economic Zones (ZESs) and Industrial Development Zones (IDZs):**

New legislation embodied in the Special Economic Zones (SEZ) Act was signed into law in May 2014. This Act is aimed at supporting balanced industrial development, manufacturing capabilities, and the development of more competitive regional economies.

Prior to the SEZ Act, the Department of Trade and Industry (DTI) initiated the Industrial Development Zone (IDZ) program under the Manufacturing Development Act of 2000. The focus of this IDZ program was largely to attract foreign direct investment, increase exportation of value-added manufactured products, and to create linkages between domestic- and zone-based industries. Bulk ore handling, petro-chemicals, automotive manufacture, and related industries benefited from this initiative. Five IDZs were designated: Coega, East London, Richards Bay, OR Tambo and Saldanha Bay, of which three of the five: Coega, East London and Richards Bay – are fully operational. The largest IDZ, Coega, has attracted investments worth approximately R30 billion. It is understood that the new SEZ Act would cater to coordinated multi-government agency planning and result in a more holistic industrial-development approach. The Act provides for the designation of different types of SEZs, but also free ports as well as free-trade zones and IDZs.

The new Act also allows for the creation of specialized zones that would focus on the development of a specific sector or industry through the facilitation of general or specific industrial infrastructure incentives and technical and business services, primarily for the export market.

Apart from the SEZs and IDZs, there are separate logistics hubs (both at ports and inland) that have bonded warehouses managed by freight forwarders; this is of significant value to importers who ship goods through South Africa into neighboring states with different duty and excise regimes.

## **Distribution and Sales Channels**

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Approximately 90% of South Africa's economically active population is found in areas surrounding the cities of Johannesburg, Cape Town, Durban, Pretoria and Port Elizabeth. These five cities represent the country's major areas of economic activity and consumer markets.

The distribution chain within a given industry varies, depending on the nature and type of equipment and/or products being imported. Consumer-oriented products, for example, are distributed by local subsidiaries or joint-venture partners to a fixed number of distributors who sell to wholesalers and/or retailers who in turn sell to end-users. There may be more middlemen within the chain, depending on the arrangement worked out by the original equipment manufacturer (OEM).

In South Africa, each industry sector has but a handful of major distributors, but often hundreds of small players. Major players prefer an exclusive agent/distributor agreement with the foreign firm. Most South Africa imports are handled through the country's largest airport in Johannesburg or through one of three of the country's ports: Durban, Cape Town and Port Elizabeth.

The major distribution point is Johannesburg which has bonded inland port status for custom and excise purposes.

- **Johannesburg**

The city of Johannesburg is the commercial hub of South Africa. As the country's transportation hub, it is the center for all aviation, rail and road infrastructure. It also has the continent's busiest international airport, which can handle 20 million passengers and 400,000 metric tons of cargo annually. The headquarters of the National Ports Authority of South Africa (NPA) is also located in Johannesburg.

Johannesburg is one of the world's few major cities located on neither the ocean nor a major river. Yet it hosts the largest and busiest "port" in Africa – an export-import freight container terminal and bonded warehouse called City Deep, which handles 30% of South Africa's exports.

- **Durban**

Durban is the busiest ocean port in Africa, and the Durban Container Terminal is the largest and best-equipped container terminal in the southern hemisphere. Durban's location on the eastern coast of South Africa makes the terminal a pivotal hub for the entire southern African region of the Indian and South Atlantic Oceans, serving trade routes linking North and South America with the Middle East, India, Asia and Australia. The terminal is a crucial interface for the distribution of cargos between ocean carriers and the markets of South Africa, Botswana, Zimbabwe, Zambia and Zaire. On the landside, there is direct connection with surface transport via rail sidings and also speedy connection to South Africa's trunk road network. The facility handles in excess of 4,000 ships annually, with an estimated gross tonnage of 81,700,000. Containers handled at Durban port represent 64% of the total number of containers handled at South African ports. Durban port is currently undergoing extensive upgrades aimed at increasing both efficiencies and net capacity.

- **Cape Town**

Cape Town, located at the southern-most point of Africa, is ideally positioned as a hub terminal for cargo to South America and the Far East. West/East Africa cargo has grown substantially, making the Cape Town Container Terminal the terminal of choice for trans-shipment cargo. The terminal currently handles 3,161 vessels per year for a gross tonnage of 44,501,297.

- **Port Elizabeth**

The Port Elizabeth Container Terminal is one of the three specialized container-handling facilities along the South African coastline. Port Elizabeth serves the immediate area of the Eastern Cape, where its main business focuses on the needs and requirements of the motor vehicle and components industry as well as various agricultural products. The terminal offers value-added services in the form of storage, packing and unpacking of containers and logistics management. The terminal currently handles 1,271 ships with a total gross tonnage of 25,756,823.

Introducing new products to the South African market requires extensive market research and mass advertising to identify potential customers' buying patterns and preferences. This applies particularly to unknown brand names, as South Africans are very brand conscious.

One way of launching a new product in South Africa is by exhibiting at a trade show. Promotional "give-aways" are also very popular. An editorial and/or advertisement in a specialized trade publication will also enhance awareness of the product. Although South Africa has eleven official languages, promotional material is typically printed in English.

Direct selling has certainly found a niche market in South Africa. Direct sales to individuals on a personal one-on-one basis by freelance agents are fast becoming a multi-million dollar industry in South Africa. Examples of products sold in this way include costume jewelry, plastic containers, lingerie and personal products and personal health and herbal type products.

Amendments to the Consumer Protection Act (CPA), effective since 2011, have changed many aspects of business in South Africa by introducing new legislation concerning manufacturers and service providers. The new legal framework aims to protect the consumer through controls on product liability, sales and marketing practices and fairness in consumer contracts, among other issues. In essence, the CPA shifts the burden of proof from the consumer to the supplier. Importantly, the CPA also provides the same consumer protection status to a franchisee in relation to the franchisor.

For a more detailed discussion of the amended Consumer Protection Act, please see: <http://www.michalsons.com/the-consumer-protection-act-a-heads-up>

## **Electronic Commerce**

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Consumer response to electronic commerce has increased. While acceptance of B2C interaction has grown, South Africans still primarily use websites for information gathering rather than purchasing. Since 2011 costs have fallen.

Cell phones are slowly replacing wallets, as banks, card operators, retailers and communications companies provide alternatives to cash as a means of payment. M-commerce, where cell phones are used to pay for goods and services, has advanced beyond mobile banking to debit and credit transactions. M-commerce is particularly attractive in Africa due to the rapid increase in the number of cell phones, limited access to the Internet, and poor fixed-line infrastructure.

## **Trade Promotion and Advertising**

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South Africa has a sophisticated advertising industry. Advertising agencies provide a full range of services. Most larger agencies are subsidiaries of prominent international agency groups. Major media outlets include television, radio, newspapers and magazines, outdoor advertisements, cinema and the Internet. The deregulation of the airwaves has introduced more competition through additional independent television channel and radio stations.

The key figures in South Africa's advertising industry are the Association for Communication and Advertising (ACA) (<http://www.acasa.co.za>); the two major media bodies, the National Association of Broadcasters (NAB) (<http://www.nab.org.za>) and the Print Media Association (PMA) (<http://www.printmedia.org.za>); and finally the Advertising Standards Authority of South Africa (ASA), which regulates South African advertising standards.

Advertising agencies in South Africa are no longer solely remunerated by clients on a commission system. Fee arrangements are becoming increasingly common and specialist media buying companies are taking a growing market share of media purchases in South Africa. Customarily, the various media offer 16.5% commission to recognized advertising agencies, provided payment is made within the stipulated 45-day period.

Additional information can be obtained from the following association:

Advertising Standards Authority  
Willowview, Burnside Island Office Park  
410, Jan Smuts Avenue,  
Craighall Park, Johannesburg  
Tel: +27 (0)11 781 2006; Fax: +27 (0)11 781 1616  
Mr. Fred Makgato  
Email: [freddy@asasa.org.za](mailto:freddy@asasa.org.za)  
Website: <http://www.asasa.org.za>

Names and addresses of major advertising agents, newspapers, magazines, market research companies, and public relations consultants along with their current rates, can be found in the Advertising and Press Annual of South Africa available from:

Infixion Medio (PTY) Ltd.

Lynn Quintino  
Marketing & Communications  
Email: [lynn.quintino@infixion.co.za](mailto:lynn.quintino@infixion.co.za)  
Tel: +27 (0)11 835 2221; Fax: +27 (0)11 835 2631  
Website: <http://www.infixion.co.za>

Major English-language South African newspapers include:

Business Day	<a href="http://www.businessday.co.za">http://www.businessday.co.za</a>
The Star	<a href="http://www.thestar.co.za">http://www.thestar.co.za</a>
The Citizen	<a href="http://www.citizen.co.za">http://www.citizen.co.za</a>
The Sowetan	<a href="http://www.sowetan.co.za">http://www.sowetan.co.za</a>
The Times	<a href="http://www.thetimes.co.za">http://www.thetimes.co.za</a>
Mail and Guardian	<a href="http://www.mg.co.za">http://www.mg.co.za</a>
Sunday Independent	<a href="http://www.sundayindependent.co.za">http://www.sundayindependent.co.za</a>

Major English-language periodicals for business include:

Financial Mail	<a href="http://www.financialmail.co.za/">http://www.financialmail.co.za/</a>
Engineering News	<a href="http://www.engineeringnews.co.za">http://www.engineeringnews.co.za</a>

Several trade exhibition firms operate in South Africa. The Exhibition Association of Southern Africa (EXSA) provides an overview of the Exhibitions and Trade Shows being held in South Africa and can be found at: <http://www.exsa.co.za>.

You can also visit the Commercial Service South Africa's website for links to upcoming trade events and business service providers:  
<http://www.buyusa.gov/southafrica/>

## **Pricing**

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Prices are generally market-determined, with the exception of petroleum products, certain agricultural goods and prices administered by parastatals (government-owned firms) such as the South African Post Office, ESKOM (electricity utility), SANRAL (road tolling agency) and Telkom (telecommunications parastatal).

South Africa applies a 14% Value Added Tax (VAT) (as opposed to General Sales Tax) on all goods and services, except for some basic staple diet items. Exports are zero-rated and no VAT is payable on imported capital goods. In Industrial Development Zones (IDZ) there is a VAT suspension on imports and exports, provided the finished product is exported. The South African Revenue Service (SARS), a division of the South African Department of Finance/Treasury, administers VAT:

### **SARS**

Tel: +27 (0)12 422 4000; Fax: +27 (0)12 422 5181

Website: <http://www.sars.gov.za>

## **Sales Service/Customer Support**

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In the South African consumer market, after-sales service is extremely important to prospective clients, especially in the case of technical and spare part services. Many South African consumers base purchasing decisions on reliable after-sales service, especially for high-end luxury goods such as electronic equipment. Appointing a central distributor that stocks spare parts and provides maintenance and repair service is advisable for existing brands and new brands breaking into the market. As the South African market opens up and becomes more competitive, South African consumers are more concerned about quality and after-sales service. Foreign companies that bring strong customer support systems to this market will have a competitive edge.

## **Protecting Your Intellectual Property**

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### **Protecting Your Intellectual Property in South Africa:**

Several general principles are important for effective management of intellectual property ("IP") rights in South Africa. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in South Africa than in the United States. Third, rights must be registered and enforced in South Africa, under local laws. Your U.S. trademark and patent registrations will not protect you in South Africa. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the South Africa market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government cannot enforce rights for private individuals in South Africa. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in South Africa law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. government stands ready to assist, there is little we can do if rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the U.S. government can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in South Africa require constant attention. Work with legal counsel familiar with South African laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both South Africa or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Wassenaar Arrangement (WA, on conventional arms and technology exports)

South Africa is a signatory of various international agreements and conventions relating to the protection of intellectual property, which includes Patents, Trade Marks, Designs and Copyright. South Africa has an independent judiciary under which any threat to

property rights may be enforced without political interference.

While South African intellectual property laws and regulations are largely consistent with Trade-Related Aspects of Intellectual Property (TRIPS), there are still concerns about widespread copyright piracy and trademark counterfeiting. The United States is working with the South African authorities to address these issues. The South African authorities are keen to enforce a higher compliance with IP laws and the South African Revenue Service (SARS) has been playing a prominent role in deterring imports of counterfeit goods.

The U.S. and South African governments have held extensive consultations to clarify a section of the South African Medicines Act, which appeared to grant the Minister of Health broad powers in regard to patents on pharmaceuticals. The U.S. and South African governments reached an understanding that any action taken by the South African government will be compliant with TRIPS. A similar understanding was then reached between the pharmaceutical companies and the South African government. However, there are still concerns with intellectual property in pharmaceutical circles. Current discussions are centered on data exclusivity as a means to protect intellectual property.

Additional information on South African rules and registration procedures for patents, trademarks, and copyrights can be obtained from CIPC:  
([http://www.cipc.co.za/Enforcement\\_IP.aspx](http://www.cipc.co.za/Enforcement_IP.aspx)).

## IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at <http://www.StopFakes.gov>.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at <http://www.stopfakes.gov>.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: [http://www.abanet.org/intlaw/intlproj/iprprogram\\_consultation.html](http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html)

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: <http://www.StopFakes.gov>. This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers South Africa at: [Johannesburg.office.box@trade.gov](mailto:Johannesburg.office.box@trade.gov)

## Due Diligence

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Proper due diligence information should form the starting base for any business negotiation with South African concerns. U.S. companies should act prudently in completing due diligence reports prior to any proposed business deals.

The U.S. Commercial Service can provide valuable background information on South African firms through our International Company Profile (ICP) service. Further information can be obtained by visiting our website at <http://export.gov/southafrica/index.asp> or by contacting your local U.S. Export Assistance Center or the U.S. Commercial Service directly in Johannesburg (see contact numbers at the end of this guide).

## Local Professional Services

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For information on local business service providers for U.S. exporters to South Africa, please visit the U.S. Commercial Service South Africa website at <http://www.buyusa.gov/southafrica/en/> or contact the U.S. Commercial Service in Johannesburg (see contact numbers at the end of this guide).

U.S. companies seeking legal representation in South Africa should contact the Commercial Service office in South Africa for a list of local attorneys. For more specific information, please contact:

Law Society of the Northern Provinces  
Tel: +27 (0)12 338 5800; Fax: +27 (0)12 323 2606  
Website: <http://www.northernlaw.co.za/>

## Web Resources

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Association for Communication and Advertising	<a href="http://www.acasa.co.za/">http://www.acasa.co.za/</a>
Advertising Standards Authority of South Africa	<a href="http://www.asasa.org.za">http://www.asasa.org.za</a>
Department of Trade and Industry (DTI)	<a href="http://www.dti.gov.za/">http://www.dti.gov.za/</a>
Exhibition Association of Southern Africa	<a href="http://www.exsa.co.za">http://www.exsa.co.za</a>
Franchising Association of South Africa	<a href="http://www.fasa.co.za">http://www.fasa.co.za</a>
Law Society of the Northern Provinces	<a href="http://www.northernlaw.co.za/">http://www.northernlaw.co.za/</a>
National Association of Broadcasters	<a href="http://www.nab.org.za/">http://www.nab.org.za/</a>
Infixion Media (PTY) Ltd.	<a href="http://www.infixion.co.za">http://www.infixion.co.za</a>

Print Media Association  
South African National Consumer Union  
South African National Treasury  
South African Revenue Service

<http://www.printmedia.org.za/>  
<http://www.sancu.co.za>  
<http://www.treasury.gov.za/>  
<http://www.sars.gov.za/>

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## Chapter 4: Leading Sectors for U.S. Export and Investment

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- [Electrical Power Systems](#)
- [Information Technology \(IT\)](#)
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- [Automotive Aftermarket: Specialty Equipment](#)
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### Agricultural Sectors

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### Green Technologies

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South Africa relies heavily on coal as a primary energy source (87% in 2008 according to the International Energy Agency), accounting for 38% of CO<sub>2</sub> emissions from fuel combustion in Africa in 2008. Various long-term mitigation scenarios estimate emissions will quadruple between 2003 and 2050 in the absence of radical energy-choice changes.

With this and South Africa's energy shortages in mind the focus on a green economy has arisen. Currently there is a drive to drastically increase generation from renewable sources as well as focusing on energy saving measures. The SAG has a target of 20,000MW of renewable generation by 2030. Currently progress toward this goal has been sluggish with South Africa only generating around 1% power through renewable sources. At present negotiations toward The Green Economy Accord is underway between government and social partners.

In 2012, 72% of South Africa's total primary energy consumption came from coal, followed by oil (22%), natural gas (3%), nuclear (3%), and renewables (less than 1%, primarily from hydropower), according to BP Statistical Review of Energy 2013. South Africa's dependence on coal has led the country to become the leading carbon dioxide

emitter in Africa and the 14th largest in the world, according to the latest US Energy Information Agency estimates.

In 2014/15 two ultra large coal fired power stations of 4,800MW each are being connected to the grid.

Several incremental green technology measures are under implementation or expected in the near future, including:

- The government has delayed the implementation of a planned carbon tax to 2016 – previously it planned to charge R 120 on every metric ton of carbon emitted above a 60% threshold from 2014 and raise the rate by 10% a year for the following six years. The government has consistently approved way-above inflation electricity tariff increases since 2000. With the increased tariff regime, cost structures may become more attractive for nascent Independent Power Providers (IPPs with coal, coal & biomass, gas, and pump-storage power projects) who currently still only produce 1,500MW of a national total of 47,500 MW.
- Increasing the efficiencies of the Eskom-dominated power grid.
- A reduction of South Africa’s coal energy reliance, although the use of Clean Coal Technologies (CCT) may alleviate some pressure to reduce reliance on coal power generation.
- The use of commercial-scale CCS technologies in the future for both power generation and the Coal to Liquid (CTL) petro-chemical industry – at present a cornerstone of the South African petrochemical landscape.
- Medium term, the establishment of a nuclear power generation capacity, to supplement the aging facility at Koeberg in the Western Cape. Commissioned in 1984, Koeberg has a capacity of 1,940MW; the government is considering a new nuclear power generation build program of 9,600MW.
- The use of solar and wind power generation as a long-term green technology option, given the country’s abundant sunshine and long coastline. Long term, the development of a Smart Grid.

National Development Plan

Website: <http://www.gov.za/issues/national-development-plan/>

Industry sector developments in this field overlap with these headings, as treated elsewhere in this CCG:

- Pollution Control Equipment
- Electrical Power Systems
- Green Building Technology
- Standards (in Chapter 5)

## Electrical Power Systems

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## Overview

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Eskom, the government owned power utility, generates about 95% of electricity in South Africa. Approximately 88% of South Africa’s electricity is generated in coal fired power stations. Koeberg, a large nuclear station near Cape Town, provides about 6.5% of

capacity. A further 2.3% is provided by hydroelectric and pumped storage schemes. South Africa supplies two-thirds of Africa's electricity and remains a low-cost, subsidized electricity producer. South Africa's rapid economic growth in recent years has resulted in electricity demand rising faster than anticipated and in 2008 was forced to resort to load shedding. Although the 2009 slowdown took some of the pressure off, domestic demand is increasing. ESKOM is again facing supply constraints and the possibility that demand could once again outstrip supply.

Electricity supply constraints are expected to remain a feature of South Africa's economic landscape for several years to come, and the introduction of additional capacity will be required for at least the next 20 years.

The South African Government's National Development Plan (NDP), is the blue-print for infrastructure development to 2030. The NDP lays out a framework for future power generation and more specifically the generation-mix in South Africa. The plan lays out targets for generation at two key points namely 2020 and 2030.

### **Additional Generation Capacity**

Eskom will play a key role in achieving the objectives as set out in the NDP. The aim is to increase generation capacity as follows:

	Current	2030
Total Generation	44 000MW	73 000MW
Coal Powered	40 000MW	47 500MW
Nuclear and Renewable	4 000MW	25 500MW

A large portion of the planned generation is based in the renewables space. A key issue has been the move towards natural gas as a fuel source. Currently efforts are being made to develop West-Coast offshore gas and explore shale gas reserves. The aim is to have LNG infrastructure in place to power combined-cycle gas turbines by 2020. Looking further out to 2030, a mix of shale gas and imported LNG will be a growing part of the power generation mix.

### **Funding**

The National Energy Regulator of South Africa (NERSA) approved Eskom tariff increases of 24.8% in 2010; 25.8% in 2011 and 25.9% in 2012. However, NERSA denied Eskom's request for annual 16% increases in 2013-18, allowing an annual 8% increase instead, sparking doubt about the financial sustainability of ESKOM's business model and its new-build projects.

### **Best Prospects/Services**

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Products and services with immediate need or potential in South Africa include:

- Renewable Energy Independent Power Producers Programme (REIPP)
- Energy Efficiency and Demand Side Management (DSM) Technologies,
- Transmission and Distribution Equipment
- New Plant Equipment and Related Systems

- Process Automation and Systems Control Equipment

### **Renewable Energy Independent Power Producers Programme (REIPPP)**

The DoE initiated the REIPPP Programme in 2011 and some of the first projects awarded preferred bidder statuses have already reached commercial operations. The Programme aims to increase independent renewable power generation in South Africa the REIPPP targets the procurement of 3 725 MW of power to be generated from renewable energy by 2015.

The REIPPP consist of a total of 5 procurement windows, three of which have been completed already (June 2014). The mix has thus far been dominated by wind and photovoltaic generation with hydro playing a smaller role. In the context of the South African market the renewables sector is definitely one showing potential for growth and opportunity in the short to medium term.

### **Demand-focused Initiatives**

To relieve pressure on the generation system in the short-term, the government has also been trying to reduce demand. Demand side management is recognized in the IRP2010 document, which cites energy efficiency as an important contributing factor to the overall energy system in South Africa, and projects a savings level of 3,420 MW by 2030.

The National Energy Efficiency Agency (NEEA), under the rearranged South African National Energy Development Institute, will have the lead on energy efficiency projects.

### **Electricity Distribution**

In addition to the threat posed by inadequate generation capacity, the security of electricity supply in South Africa is threatened by the dilapidated state of the country's electricity distribution industry (EDI).

Eskom and South Africa's 187 municipal governments are responsible for electricity distribution in South Africa. Many of the municipalities are experiencing financial problems. The maintenance backlog in the sector is valued at approximately R38.6 billion, and is growing at a rate of about R3.377 billion a year.

### **Web Resources**

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#### **Engineering News**

Website: <http://www.engineeringnews.co.za>

#### **Department of Energy Renewables**

Website: <http://www.ipprenewables.co.za>

#### **Central Energy Fund**

Website: <http://www.cef.org.za>

#### **Department of Energy**

Website: <http://www.energy.gov.za>

## Eskom Holdings Limited

Website: <http://www.eskom.co.za>

## South African National Energy Association (SANEA)

Website: <http://www.sanea.org.za>

### For More Information

Contact the U.S. Commercial Service in Johannesburg South Africa via e-mail at: [Jean-Claude.Gelle@trade.gov](mailto:Jean-Claude.Gelle@trade.gov); Phone: +27-11- 290-3241; Fax: +27-11- 884-0253 or visit our website: <http://export.gov/southafrica/index.asp>

## Information Technology (IT)

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### Overview

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Unit: USD billions

	2012	2013 (estimated)	2014 (estimated)
Total Market Size	10.8	11.8	12.7
Hardware	4.7	5.3	5.7
Software	2.0	2.3	2.5
Services	4.0	4.2	4.5
Exchange Rate: 1 USD	8.22	9.65	

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: *Above figures are unofficial estimates obtained from industry sources.*

South Africa's information technology market is the largest in Africa, ranking 20th in the world in overall market size, and eighth in IT spending as a proportion of GDP. It shows technological leadership in the mobile software field as well as electronic banking services. As an increasingly important contributor to South Africa's gross domestic product (GDP), the country's ICT and electronics sector is both sophisticated and developing. Several international corporates operate subsidiaries from South Africa, including IBM, Unisys, Microsoft, Intel, Systems Application Protocol (SAP), Dell, Novell and Compaq. The electronics industry's revenue is growing. Key players in industrial, power, defense and telecoms electronics include Siemens, Alcatel, Ericsson, Altech, Grintek, Spescom, Tellumat and Marconi.

South Africa's ICT products and services industry is penetrating the fast-growing African market. South African companies and locally based subsidiaries of international companies have supplied most of the new fixed and wireless telecoms networks established across the continent in recent years.

The South African Government continues to be the largest player when it comes to IT spending. Private consumption will rise, but the strong growth of smartphones is likely to offset PC and laptop usage.

### **Sub-Sector Best Prospects**

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The major worldwide trend of moving toward cloud based systems is one that is gaining momentum in South Africa. The strong entrepreneurial drive within the local IT sector is creating larger demand for cloud based services.

### **Software**

Cloud-based software products are expected to drive growth. This sub-sector is still hampered by piracy and it is estimated by the Business Software Alliance (BSA) that around 35% of installed software in SA is illegal. The need for security products is growing with company spends increasing to about 8% of the total IT budget. Increases in web traffic, as seen since 2013, will drive investment in security products. The higher end of South Africa's software market has matured and companies are price sensitive and cautious about investing in new technologies.

### **Opportunities**

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- There may be opportunities with organizations looking for help in utilizing efficiencies from cloud computing such as SaaS and Infrastructure-as-a-Service. Cloud computing is becoming more important due to improved bandwidth availability and cost, as well as additional internet providers competing in the market. According to Business Monitor International, areas of opportunity for cloud computing include banking and retailing. Cloud computing growth has also resulted in increased investments in data centers and related infrastructure.
- Potential opportunities may lie in the mining sector which has seen an increased use of ERP applications.

### **Web Resources**

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The Department of Communications South Africa  
Website: <http://www.doc.gov.za/>

The State Information Technology Agency  
Website: <http://www.sita.co.za/>

Computer Society South Africa  
Website: <http://www.cssa.org.za/>

Internet Service Providers Association (ISPA)  
Website: <http://www.ispa.org.za>

The Electronic Industries Federation (EIF)  
Website: <http://www.eif.org.za>

Information Technology Association (ITA)  
Website: <http://www.ita.org.za>

The South African Communications Forum (SACF)  
Website: <http://www.sacomforum.org.za/>

### For More Information

The U.S. Commercial Service, Johannesburg, South Africa can be contacted via email: [Jean-Claude.Gelle@trade.gov](mailto:Jean-Claude.Gelle@trade.gov); Phone: +27 (0)11 290 3241; Fax: +27 (0)11 884 0538 or visit our website: <http://export.gov/southafrica/index.asp>

### Telecommunications

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### Overview

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### Telecom Operators

National Fixed Line Network Operator	Telkom SAlimited
Second Network Operator (SNO)	Neotel
Private Network operator 1	Eskom Enterprises
Private Network Operator 2	Transtel
Mobile Operator 1	Vodacom
Mobile Operator 2	MTN
Mobile Operator 3	Cell C
Mobile operator 4	8ta (Telkom)
ISP 1 (tier 1)	MTN Business
ISP 2 (tier 1)	Internet Solutions
ISP 3 (tier 1)	SAIX
ISP 4 (tier 1)	MTN Network Solutions
ISP 5 (tier 1)	Datapro

Data Sources: Business Monitor International

The South Africa telecommunications sector has the continent's most advanced telecom market in terms of technologies deployed and services provided, with a 99.9% digital network. Telecommunications is one of the fastest growing sectors in South Africa's economy, driven by considerable growth in mobile telephony and broadband connectivity. The independent Communications Authority of South Africa (ICASA) is the telecommunications and broadcasting regulator.

With the appointment of the new cabinet in May 2014, President Zuma created a new Department of Telecommunications and Postal Services. This new department will be tasked with developing spectrum policy and establishing an ICT forum among its other activities. The Department of Communications has subsequently been changed to include more functions. These include communications policy and strategy, information dissemination and publicity and South Africa's international branding. The national telecommunications watchdog the Independent Communications Authority of South Africa (ICASA) will fall under the Department of Communications rather than the newly created Department of Telecommunications. Following are some market highlights of the

telecommunications industry:

- Fixed line continues to be dominated by Telkom, a Johannesburg Stock Exchange (JSE) listed company, but its majority shareholder is the Department of Communications;
- The Second Operator Network (SNO), Neotel, was launched in 2007 offering wholesale, corporate, and residential services. Its majority shareholder is India's Tata Communications. Neotel offers data and voice services to approximately 9-million customers;
- There are four licensed mobile operators: Vodacom (majority owned by UK's Vodafone), MTN, Cell-C (75% owned by Saudi Orger) and Telkom Mobile
- Mobile phone usage has increased from 17% in 2000 to 76% in 2010
- MTN has approximately 100-million subscribers in about 20 countries in Africa, Asia, and the Middle East;
- Smartphone usage has increased considerably, with more South Africans using the internet. There are approximately 10-million users in South Africa;
- The 2010 Interception of Communications Act (RICA) requires all users of cellular phones (SIM cards) to be registered;
- The Seacom submarine fiber-optic system, commissioned in 2009, links south and east Africa to global networks via India and Europe;
- The East Africa Submarine Cable System (EASSy), began service in 2010, and links countries along Africa's eastern coast to the rest of the world;
- The West Africa Cable System (WACS) is Africa's largest capacity submarine fiber optic cable linking South Africa with the United Kingdom along the west coast of Africa. WACS raised South Africa's broadband capacity by more than 500 Gigabits (Gbps) per second;
- Other cables in progress include Africa Coast to Europe cable (between France and South Africa), and the South Atlantic Express Cable (between South Africa and Angola and Brazil);
- The South African government (SAG) via the Department of Communications, plans to implement a national broadband network to ensure universal access by 2020;
- To this end, state owned, Broadband Infranco was created to sell high capacity long distance transmission services to telecoms operators, internet service providers, and other Value Added Network Systems (Vans). Infranco's main objective is to improve access and bring down consumer broadband prices.

## Sub-Sector Best Prospects

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- National and city wide fibre optic cable networks
- Wireless Broadband Services
- Advanced Cellular Services
- Telecommunications skills development programs

## Opportunities

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- Market demand for lower cost high-speed data services
- Convergence of bundled uncapped broadband

Exhibitions & Conferences

- Satcom 2015  
<http://www.terrapinn.com/exhibition/satcomafrika/index.stm>
- Africom 2014  
<http://africa.comworldseries.com/>

## Web Resources

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Department of Communications (DoC)

<http://www.doc.gov.za>

Independent Communications Authority of South Africa (ICASA)

<http://www.icasa.org.za>

Telkom

<http://www.telkom.co.za>

Neotel

<http://www.neotel.co.za>

Vodacom

<http://www.vodacom.co.za>

MTN

<http://www.mtn.co.za>

Cell C

<http://www.cellc.co.za>

SEACOM

<http://www.seacom.mu/>

EASSy

<http://www.eassy.org/>

## Mining Equipment

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### Overview

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Unit: USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	228,000	205,000	211,000	190,000
Total Local Production	71,000	77,000	72,000	65,000
Total Exports	17,000	18,000	18,000	20,000
Total Imports	174,000	165,000	170,000	150,000
Imports from the U.S.	52,000	46,000	46,000	45,000
Exchange Rate: 1 USD	8.22	9.65		

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: *Above figures are unofficial estimates obtained from industry sources.*

Note: *Figures include exploration and extraction equipment, but exclude beneficiation and bulk transportation equipment.*

The challenges in the mining industry, such as high input costs, electricity supply constraints, environmental, health and safety regulations, a fluctuating exchange rate and logistic inefficiencies were compounded in 2012 and 2013 by labor violence in the platinum sector that had a significant impact on employment, growth, business confidence and credit ratings. During the course of 2013 the situation was aggravated by populist rhetoric, and the mining sector is now beset by investor reticence. The labor-intensive Platinum Metal Group (PMG) and gold mining sectors have yet to address deep-seated structural challenges that will have profound implications for South Africa's political economy.

## Sub-Sector Best Prospects

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The South African mining industry is well-developed and sophisticated. Many local equipment and service providers as well as organized events exist to facilitate the distribution of goods or services into the African continent. With robust growth in Africa's mining sector, South Africa remains an important stepping stone to develop that area.

U.S. goods and services in the following fields are well represented in South Africa (although Europe is the largest source region of foreign mining equipment):

- Software;
- Furnaces;
- Drill rigs;

- Automated controls;
- Mining processing;
- GIS mapping;
- Communications systems; and
- Materials extraction and handling technology.

## Opportunities

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Mining and related projects have traditionally been responsible for significant infrastructure development. For example, 2,200 miles of railway line, three new ports and a large amount of bulk handling infrastructure at other ports are high on the agenda for both the South African Government and mining consortia. Increasing the efficiency of material handling systems is high on the agenda of exporters of ores and minerals. The power generation constraints in South Africa have been an added stimulus to the coal mining industry to upgrade the supply chain.

Significant recent infrastructure investments include:

- Saldanha Bay iron and steel ore bulk export hub;
- Coega Port infrastructure development ,focused on the creation of a dedicated rail line for the export of manganese from the Northern Cape and the creation of a chlorine plant, and
- Further enhanced bulk material handling systems for coal at the port of Richards Bay.

## Resources

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### Exhibitions and Conferences

#### Electra Mining Africa

Mining, Industrial & Construction

#### Transport Expo

Transport for the mining industry

Date: 15 – 19 September 2014  
 Venue: MTN Expo Centre,  
 Nasrec, Johannesburg  
 Website: <http://www.electramining.co.za>

## Web Resources

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GeoAfrica

Website: <http://www.geoafrica.co.za>

Mining Weekly Publication

Website: <http://www.miningweekly.co.za>

South African Chamber of Mines  
Website: <http://www.bullion.org.za>

Council for Geoscience  
Website: <http://www.geoscience.org.za>

Mintek  
Website: <http://www.mintek.co.za>

**For More Information**

Contact the U.S. Commercial Service in Johannesburg, South Africa via e-mail at: [Johan.vanRensburg@trade.gov](mailto:Johan.vanRensburg@trade.gov); Phone: +27-11- 290-3208; Fax: +27-11- 884-0253 or visit our website: <http://export.gov/southafrica/index.asp>

**Pollution Control Equipment**

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**Overview**

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Unit: USD thousands

	2012	2013	2014 (estimated)	2015(estim ated)
Total Market Size	38,600	41,090	44,377	49,500
Total Local Production	7,000	7,300	7,600	7,900
Total Exports	1,700	1,710	1,720	1,740
Total Imports	33,300	35,500	38,500	42,000
Imports from the U.S.	5,200	5,300	5,400	5,600
Exchange Rate: 1 USD	8.22	9.65		

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: Above figures are unofficial estimates obtained from industry sources.

Note: Figures exclude water desalination and petroleum refinery equipment.

The Government of South Africa through the Department of Environmental Affairs (DEA) has set up the Green Fund to support the transition to a low carbon, resource efficient and climate resilient development path, and has allocated R800m for disbursement. The DEA has appointed the Development Bank of Southern Africa (DBSA) as the implementing agent of the Green Fund.

Promulgated in the South African Government Gazette, South Africa's air-quality regulations are additions to the National Environmental Management: Air Quality Act (Nemaqa). The Act is aimed at imposing a carbon emissions tax and also enforcing gas-emissions limitations that are on par with global standards.

As is the case globally, pressure on industry from governmental institutions and civil society to reduce air pollution and its carbon footprint is steadily increasing. As a result, companies are either introducing new or upgrading their air-pollution-control technologies.

The National Treasury published the 'Carbon Offsets Paper' for public comment, outlining proposals for a carbon offset scheme that would enable businesses to lower their carbon tax liability and make investments that would reduce greenhouse-gas (GHG) emissions.

The carbon offsets scheme was meant to complement the carbon tax that South Africa planned to introduce from 2016 onwards and formed part of the measures the country planned to implement to address climate change.

## **Sub-Sector Best Prospects**

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South African businesses are under increasing pressure to regard sustainability as a business imperative - prompted by a mix of fiscal interventions, tighter pollution laws and inspections, higher energy prices, a new corporate governance code and a global focus on climate change.

Three major issues dominate the South African Government's environmental efforts:

- The implementation of the stricter South African Air Quality Act;
- Regulation of the use of leaded gasoline, low sulfur diesel oil, and
- Enforcement of regulations on management of hazardous waste materials (particularly asbestos).

Other matters that are enjoying closer scrutiny are:

- Sustainable water usage, including grey water recycling, and
- Industrial water effluent, especially Acid Mine Water Drainage (AMD).
- Waste water treatment plants and basic sanitation.

Industry sectors under pressure to improve their environmental record include iron and steel, cement, pulp and paper, and oil refining. Municipalities will have responsibility for monitoring ambient air quality and source emissions, while emissions producers will have to apply for new permits.

Hazardous waste management is also a growth sector (including asbestos products and by-products). In 2012 the Integrated Industry Waste Tyre Management Plan (IIWTMP) of the Recycling and Economic Development Initiative of South Africa (Redisa) was approved and implemented.

Clean water supply is also a major concern. Significant pressure on water resources has meant more attention to water management systems, including by municipalities. At the same time, industrial water users are looking at the sustainable management of water.

With the National Water Act of 1998 still under review, municipalities are exerting more pressure on industry to conform to the effluent discharge standards, which can often present compliance challenges.

The Act, which aims to ensure that the country's water sources are developed, used, conserved and managed in a sustainable manner, is under review to improve on various regulations, including wastewater treatment requirements, as stated by the Department of Water Affairs in its strategic plan for the fiscal years 2013 to 2018.

## **Best Products/Services**

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The key sub-sectors offering the most opportunities for U.S. companies are:

- Water Treatment technologies and services,
- Air Pollution Control and Monitoring,
- Hazardous Material Containment and Management,
- Solid Waste Management Technology, and
- Sustainability Management, Auditing and Carbon-Trading Expertise

## **Opportunities**

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### ***Water Management***

Acid mine drainage (AMD) is possibly the most pressing industrial remedial water management issue facing South Africa. AMD is a major environmental problem, and is associated with surface and groundwater pollution, and is responsible for degradation of soil quality and aquatic habitats.

The biggest issue facing big urban centers is the underground loss of bulk water due to failing infrastructure (25% of all water supplied). In most cases, the reported drop in quality of potable water is due to lack of technical capacity of the local water authorities to manage water purification systems. Water sanitation is another opportunity for U.S. water consulting firms to collaborate with local municipalities to address sanitation projects.

South Africa is considering coastal city desalination programs as an immediate technology option to address rapidly increasing water demands. The guiding policy document is the Department of Water Affairs and Forestry's 2009 Framework on Water for Growth and Development. This document tasks major coastal cities to urgently look into this technology. Government has set a target of producing 7-10% of all water from desalination by 2030.

### ***Air Pollution Control and Monitoring***

The Air Quality Act mandates large South African industrial groups to implement emission management and monitoring equipment. There is an opportunity for extensive implementation of emission filters and cleaner production technology to assist the large air-polluting industries in South Africa to reach mandatory emissions targets. There is demand for monitoring technology to measure emission levels in different industrial zones.

### ***Hazardous Waste Management***

Opportunities for U.S. companies exist in treatment of hazardous waste sites, containing chemical and hydrocarbon spills, and cleaning and rehabilitating of asbestos and gold mine dumping sites. New waste legislations is in draft that will make assessment, management and remediation of contaminated land important. The South African Government is also looking at a road freight management system to monitor hazardous material shipments and end-use compliance.

## **Solid Waste Management**

The implementation of so-called integrated waste management plans and policies by municipalities will create opportunities for U.S. suppliers. In the short- and medium-term, opportunities exist in the provision of residential solid waste technologies and rehabilitation equipment to assist local municipalities.

### **Resources**

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#### **Key Contacts**

Department of Environmental Affairs and Tourism

Website: <http://www.environment.gov.za>

Recycling Economic Development Initiative of South Africa

Website: <http://www.redisa.org.za>

Department of Water Affairs and Forestry

Website: <http://www.dwaf.gov.za>

Water Research Commission

Website: <http://www.wrc.org.za>

Water Institute of Southern Africa

Website: <http://www.wisa.org.za>

Rand Water - South Africa

Website: <http://www.randwater.co.za>

#### **For More Information**

The U.S. Commercial Service Commercial Specialist for the Pollution Control Equipment Sector in Johannesburg, South Africa can be contacted via e-mail at: [Mohammed.Essay@trade.gov](mailto:Mohammed.Essay@trade.gov); Phone: +27-11-290-3025; Fax: +27-11-884-0253 or visit our website: <http://export.gov/southafrica/index.asp>

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### **Aerospace**

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### **Overview**

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Unit: USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	422,000	425,000	430,000	430,000
Total Local Production	38,000	41,000	43,000	43,000
Total Exports	51,000	52,000	52,000	55,000
Total Imports	435,000	450,000	450,000	450,000

	0			
Imports from the U.S.	220,000	230,000	220,000	220,000
	0			
Exchange Rate: 1 USD	8.22	9.65		

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Note: Above figures exclude the value of the unannounced replacement program of SAA and expected defense procurements.

Date Source: Above figures are unofficial estimates obtained from industry sources.

- The growth of commercial and general aviation in Southern Africa is slowing down. High operating costs and a sluggish economy are taking their toll on discount airliners and general aviation. The biggest growth can be expected in other sub-Saharan African states as these ramp-up up their capacity to meet consistent growth in passenger travel and air freight.
- The single most important aviation procurement for 2014 is an expected upgrade of the national carrier South African Airways (SAA) fleet amounting to as many as 32 new aircraft.

### Sub-Sector Best Prospects

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The best prospects for U.S. suppliers are:

- Ground Support Equipment;
- Passenger Transport Vehicles;
- Cargo De-Grouping and Logistics;
- Air Traffic Control,
- Instrument Landing Systems and
- Aircraft technician training systems

### Opportunities

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Due to a shortage of skilled technicians and a low throughput from training institutions there are definite opportunities in training systems to upgrade the skills pool.

There is also demand for commercial and general aviation solutions from the United States in the following fields:

- Engine Management Systems;
- Precision Tooling;
- Maintenance, Repair and Overhaul (MRO) Certification; and
- Flight Training Systems

### Exhibitions

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Africa Aerospace and Defense (AAD) 2014  
Land, Sea and Air Systems Show

Date: September 17-21, 2014  
AFB Waterkloof  
Pretoria  
Website: <http://www.aadexpo.co.za>

## Web Resources

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Airports Company South Africa (ACSA)  
Website: <http://www.airports.co.za>

Air Traffic and Navigation Services (ATNS)  
Website: <http://www.atns.co.za>

Commercial Aviation Association of Southern Africa (CAASA)  
Website: <http://www.caasa.co.za>

Civil Aviation Authority of South Africa (CAA)  
Website: <http://www.caa.co.za>

## For More Information

The U.S. Commercial Service in Johannesburg, South Africa can be contacted via e-mail at: [Johan.vanRensburg@trade.gov](mailto:Johan.vanRensburg@trade.gov); Phone: +27-11- 290-3208; Fax: +27-11- 884-0253 or visit our website: <http://export.gov/southafrica/index.asp>

## Green Building Technologies

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### Overview

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South Africa presents potentially lucrative opportunities for U.S. firms involved in Green Building Technologies (GBT). By developed-economy standards, South Africa lags far behind in its adoption of green building practices. However, the notion of green building has gathered momentum with an array of projects in the pipeline. This, in turn, is making green building an increasingly feasible option with regards to longevity, efficiency, and the reduction of operation costs in the long run.

The South African Government, together with the private sector, recognizes the need for energy-efficient building systems and practices. To achieve a green and sustainable building culture, South Africa requires extensive international, financial and technical support. Green building technologies and practices from developed countries, such as the United States, are sought after.

## Market Developments

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The South African Government's progressive green policy is exemplified in South Africa's involvement with the World Green Building Council (WGBC), where it used the expertise and guidance of other nations in establishing the Green Building Council of South Africa (GBCSA) in November 2008. The GBCSA is the entity that is currently leading the green revolution in South Africa. Current market trends indicate great potential in this growing market and a growing desire and ability to offer more environment-friendly products.

South Africa does not have affordable and easy access to new, alternative technologies, while the historic lack of legislation to enforce green building design means that measures such as the Green Star SA rating, operated by the Green Buildings Council of South Africa (GBCSA), are voluntary. Furthermore, the green building industry is fairly new in South Africa. This means that the availability of green building resources, such as skilled professionals and manufacturers of green products and services, is limited. Despite these constraints, as a consequence of increased consumer and market awareness, the green building market in South Africa, in line with international trends, is responding with a diverse range of green building materials and products.

GBCSA launched the Green Star South Africa rating tool for office developments, which is freely available on the council's website at <http://www.gbcsa.org.za>. It provides the benchmark against which sustainable building practices can be measured. This rating tool draws from the UK and U.S. systems, as well as Australian and New Zealand systems owing to their similar climates, and aims to provide objective measurements for green buildings. Rating tools have been instrumental in increasing the mainstream take-up of green building practices in markets worldwide; South Africa is following this trend.

## Market Data

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The GBCSA develops rating tools according to market demand, and has reported the interest in green building and sustainability has not slowed, despite the economic downturn. Although no formal statistics are currently recorded for green building products in South Africa, the building and construction materials market is estimated at about R 114.6 billion per annum, with 60% sold direct to end-users and 40% via the distribution/merchant network. Of this R 114.6 billion total, R20.5 billion (18%) worth of materials are used in the additions, alterations and home improvement market (including unrecorded home improvement).

South Africa's State-owned Industrial Development Corporation (IDC) plans to inject R16.2 billion into 'green' industries over the next five years as part of a larger R135.1 billion disbursement plan by 2015. The IDC indicated that the "green economy" has emerged as a primary focus for the development finance institution (DFI), owing to its potential to create jobs and lower the carbon intensity of the South African economy.

As increasing environmental pressures take hold in South Africa, the country's major construction companies showed that they were starting to focus on pursuing green practices and projects, particularly in renewable energy projects where opportunities were emerging. A view has developed that climate change opportunities exceed risks, and the companies seek to develop capabilities around greener practices and technologies on a wide scale across its business units.

## Sub-Sector Best Prospects

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Green Technologies in the following categories offer opportunities for U.S. companies:

- Natural Heating and Cooling; Natural Lighting (design of buildings to make optimal use of day-lighting) and Energy-Saving Lighting technologies.

- Energy Generation: photovoltaics, wind turbines, solar hot water heaters, flat panel collectors, evacuated tubes.
- Heating, Ventilation and Cooling, Greenwalls, Glazing and Windows, Solar Shading, Greenroofs/Cool Roofs, Permeable Paving, Water-Efficient technologies, Structural Insulated Panels and Formaldehyde-free board.

## Opportunities

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South African built-environment professionals are beginning to take seriously the ambition to lessen the carbon footprint associated with buildings and residences, especially by using design and technological innovation to decrease energy consumption and limit waste. However, local suppliers and manufacturers are reluctant to tie funds up with expensive green stock and resources amidst the decline in the general construction industry.

These circumstances leave only a small niche of green manufactures in South Africa, resulting in many complex green building products being outsourced abroad (mainly from Australia and the EU). In the long run, South Africa is expected to have adequate resources to supply many green building materials, if they partner with relevant international companies to source technological expertise and obtain distributor and/or licensing agreements with these foreign entities. This is certainly an opportunity for U.S. companies to explore.

GBCSA may well face a challenge in overcoming industry reluctance to understand and accept its role in green certifications. Another shortcoming will also be whether the design and material solutions are readily available as the GBCSA provides merely a rating tool and certification of buildings, but does not provide direct design advice.

As a first step, U.S. Companies seeking South African representation should contact the U.S. Commercial Service South Africa (<http://www.export.gov/southafrica>)

## Exhibitions

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### Trade Events in South Africa

#### **Green Building Council Convention & Exhibition 2014**

Date: September 10-12, 2014

Venue: Cape Town International Convention Center

Website: <https://www.gbcsa.org.za>

#### **Interbuild Africa**

Date: August 20-23, 2014

Expo Center, NASREC, Johannesburg

<http://www.interbuild.co.za/>

## Web Resources

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Green Building Council of South Africa

Website: <http://www.gbcsa.org.za>

### For More Information

The U.S. Commercial Service, South Africa can be contacted via e-mail at: [Jaisvir.Sewpaul@trade.gov](mailto:Jaisvir.Sewpaul@trade.gov); Phone: +27 21 702 7379; Fax: +27 21 702 7402 or visit our website <http://www.export.gov/southafrica>

### Automotive Aftermarket:

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### Overview

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Unit: USD Billion

	2012	2013	2014 (Projected)
Total Market Size	18.30	20.25	22.80
Total Local Production	11.37	12.57	13.23
Total Exports	6.98	7.68	8.08
Total Imports	13.91	15.36	16.20
Imports from the U.S.	0.98	1.12	1.18
Exchange Rate: 1 USD	8.22	9.65	

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)  
Data Sources: NAAMSA

**Note: Above figures are estimates obtained from the National Association of Automobile Manufacturers of South Africa (NAAMSA) and represent the South African Automotive Industry as follows:**

- Total Market Size represents new and used vehicle sales, workshop revenue, spares, accessories and other trading revenue
- Total exports represents the total value of both components and vehicles
- Total imports represents the total value of imports of both components and new vehicles
- Imports from the U.S. also reflects the value of components and new vehicles

The interests of American automotive corporations are well represented in South Africa. Ford Motor Company and General Motors are long established, leading automotive producing corporations in South Africa. Moreover, most of the top American automotive parts suppliers are represented in South Africa, including Johnson Controls, Lear, TRW Automotive, Tenneco, Federal Mogul, Delphi, Visteon, and ArvinMeritor, amongst

others. All of these companies have built strong business links between their South African operations and other international stakeholders, including the United States of America. These established business links enhance the potential for mutually beneficial trade between the United States of America and South Africa.

The automotive industry, regarded as the leading manufacturing sector in South Africa, contributed (in total) 7,0% to the country's GDP in 2012. South Africa was ranked 25th in respect of global vehicle production with a market share of 0,64% in 2012. Significant investment programs driven by export plans have been implemented by all the Original Equipment Manufacturers (OEMs) since the commencement of the Motor Industry Development Program (MIDP) in 1995. Capital expenditure by the OEMs from 1995 to 2012 amounted to R42.65 billion. Under the MIDP 2,411,277 left and right hand drive vehicles have been exported to global markets. Major OEMs include General Motors; Ford; Mazda; BMW; Mercedes; Nissan; Renault; Volkswagen and Toyota. The Automotive Production and Development Program (APDP) implemented in 2013 has replaced the (MIDP).

OEMs and official dealers and repair specialists work closely together to provide maintenance and repair services. They also cooperate to ensure warranty service, driver safety, environmental protection, spare parts availability and information about technical improvements. South Africa had a vehicle parc (number of registered vehicles) of 10.61 million at the end of December, 2012, of which 6.11 million or 57,6% comprised passenger cars. The broader South African automotive industry incorporates the manufacture, distribution, servicing and maintenance of motor vehicles and components. In terms of the trade which supports this industry, there are approximately 4,600 garages and fuel stations (with the majority having service workshops as well) plus a further 1 898 specialist repairers; 1,374 new car dealerships holding specific franchises; an estimated 1,696 used vehicle outlets; about 292 vehicle component manufacturers, together with about 150 others supplying the industry on a non-exclusive basis; 1 508 specialist tire dealers and retreaders; 483 engine re-conditioners; 167 vehicle body builders; 2,907 parts dealers and around 220 farm vehicle and equipment suppliers.

## **Market Trends**

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The nature of the South African vehicle parc had changed under the MIDP. The benefit for South Africa has been a reduction in retail prices in real terms, as well as a much larger variety of choice. Being part of the global market, South Africa is fully utilizing its access to new models in the domestic market. According to Response Group Trendline Smart/NAAMSA, 19 passenger car brands with choices between 356 model derivatives and 12 LCV brands with choices between 173 model derivatives were available in South Africa in 1995 in the domestic market. This compared to the 52 brands and 2 159 passenger car model derivatives and 29 LCV brands and 519 model derivatives in 2012, the biggest ratio compared to its market size in the world. In-roads into the domestic market by imports, initially by the Koreans, have latterly been followed by the Indians.

With respect to Africa's regional integration agenda, South Africa remains important for the development of the region. Since South Africa is a catalyst for the future growth and development in sub-Saharan Africa, any reduction in trade in automotive products could have negative implications for growth and development in the Southern African region. Increased trade between South Africa and the U.S., in the longer term, will create improved opportunities and demand for U.S. technical expertise, credit and markets and

will also focus on incremental trade and investment opportunities between the two countries.

### **Sub-Sector Best Prospects- Specialty Equipment**

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There has been a rapid growth in demand for automotive aftermarket specialty equipment and accessories in South Africa. This market size is estimated to be between R19.3 – R24.13 billion. In the last nine years accessorizing and improving performance of vehicles has transformed from a hobby to a fully-fledged culture of fierce competition. In the race to individualize and distinguish their vehicles from others, enthusiasts constantly seek innovative, authentic specialty components and accessories with little regard to price. In this lucrative segment, South Africans are highly receptive to U.S. brands and often follow trends set in the U.S.

The following performance products are sought after by dragsters in “the race to be the best”: intercoolers; ball bearing turbos; octane boosters; gauges; racing bolts; performance water injection systems, high flow injectors; racing clutches; metal head-gaskets; racing tires, nitro fed boosters, racing pistons; calipers and racing disk kits; high pressure fuel kits; gas flow cylinder heads, dynamometers.

A constant need to distinguish and individualize vehicles creates opportunities for U.S. suppliers of automotive interior and exterior accessory products such as body styling kits; racing seats; alloy wheels; lowering-suspension kits; graphics; steering wheels; gear and hand-brake pouches; boot spoilers and wings; aluminum pedals; xenon light kits.

### **Opportunities**

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South African specialty equipment and accessory wholesalers and retailers constantly seek to expand their product range and welcome opportunities to establish distributor/agent agreements with U.S. firms. A majority of the performance products are imported directly from the U.S. United Kingdom, Italy and Germany. However, these imports may not necessarily be purchased from the manufacturer and without any exclusivity and/or distributor agreements. This scenario leads to “rogue distributors” and fierce competition amongst wholesalers and smaller retail-customizing and performance shops. South African companies are interested in acquiring U.S. distributorships, however, U.S. companies seldom reply to their inquiries or the U.S. company’s minimum requirement to ship is too large for the South African importer. This leaves the South African importers without much choice but to engage U.S. agents who consolidate and ship U.S. specialty products that are purchased from “third parties”, to them.

South African aftermarket importers and wholesalers often attend international exhibitions such as SEMA, AAPEX, Performance Racing Industry and Automechanika to meet and partner with foreign companies not represented locally.

### **Exhibitions**

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#### **Automechanika Johannesburg**

<http://www.automechanikasa.co.za/about.html>

May 6-9, 2015

• Johannesburg

•

South Africa

South Africa's Leading International Trade Fair for the Automotive Industry targeting Trade Visitors from the Sub-Saharan Region. Automechanika Johannesburg a unique spectrum of products from the fields of automotive parts, car wash, workshop and filling-station equipment, IT products and services, accessories and tuning.

\*\*\* U.S. Commercial South Africa will host a U.S. Pavilion at this show and encourages U.S. automotive companies to attend

South African Automotive Week (SAAW)

Date: October 13-17, 2014

Johannesburg, Gallagher Estate

<http://www.saaw.co.za/>

### **Johannesburg International Motor Show (JIMS)**

<http://www.jhbmotorshow.co.za/>

October 14-25, 2015, Johannesburg, South Africa

The biennial Johannesburg International Motor Show is a comprehensive automotive exhibition and automotive lifestyle event. The exhibition runs in conjunction with two additional shows the Johannesburg Truck and Bus Show and Auto Shop which collectively offer a complete representation of the motor industry, serving Sub Saharan Africa and South Africa as host country.

### **Web Resources**

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National Association of Automobile Manufacturers of South Africa

Website: <http://www.naamsa.co.za>

National Association of Automotive Component and Allied Manufacturers (South Africa)

Website: <http://www.naacam.co.za>

The Department of Trade and Industry South Africa

<http://www.thedti.gov.za>

### **For More Information**

The U.S. Commercial Service, South Africa can be contacted via e-mail at:

[Jaisvir.Sewpaul@trade.gov](mailto:Jaisvir.Sewpaul@trade.gov); Phone: +27 21 702 7379; Fax: +27 21 702 7402 or visit our website <http://www.export.gov/southafrica>

### **Transportation Infrastructure**

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### **Overview**

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Unit: USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	600,000	800,000	870,000	950,000
Total Local	58,000	61,000	61,000	90,000

Production				
Total Exports	51,000	52,000	52,000	52,000
Total Imports	735,000	850,000	950,000	1,100,000
Imports from the U.S.	320,000	430,000	430,000	430,000
Exchange Rate: 1 USD	8.22	9.65		

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Note: Above figures exclude the value of the independent Richards Bay coal terminal consortium upgrades and multi-year diesel and electric locomotives roll-out confirmed in 2010/ 1 and in 2014. Above figures also exclude highway investments.

Date Source: Above figures are unofficial estimates obtained from press and industry sources.

Rail (freight and passenger) and port capacity shortages are a severe constraint in domestic and regional trade. Although the SAG has announced plans to spend R 900 billion over the next 15 years on transportation infrastructure, project implementation has been very slow, leading some contractors to look for business elsewhere in the continent.

## Opportunities

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In March 2012, the Passenger Rail Agency of South Africa (Prasa) of the SA Department of Transport (SADOT) announced an R123-136 billion “rolling stock fleet-renewal program” for rail. Of this, R13.5 billion will be invested in signaling, new depots, modern stations and integrated ticketing. Another R11 billion will be spent on new locomotives. The 20-year procurement process will be split into two, with the first ten-year contract running from 2015 and the second from 2025. The first train is to be delivered in 2015, but with the SA Treasury reviewing the R 52 billion component, and weakening Rand, the final procurement may be for fewer Bombardier Brazil-built tractive and carriage units.

The State Owned Enterprises (SOE), Transnet Freight Rail (TFR) and others are considering and close to finalizing logistic (mostly rail, but also ports) projects such as upgrading the Sishen-Saldanha Bay ore line, the Richard Bay coal line and other new coal line networks in the north-west. Transnet’s rail and port projects are reportedly set to cost around R300 billion over 7 years and include augmenting the tractive and bulk car fleet, signaling, maintenance, advanced train management systems and network expansion / concession models.

The government-owned Transnet Port Terminals (TPT), which operates South Africa's ports, is to invest R33 billion over the next six years for the expansion and improvement of its bulk and container terminals. Significant capacity-creating projects include the expansion of the Durban Container Terminal’s (DCT’s) Pier 1 that would increase its capacity from 700 000 twenty-foot equivalent units (TEUs) to 820 000 TEUs by 2013 and 1.2-million TEUs by 2016/17.

Other expansion projects include the Ngqura Container Terminal, Durban Ro-Ro and Maydon Wharf terminal, the iron-ore bulk terminal at the Port of Saldanha and the ageing Richards Bay Terminal where R3.7 billion is set aside for mobile and quayside equipment, as well as weighbridges. Safety-critical, environmental and legal compliance projects are also planned.

## **Best Prospects/Services**

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Transportation equipment and infrastructure:

- New and refurbished locomotives for African railroad operators
- New bulk car and other dedicated rolling fleets
- Smart Signaling and operations' automation
- Business model analysis
- Automatic fare collection systems
- Rolling stock depot design
- Strategic route design and network planning
- Port mobile, weighbridges and quayside systems
- Upgrading of existing port equipment

## **Resources**

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Transnet

<http://www.transnet.co.za>

Rail-Road Association

<http://www.rra.co.za>

Richard Bay Coal Terminal Consortium

<http://www.rbct.co.za>

Transnet Ports Authority

<http://www.transnetnationalportsauthority.net/>

Passenger Rail Agency of South Africa

<http://www.prasa.com/contactdetails.aspx>

## **Conferences and Exhibitions**

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Africa Rail 2014 (includes Ports and Cargo)

July 1 – 2, 2014

Sandton Convention Center, Johannesburg

[http://www.terrapinn.com/exhibition/africarail/?pk\\_campaign=Terr-Listing&pk\\_kwd=Transport+%26+Logistics+in+Africa](http://www.terrapinn.com/exhibition/africarail/?pk_campaign=Terr-Listing&pk_kwd=Transport+%26+Logistics+in+Africa)

## **For More Information**

The U.S. Commercial Service in Johannesburg, South Africa can be contacted via e-mail at: [Johan.vanRensburg@trade.gov](mailto:Johan.vanRensburg@trade.gov)

Phone: +27-11- 290-3208; Fax: +27-11- 884-0253 or visit our website:  
<http://export.gov/southafrica/index.asp>

## Agricultural Equipment

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### Overview

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Unit: USD millions

	2012	2013	2014 (estimated)	2015(estimat ed)
Total Market Size	919	920	925	1000
Total Local Production	50	51	53	56
Total Exports	5.70	5.71	5.75	5.80
Total Imports	862	863	865	870
Imports from the U.S.	190	192	194	198
Exchange Rate: 1 USD	8.22	9.65		

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: *Above figures are unofficial estimates obtained from industry sources.*

The South African agricultural equipment market is estimated at approximately R8.868 billion. Tractor sales constitute 60% of the market followed by combine and baler sales. Of new agriculture equipment, 5% is produced locally, while 95% of agriculture equipment and parts are sourced from international markets, with at least 25% coming from the United States. Second-hand equipment has limited market opportunities.

Compared to the rest of Africa, South Africa has by far the most modern, productive and diverse agricultural economy. Agriculture as a percentage of GDP has decreased over the past four decades, currently contributing around 2%. Because of its potential for job creation, the agriculture sector is a key focus on the government's New Growth Path, a plan by the government to create 5 million new jobs by 2020. Plans include programs to promote commercially oriented small-scale farming, while support is also available to smallholders on land acquired through land reform. Before 1994, the commercial agricultural sector was almost exclusively white owned; however, the Broad-Based Black Economic Empowerment (B-BBEE) agriculture empowerment charter (Agri BEE) aims to boost land reforms and black ownership of farmland to 30% by the end of 2014.

Essentially the Development Plan entails that agriculture – both emerging and commercial – should still be afforded the opportunity to contribute optimally to economic growth, job creation, foreign exchange earnings and development of the industrial sector within a safe and non-discriminatory environment.

Agricultural Equipment Market Segmentation:

Equipment	Percentage Share
Tractors	58.9
Hay and silage equipment	11.6

Harvesting equipment	9.1
Planting, fertilizing, pest control equipment	7.8
Tillage equipment	4.5
Other	8.2

Source: South African Agricultural Machinery Association (SAAMA)

South Africa has good sunlight nationwide throughout the year, which allows for more controlled farming, particularly green - house farming. This supports a growing market in greenhouse farming solutions and other related products. Given increasing electricity prices, more and more farmers are investing in alternative energy solutions.

### Sub-Sector Best Prospects

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The best prospects for U.S. suppliers, in South Africa and the region, are:

- Tractors
- Combines
- Balers
- Planters
- Precision Agriculture Equipment and Technologies
- Sprayers
- Irrigation
- Storage
- Soil testing equipment
- Spare parts and service facilities

### Opportunities

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Despite the current economic downturn, farmers appear to be upbeat about current agriculture conditions. Sporadic rains and prevalent dry weather conditions are a concern issue and present opportunities for no till planting equipment. Companies and farmers have indicated a strong interest in soil sampling equipment.

There are very few barriers to bringing new equipment to the South African market. Equipment like planters, sprayers and tilling equipment enter duty free, provided the exact same product is not manufactured in this market.

Most of the precision agriculture equipment like planters, self-propelled sprayers and combine harvesters are imported from South America, Europe and the United States, and smaller implements are purchased locally. Known U.S. brands like Massey Ferguson, John Deere, New Holland, AGCO and CaseIH are well entrenched and are all well known for their quality.

The latest local buzz word is “regional expansion” with excellent opportunities in neighboring countries such as Malawi, Zambia, Angola, Mozambique, presenting further opportunities for U.S. business. Second hand tractors and equipment are well received in these regional markets.

### Resources

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## Exhibitions and Conferences

- Show: **NAMPO Harvest Day Week**  
Focus: Largest Agriculture Machinery and equipment show in the Southern Hemisphere.  
Dates: 13 –16 May, 2014  
Venue: Bothaville, Free State, South Africa
- Show: **The Royal Show**  
Focus: Agriculture machinery and equipment, agricultural live - stock, crafts and home Industry  
Dates: 23 May –1 June, 2014  
Venue: Pietermaritzburg, Kwazulu Natal, South Africa

## Web Resources

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South African Agricultural Machinery Association (SAAMA)  
Website: <http://www.saama.co.za/>

Agricultural Business Chamber (ABC)  
Website: <http://www.agbiz.co.za>

South African Department of Agriculture, Forestry and Fisheries  
Website: <http://www.daff.gov.za/>

Agri SA  
Website: <http://www.agrisa.co.za/>

## For More Information

The U.S. Commercial Service Commercial Specialist for Agriculture in Johannesburg, South Africa can be contacted via email: [Mohammed.Essay@trade.gov](mailto:Mohammed.Essay@trade.gov) ; Phone: +2711 290 3025; Fax: +27 (0)11 884 0538 or visit our website: <http://export.gov/southafrica/index.asp>

## Medical Devices

## Overview

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Unit: USD billions

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	1.15	1.2	1.29	1.4
Total Local Production	0.2	0.2	0.22	0.23
Total Imports	1.10	1.1	1.27	1.34
Imports from the U.S.	0.32	0.34	0.36	0.38
Exchange Rate: 1 USD	8.22	9.65		

South Africa's healthcare expenditure in 2013 was estimated at R302 billion, almost 9% of GDP, and is considered to be the highest in Africa. Of that amount, 50% is spent on the public sector and is likely to grow in line with the introduction and roll-out of the National Health Insurance (NHI) which is being spearheaded by the South African Government. Those who can afford health insurance in the private sector (roughly 20% of the population), have access to highly advanced and innovative healthcare which is on par with Europe and the U.S.

South Africa's medical device market was measured at around R11.58 billion on average in 2013. Experts believe that the market is set to grow at a compound annual growth rate (CAGR) of 7.7% between 2014 and 2018. Imports, which supply over 90% of the market, grew at a CAGR of 5.7% between 2007 and 2012 but were negative in 2013, reflecting the weakness of the Rand, falling back to -3.6% in dollar terms from January-December 2013. However, measured in rand, growth was 13.4%. Imports are dominated by the United States (27.9%) followed by Germany (13.7%). Imports from China have doubled over the last five years to 8.4%. Other notable countries include Switzerland, Japan, UK and France. Countries such as Mexico and Singapore have also increased their supply to South Africa.

Local production is valued at approximately R1.93 billion, of which roughly half is exported, mostly to other African countries. Local companies often combine local manufacturing activities with distribution of international medical products, and, in U.S. terms, are considered small or medium-sized.

At present, there are no official regulations for medical devices – excepting electro-magnetic, which is regulated by the South African Health Department for Radiation Control. However, products that do not carry FDA approval and the CE mark will not be acceptable to the South African medical community. Plans to regulate medical products will be implemented in the near future. When this happens, it is likely that all products will have to carry the CE mark, and that FDA approval alone will not be sufficient.

### Sub-Sector Best Prospects

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#### **Diagnostic Imaging Equipment:**

Diagnostic imaging equipment will grow due to increased spending on hospital infrastructure and upgrading of equipment. In 2013, this sector grew by around 3% in rand terms.

#### **Patient Aids:**

Patient monitoring devices, powered mobility aids and other patient aids have experienced higher growth. This is a market that is dominated by India and China.

The sophisticated South African medical community is generally interested in new technology developments and new products, hence all product categories will be considered.

## Opportunities

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Ample opportunity will exist for exporters of medical equipment (particularly new and innovative equipment), as extensive upgrades and development of hospital infrastructure is being considered. The private healthcare sector is very sophisticated and boasts world class facilities with several centers of excellence. However, over 95% of equipment is imported. Please note that refurbished equipment is generally not favored by the medical community, particularly in the private sector.

## Web Resources

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South African Medical Devices Industry Association (SAMED)  
<http://www.samed.org.za>

Radiological Society of South Africa  
<http://www.rssa.co.za>

South African Orthopaedic Association  
<http://www.saoa.org.za>

South African Spine Society  
<http://www.saspine.org>

## For More Information

The U.S. Commercial Service in Johannesburg, South Africa can be contacted via e-mail at: [Felicity.Nagel@trade.gov](mailto:Felicity.Nagel@trade.gov)  
Phone: +27-11- 290-3332; Fax: +27-11- 884-0253 or visit our website:  
<http://export.gov/southafrica/index.asp>

## Franchising

### Overview

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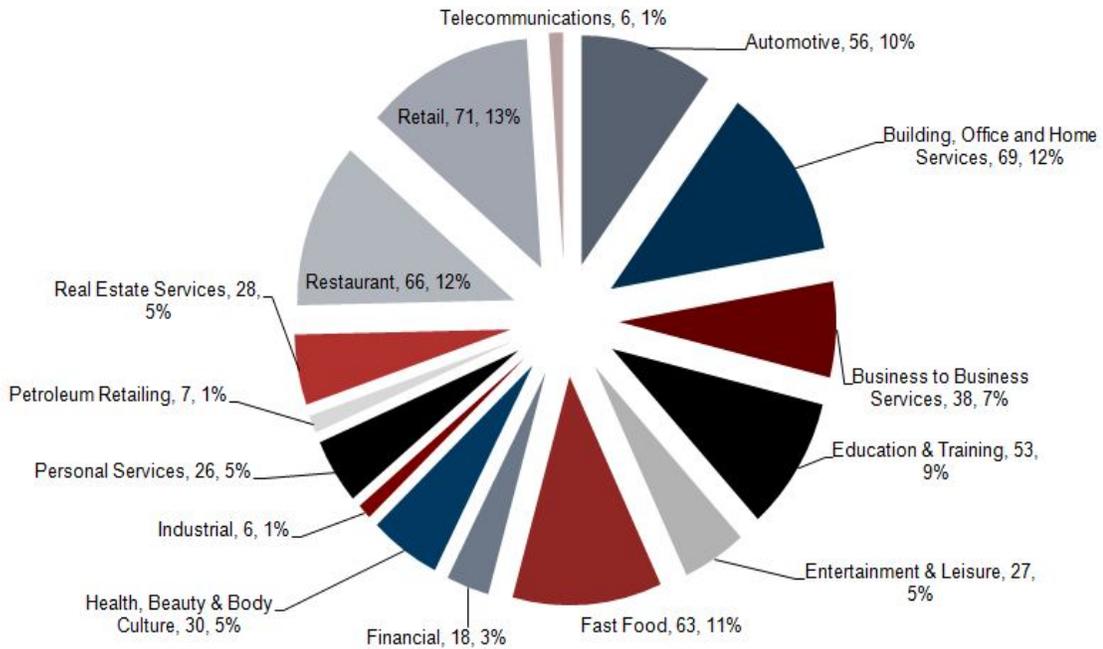
There are over 550 franchised systems and over 30,000 franchised outlets in South Africa today. Franchising contributes around 12% to South Africa's GDP, and is an important job-creator and driver in the country's economy, and has one of the highest business success rates. According to the latest data, total turnover for the sector was around R347.4 billion between March 2011 to February 2012 (Franchise Factor 2012: Franchise Directions).

Approximately 40% of franchises are located in the Gauteng province, particularly Johannesburg and Pretoria, the economic powerhouse of the country, and the African continent. Food franchises make up about 25% of total franchises, with some segments such as pizza and burgers approaching saturation. Other franchise concepts such as B2B services, automotive, after-care and education are also making inroads into the market.

Patterns within existing franchises are changing due to economic belt-tightening by the population and changing consumer behavior. Some franchise owners are starting to develop smaller, more cost-effective models with reduced fees, lower start-up costs, fewer employees and reasonable rentals. Franchise owners are exploring new, less expensive locations beyond shopping and strip malls and are developing models such as stand-alone kiosks, corporate catering, campuses and sporting events. Other developments include incorporating a brand within a convenience store or a service station. Some franchises have found success by operating in tandem with non-competing brands. Almost 90% of franchises are locally developed and around 12% Master Licenses are international – an increase of 2% from 2010. Some of the bigger South African franchisors, such as Famous Brands, are beginning to expand to other regions in Africa. Notable challenges include limited access to finance, as banks tend to be more cautious in the financing of franchises. This translates into a relatively small pool of entrepreneurs and companies with the ability to absorb the costs of Master Licenses of popular international brands.

Several business laws apply to franchising and copyrights – such as the Consumer Protection Act, Copyright Law, Common Law, Contract Law and Intellectual Property Law, which are vigorously adhered to.

## Sectors within the SA Franchise industry



Source: Bendeta Gordon – Franchise Directions

Service-based franchises have experienced the fastest growth in South Africa for the past number of years, but fast-food still remains a strong opportunity as consumption continues to grow 3.2% over the last year.

### Opportunities

B2B services, green products, automotive, home care, childcare, health and fitness, home improvement and more.

Fast food still represents a strong opportunity due to increased consumption patterns since 2011. There are two main reasons: meat is widely consumed in South Africa, and the nation has a strong eat-out culture. Certain segments are looking for “gut-fill” – a good value for money meal with well-sized portions. South Africa also has a comparatively good infrastructure from a logistical perspective. However, new entrants meet strong competition from home-grown brands. U.S. brands interested in entering the market must do their homework thoroughly, as the market is very fragmented. Understanding the target market and effective brand communication will determine the success or failure of the product.

## Resources

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### Exhibitions

International Franchise Expo (South Africa)  
April 16 – 18, 2015  
Sandton Convention Center

### Websites

Franchise Association of South Africa (FASA)  
<http://www.fasa.co.za>

WhichFranchise  
<http://www.whichfranchise.co.za>

Franchising Plus  
<http://www.franchisingplus.co.za>

Franchise Directions  
<http://www.franchise.co.za>

### **For More Information**

The U.S. Commercial Service, Johannesburg, South Africa can be contacted via email: [Felicity.Nagel@trade.gov](mailto:Felicity.Nagel@trade.gov); Phone: +27 (0)11 290 3332; Fax: +27 (0)11 884 0538 or visit our website: <http://export.gov/southafrica/index.asp>

## Film and Entertainment

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### Overview

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#### **Film**

The South African film and television industry contributes around R3.377 billion a year to the country's economy. South Africa offers various incentives to promote film production and the post production industry. The Foreign Film and Television Production and Post-Production incentive attracts foreign based film production to shoot on location in South Africa and conduct post-production activities. This incentive is run by the DTI (Department of Trade and Industry) and contributes towards employment creation and increases the country's creative and technical skills base. The incentive is in the form of a rebate (15%) on films shot on location in South Africa when companies spend at least R14.47 million. There are approximately 150 registered production companies currently active with about 15 of these commanding over 90% of feature films and television production.

#### **Music**

Statistics provided by the DTI (Department of Trade and Industry) in South Africa state that in 2012 the recording industry was valued at R1.544 billion. Audiences across the region are passionate about music both local and international. Some markets such as the industry in Europe are finding it challenging to adapt to new market conditions.

Africa's market is structuring itself around an emerging digital ecosystem comprising of labels, digital service providers, distributors, handset manufacturers and app developers.

## Opportunities

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Due to the increased international interest in filming in South Africa there are opportunities for ancillary film services as well as training and development.

## Web Resources

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The South African Film and Television Industry Report  
<http://www.gov.za>

South Africa online  
<http://www.southafrica.info>

The NFVF (The National Film and Video Foundation)  
<http://www.nmf.co.za>

RISA (Recording Industry of SA)  
<http://www.risa.co.za>

## For More Information

The U.S. Commercial Service, Johannesburg, South Africa can be contacted via email: [Kirsten.Bell@trade.gov](mailto:Kirsten.Bell@trade.gov) (Software); Phone +27 (0)21 702 7345 or visit our website: <http://export.gov/southafrica/index.asp>

## Agricultural Sectors

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[Grains](#)  
[Alcoholic Beverages](#)  
[Poultry](#)

South Africa has a market-oriented agricultural economy that is highly diversified and includes production of all the major grains (except rice), oilseeds, deciduous and subtropical fruits, sugar, citrus, wine and most vegetables. Livestock production includes cattle, dairy, pigs, sheep, and a well-developed broiler and egg industry. Value-added activities in the sector include slaughtering, processing and preserving of meat; processing and preserving of fruit and vegetables; dairy products; grain mill products; crushing of oilseeds; prepared animal feeds; and sugar refining, cocoa, chocolate, and sugar confectionery amongst other food products.

The agricultural sector contributes around 8% to South Africa's total export earnings. South African produce, mostly harvested during the northern hemisphere's winter, has achieved remarkable success on foreign markets and is well-known for its uncompromising quality. Citrus and deciduous fruit, highly in demand in foreign countries, accounts for the largest volume of exports. South Africa also exports wine, corn, mohair, groundnuts, karakul pelts, sugar, and wool, to name just a few.

South Africa imported R59.83 billion in agricultural and food products in FY2013

basically on the same level as the previous fiscal year. The major products imported were rice (R6.967 billion), wheat (R3.744 billion), soybean meal (R3.551 billion), palm oil (R3.185 billion), chicken cuts and offal (R2.905 billion and soybean oil (R 1.853 billion).

In FY2013, the United States exported R3.02 billion of agricultural, fish and forestry products to South Africa up 4% from the previous fiscal year. More than 40% of exports were in the consumer-oriented product category, which reached R1.216 billion. Products in this category include snack foods, tree nuts, dairy products, poultry meat, processed fruit and vegetables, fresh vegetables, and pet food.

USDA's Foreign Agricultural Service (FAS) in Pretoria prepares more than thirty reports each year on the agricultural situation by commodity sector in South Africa. Some reports highlight opportunities for U.S. farm exports. For other sector reports, and U.S. exporters of agricultural products, please start with the Exporter Guide for South Africa at <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

If you are an exporter of U.S. agricultural products, please feel free to contact the Foreign Agricultural Service in Pretoria for further information at the following address:

Foreign Agricultural Service U.S. Embassy Pretoria, South Africa Tel: +27 (0)12 431 4057; Fax: +27 (0)12 342 2264 Email: [agpretoria@fas.usda.gov](mailto:agpretoria@fas.usda.gov)

## Overview Grains

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The grain industry (barley, maize, oats, sorghum and wheat) is one of the largest agricultural industries in South African, contributing more than 30% to the total gross value of agricultural production. The industry is comprised of a number of key stakeholders including input suppliers, farmers, silo owners, traders, millers, bakers, research organizations, financiers, etc. The animal feed industry is an important client and role player in the grain supply chain. Around 4 million tons of grain and 1.5 million tons of oil cake (from imported and locally produced sunflower and soy beans) are used by the animal feed manufacturing industry in South Africa.

Corn is the largest locally produced field crop, and the most important source of carbohydrates in the SADC region for animal and human consumption. South Africa is the main corn producer in the SADC region, with an average production of around 12 million tons per annum. Local commercial consumption of corn amounts to about 9 million tons, and surplus maize is usually exported. Wheat is produced mainly in the winter-rainfall areas of the Western Cape and the eastern parts of the Free State with considerable annual fluctuations in production. Average wheat production has been about 1.8 million tons a year. There is, however, a distinct downward trend in the area planted with wheat over the past few years; hence South Africa has become more dependent on imports to meet the local demand of about 3.3 million tons.

	FY 2011	FY 2012	FY2013
Total Local Production	13 million tons	15 million tons	14 million tons
Total Exports	\$700 million	\$480 million	\$582 million
Total Imports	\$985 million	\$1,040 million	\$1,110 million
Imports from the U.S.	\$143 million	\$20 million	\$15 million

### **Best Product: Wheat**

South Africa is the only country in the region with significant wheat production. However, in the past 20 years, and especially after the deregulation of the market in 1997, there has been a decreasing trend in the area planted with wheat despite increasing local consumption. Declining profit margins saw local wheat farmers scaling down wheat production and switching to other crops like canola, oats, corn, soya beans or increased livestock production. Furthermore, the trend in wheat production has been sporadic over the past 20 years because of unpredictable weather conditions. Without an advance in technology or policy changes, the decreasing trend in hectares planted with wheat in South Africa will continue.

South Africa's 2013/14 MY (October 2013 to September 2014) wheat crop is estimated at 1.8 million tons on 505,000 hectares, almost 1.5 million tons less than the expected local demand. Annual wheat consumption in South Africa is about 3.3 million tons, or about 65 kg per capita, the highest in the sub-Saharan region. Its population is growing by 1.7% annually, and there is a rapid urbanization of South Africa's major cities.

	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
Exports	\$9 million	\$8 million	\$4 million
Imports	\$556 million	\$492 million	\$439 million
Imports from the USA	\$202 million	\$18 million	\$14 million

### **Opportunities**

Contact U.S. Wheat Associates Cape Town office for current opportunities in the South African market for U.S. wheat at: <http://www.uswheat.org>

### **Resources**

U.S. Wheat Associates has an office in Cape Town South Africa. They would be happy to help any company interested in purchasing or exporting U.S. wheat. They can be contacted at [InfoCapeTown@uswheat.org](mailto:InfoCapeTown@uswheat.org)

### **Overview: Alcoholic Beverages**

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South Africa is a net exporter of alcoholic beverages; however, imports of alcoholic beverages have been increasing over the past few years. Whiskies are the category of alcoholic beverages that has grown the most. Over the last few years, a wide range of new imported products has become available in the market. Some products that do not correspond to recognized official product by alcohol level categories have been frustrated. South Africa tastes and preferences are becoming more sophisticated and the average consumer is increasingly expecting a wide range of products on retail shelves. Traditionally, the South African distilled spirits consumer has preferred Scotch whisky and brandy. Recent trends indicate that consumers are turning to new and innovative distilled spirits, including a greater prominence in townships. Openness to new products and increasing disposable income help create a positive climate for the sale and promotion of U.S. distilled spirits. However, price sensitivity, rather than brand loyalty, rules the consumer's purchasing behavior.

	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY2013</b>
Total Exports	\$108 million	\$108 million	\$137 million
Total Imports	\$378 million	\$350 million	\$354 million
Imports from the U.S.	\$32 million	\$28 million	\$24 million

*Note: All figures in US\$ Million*

*Above Figures are from Global Trade Atlas*

## **Resources**

The Distilled Spirits Council of the United States can help U.S. distillers with market information and advice on how to export to South Africa (<http://www.discus.org/>).

## **Overview: Poultry**

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The South African poultry meat industry, with a gross value of more than R29.92 billion, is the country's largest individual agricultural industry and contributes almost 17% to the total gross value of agricultural products. In 2011, South Africa slaughtered 979 million broilers that produced 1.37 million tons of broiler meat, while in 2012, 997 million broilers were slaughtered that produced 1.4 million tons of meat. In 2013, corn and soybean prices, as key cost drivers in poultry feed impacted negatively on production. As a result, South Africa slaughtered about 1,010 million broilers (equal to 1.42 million tons of meat, marginally more than in 2012).

The South African per capita consumption of poultry meat is estimated at 36 kg per annum. In comparison, each South African consumes only three kilograms of mutton, five kilograms of pork and 17kg of beef per annum. Broiler meat consumption increased by about 70% since 2000 and is now the most important protein source in the diet of the majority of South Africans. In 2013, South Africa consumed about 1.8 million tons of broiler meat.

South Africa imported 408 thousand tons of poultry meat in FY2013, which is 7% more than the 382 thousand tons of FY2012. Chicken bone-in portions represented the largest category of poultry meat imports, namely 38% or 157 thousand tons, at a value of R2.248 billion (58% of the total value of poultry meat imports). The second largest category in volume is mechanically deboned meat with a share of 33% or 135 thousand tons, at a value of R733.4 million (18% of the total value of poultry meat imports). These two poultry meat product segments represent 72% of total poultry meat imports in quantity by South Africa and are followed by turkey (9%), chicken offal (9%), chicken fillets (5%), and whole chicken (4%). Brazil is the most important trading partner for South Africa in terms of poultry meat, with almost 50% market share of the import market. Almost 60% of Brazil's poultry meat export basket to South Africa consists of mechanically deboned meat.

	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
Total Exports	\$31 million	\$16 million	\$23 million
Total Imports	\$336 million	\$403 million	\$445 million
Imports from the U.S.	\$29 million	\$31 million	\$28 million

*Note: All figures in US\$ Million*

*Above Figures are from Global Trade Atlas*

## **Challenges**

In February 2012, South Africa extended and increased the anti-dumping duties on frozen meat of Gallus domesticus fowls, cut in pieces with bone in (tariff subheading 0207.14.90), originating in or imported from the United States, for another five years. The anti-dumping duties were increased to R9.40 per kilogram, without differentiating between suppliers as in the past. In addition, in September 2013, South Africa increased the import duties on five poultry products. This came after months of campaigning for greater protection by poultry producers in South Africa, stating that thousands of jobs are under threat due to cheap imports.

The difficulty in lifting the anti-dumping duty limits United States exports to South Africa. However, strong demand for poultry products will continue, and with the United States' ability to compete with the current top suppliers in the South African market, increased poultry meat imports from the United States is a possibility.

## **Resources**

The U.S.A. Poultry and Egg Export Council can help U.S. poultry exporters with market information and advice on how to export to South Africa (<http://www.usapeec.org>).

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## Chapter 5: Trade Regulations, Customs and Standards

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### Import Tariffs

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As a result of the Uruguay Round in 1994, South Africa reformed and simplified its tariff structure. Tariff rates have been reduced from a simple average of more than 20% to an average of 5.8%. Notwithstanding these reforms, importers have complained that the tariff schedule remains unduly complex, with nearly forty different rates. Tariff rates mostly fall within eight levels ranging from 0 to 30%, but some are higher (e.g. most apparel items).

Nearly all of South Africa's specific and composite duties were converted to *ad valorem* rates (a tax, duty, or fee which varies based on the value of the products, services, or property on which it is levied), with a few exceptions remaining in a limited number of sectors, including textile and apparel products.

In the Uruguay Round, South Africa agreed to a twelve-year phase-down process. The end rate for apparel is 40%, yarns 15%; fabrics 22%; finished goods 30%; and fibers, 7.5%. The effective rated duty rates on cars, light vehicles, and minibuses is still at the high level of 34%, while the rate of duty on original motor parts is 20%.

The dutiable value of goods imported into South Africa is calculated on the f.o.b. (free on board) price in the country of export, in accordance with the WTO (ex-GATT) Customs Valuation Code. The value for customs duty purposes is the transaction value, or the price actually paid or payable.

In cases where the transaction value cannot be determined, the price actually paid for similar goods, adjusted for differences in cost and charges based on distance and mode of transport, is regarded as the transaction value. If more than one transaction value is determined, the lowest value applies. Alternatively, a computed value may be used based on production costs of the imported goods. In the case of related buyers and sellers, the transaction value will be accepted if, in the opinion of the Commissioner for Customs, the relationship does not influence the price, or if the importer shows that the transaction value approximates the value of identical or similar goods imported at or about the same time.

Dutiable weight for the assessment of specific duties is the legal weight of merchandise, plus the weight of the immediate container in which the product is sold, unless specified otherwise in the tariff.

The value-added tax (VAT) is 14%. VAT is payable on nearly all imports. However, goods imported for use in manufacturing or resale by registered trades may be exempt from VAT.

Specific excise duties are levied on tobacco, tobacco products, and petroleum products. Duties on alcoholic beverages are set at fixed percentages of the retail prices.

Ad valorem excise duties are levied on a range of “up market” consumer goods. The statutory rate is currently 10% (except for most office machinery, as well as motorcycles, that attract duty of 5%).

Various provisions for rebate of duty exist for specific materials used in domestic manufacturing.

The importer must consult the relevant schedules to the Customs and Excise Act to determine whether the potential imports are eligible for rebate duty. Information can be found on the International Trade Administration Commission of South Africa’s website at <http://www.itac.org.za>

## **Trade Barriers**

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U.S. companies have cited protective tariffs as a barrier to trade in South Africa. Other barriers to trade include port congestion, technical standards, customs valuation above invoice prices, theft of goods, import permits, antidumping measures, IPR crime, an inefficient bureaucracy, and excessive regulation.

For additional information on trade barriers for the Southern Africa Customs Union that includes South Africa, please see the National Trade Estimate Report on Foreign Trade Barriers published by the Office of the U.S. Trade Representative at: [http://www.ustr.gov/Document\\_Library/Reports\\_Publications/Section\\_Index.html](http://www.ustr.gov/Document_Library/Reports_Publications/Section_Index.html)

In a 2008 ruling, the South African Supreme Court of Appeal upheld rulings by the Competition Tribunal in favor of local soda ash producers and against the American Natural Soda Ash Company (ANSAC). According to the court ruling, ANSAC admitted that its membership agreement eliminates price competition between its members in export sales to South Africa. ANSAC has agreed to pay an administrative penalty and cease exports to South Africa. The agreement does, however, allow the constituent members of ANSAC to continue trading in South Africa.

On June 19, 2014 the Government of South Africa issued an affirmative final determination in its antidumping investigation involving imports of disodium carbonate (soda ash) from the United States. The South African Customs Tariff heading for this product is 2836.20.00. Soda ash is used in the manufacture of glass, paper, rayon, soaps, and detergents. It is also used as a water softener, stain remover and bonding agent. According to the schedule published by the South African Revenue Service, definitive antidumping duties imposed on U.S. imports of soda ash range from 8% to 40% as follows:

Tata Chemicals Partners Inc: 8%  
OCI Chemical Corporation: 21%  
All Others: 40%

While the penalty and market size is negligible for ANSAC, this may constitute a possible international precedent in relation to price fixing. South Africa is the only developing country that has effectively prohibited ANSAC.

According to Global Trade Atlas, South African imports of the merchandise under investigation were valued at \$22.8 million in 2013, of which approximately \$20 million (86%) was from the United States.

The International Trade Administration Commission (ITAC) is tasked with administering South African trade laws and therefore receives requests for tariff protection from a number of local industries. For additional information on ITAC's responsibilities (tariff administration, trade remedies, and import and export controls) please visit its website at: <http://www.itac.org.za>.

## **Import Requirements and Documentation**

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South Africa has a complex import process. The South African Revenue Service (SARS) defines approximately 90,000 product tariff codes that are strictly enforced on all imports. New-to-Market U.S. exporters are actively encouraged to engage the services of a reputable freight forwarding / customs clearance agent well versed in South African convention.

Customs South Africa (Customs SA), a division of SARS, requires that an importer register with its office and obtain an importer's code from SARS. This impacts many importers and may cause delays to clearance of goods.

SARS uses a Single Administrative Document (SAD) to facilitate the customs clearance of goods for importers, exporters and cross-border traders. The SAD is a multi-purpose goods declaration form covering imports, exports, cross border and transit movements. The following is required for shipments to South Africa:

- For customs purposes in South Africa, one negotiable and two non-negotiable copies of the Bill of Lading are required. The Bill of Lading may be made out either "straight" or "to order".
- A Declaration of Origin Form, DA59, is to be used in cases where a rate of duty lower than the general rate is claimed as well as for goods subject to antidumping or countervailing duty. DA59 is a prescribed form with stipulated format, size and content. This form does not require Chamber of Commerce certification. One original signed copy of the form must be attached to the original commercial invoice covering goods, which require such a declaration.
- Four copies and one original Commercial Invoice are required. Suppliers must give, in their invoices, all data necessary for the importer to make a valid entry and for the South African Customs to determine value for duty purposes.

- Invoices from suppliers will not be accepted as satisfying the requirements of the customs regulations unless they state, in addition to any proprietary or trade name of the goods, a full description of their nature and characteristics together with such particulars as are required to assess the import duty and to compile statistics.
- One copy of the insurance certificate is required for sea freight. Follow the importer's and/or insurance company's instructions in other matters.
- Three copies of the Packing List are required. Data contained in this document should agree with that in other documents.

To reduce the likelihood of a dutiable assessment of samples, the shipper must state the following:

**“Sample: Of no commercial value / Value for customs purposes is USD xxx.”**

Zero-value invoices are not accepted by South African customs authorities; the correct value must be stated of the shipment in question.

Import licenses are required for restricted items. Importers must possess an import permit prior to the date of shipment. Failure to produce a required permit could result in the imposition of penalties. The permit is only valid in respect of the goods of the class and country specified. It is non-transferable and may only be used by the person to whom it was issued. Import permits are valid only for the calendar year in which they are issued.

Import permits required for specific categories of restricted goods are obtainable from the Director of Import and Export Control at the Department of Trade and Industry. These categories have been reduced, but still must be obtained for most used / second-hand items.

Department of Trade and Industry  
International Trade Administration Commission (ITAC)  
Import Control  
Private Bag X753  
Pretoria, 0001  
Tel: +27 (0)12 394 3590/1; Fax: +27 (0)12 394 0517  
Website: <http://www.itac.org.za>

Exhaustive SARS import manuals can be found at:  
<http://www.sars.gov.za/home.asp?pid=4150>

## **U.S. Export Controls**

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South Africa is a party to the Wassenaar Arrangement. South African "listed" items are those that appear on the Department of Commerce Control List. These require a license to be exported to South Africa based on the Export Control Classification Number and the Country Chart.

These items are detailed here:

[http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=e5ad0606a0cddccb0c2c89109c4f77a4&tpl=/ecfrbrowse/Title15/15cfr730\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=e5ad0606a0cddccb0c2c89109c4f77a4&tpl=/ecfrbrowse/Title15/15cfr730_main_02.tpl)

The Country Chart, which includes South Africa, is in Part 738. The Commerce Control List is in Part 774; there are ten categories that can be pulled up as separate files.

## **Temporary Entry**

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South Africa has a variety of mechanisms to facilitate the temporary importation of mostly commercial goods and services.

### **1. Carnet Entry (also known as ATA Carnet)**

South Africa is a member of the ATA Convention:

<http://www.atacarnet.com/what-carnet?gclid=CJyU7PTe-a0CFYpc4AodDX3Ssw>

Typically, the following goods are eligible to qualify for carnet entry:

1. Commercial samples,
2. Goods for international fairs and exhibitions, and
3. Professional equipment (including tools and instruments, but not goods for processing or repair).

The exporter must provide a letter stating that the exporter/carnet holder authorizes the customs clearance agent to clear the shipment on its behalf and may deliver to the consignee addressed therein. This letter from the carnet holder is to accompany the carnet document. SARS will not process carnet clearance without this letter. No duty or VAT is payable on carnet shipments. The same carnet is used on export.

### **2. Temporary Entry**

The shipping agent in the United States and its correspondent customs clearance agent in South Africa must be notified that a shipment is only intended to remain in South Africa for a limited period of time.

- The customs clearance process will include a "Provisional Payment" (PP) that is valid for a period of six months; and the shipment must be exported within this time. If export is to take longer, a formal extension request must be submitted to the South African Revenue Service (SARS, Customs and Excise) before the six-month period has expired.
- Upon import, the serial numbers of all the goods must be indicated on the documentation (i.e., invoices from shipper). Customs will examine the shipment and will verify the serial numbers and endorse the documentation.
- Upon export, the same procedure is followed so as to verify that the same goods are leaving the country. The PP will cover any customs duty and VAT applicable to shipment. After export, this PP is then liquidated by means of submitting the import and export documentation and requesting the refund.

### **3. Repair and Return Entry**

The shipping agent in the United States and its correspondent customs clearance agent in South Africa must be notified that the shipment in question is for repairs, or a return shipment for repairs performed in the United States.

- When the product is exported, the serial numbers are to be stated on invoices; examination will be done by SARS.
- When imported, serial numbers are to be stated on invoices, with the examination to be done by SARS.
- No duty is payable as duty was paid on the first import into the country.
- However, VAT is payable on repair costs only, even though value of goods is declared to SARS as well.

The above is in accordance with SARS rebate item 409.04. In order to make use of this rebate item, the importer must comply with the following provisions:

- Goods are to be returned to original exporter and there is no change of ownership; the essential characteristics of product remain the same. There are no alterations made to goods (i.e., just repairs). Goods exported under customs supervision with export documents SAD 500 and DA65 must be produced at time of import clearance.
- The goods must be identifiable by the serial numbers on the goods. If these provisions cannot be met, the importer will have to enter the goods as a Duty Paid (DP) clearance (i.e., as a new import that has not previously been exported). The full value, which consists of the export value plus any cost of repair, must be declared.

If the goods are repaired under warranty, the cost of repair will not be dutiable, provided the importer can prove the following:

- The duty was paid on first importation of the goods in question (again by use of serial numbers);
- The warranty is in force at time of re-importation;
- All criteria in terms of rebate item 409.04 are complied with; and
- That warranty agreement is available for Customs if requested.

In South Africa, the South African Chamber of Commerce and Industry (SACCI) is the correspondent agent for ATA Carnet matters:

[http://www.sacci.org.za/index.php?option=com\\_content&view=article&id=40:duty-free-temporary-imports&catid=5:trade&Itemid=49](http://www.sacci.org.za/index.php?option=com_content&view=article&id=40:duty-free-temporary-imports&catid=5:trade&Itemid=49)

SACCI accepts ATA Carnets for:

- Commercial Samples
- Exhibitions and Fairs
- Professional Equipment

South Africa has a well-developed regulatory standards regime that oversees the labeling and marking requirements.

The South African Bureau of Standards (SABS, an agency of the Department of Trade and Industry, or DTI) and its accredited divisions and agents, is the national standards, homologation and accreditation authority. SABS oversees labeling and marking in the following categories:

- Chemicals
- Electro-technical
- Food and Health
- Mechanical and Materials
- Mining and Minerals
- Services
- Transportation.

A detailed listing of the relevant technical specifications by product is given at <http://www.sabs.co.za/> (see Commercial Services).

SABS is responsible for the issuing of LOA's (Letter of Authorities), i.e., the control documentation on the importation of several items where certain standards must be met. Imports into South Africa must comply with the specifications for a given product or the relevant application.

If an imported product does not bear a quality or standards specification marking, the importer will finally be liable for the quality of the product. Established importers will therefore want to divest themselves of this liability by ensuring the product under discussion complies with the pertinent specifications and bears the relevant standards marking.

The marking and labeling often revolve around the categories listed above to ensure consumer and environmental protection. Often the importer will insist that the foreign manufacturer affix these at the time of manufacture or shipment from the factory. Only in exceptional cases will the importer, wholesaler or retailer at the bulk break stage be prepared to affix these labels and markings.

Labeling and marking requirements pertain mainly to textiles, shoes and bags, where a permanent label identifying the manufacturer and country of origin must be displayed. This process is administered by ITAC. Other, controlled import items that are subject to pre-import approval (noxious chemicals, pharmaceuticals; bacteriological, nuclear / radioactive and dangerous / volatile items) are imported by registered importers whose labeling and marking requirements are defined on an ad hoc basis during the product approval process.

It is common practice for retailers to insist that imported technical goods carry safety instructions or other user guides in the English language. Pictures and/or diagrams often supplement English user instructions. While liability laws and conventions in South Africa are not as onerous as in the United States, the retailer, wholesaler and importer are all desirous to reduce their liability to a minimum. South African legal practice follows the precepts of English Commercial Law, as well as Roman Dutch civil law.

It is also common for the user to indicate details of the official South African service agent for the product, and, less often, the importer of the product. This user instruction will also indicate the information about the South African warranty.

The 2011 South African Consumer Protection Act (CPA) gives consumers greater legal clout when lodging product liability damages claims. The act places greater liability on foreign manufacturers in addition to their distributors, and shifts greater burden of proof on the manufacturer, not the consumer, should someone sue for damages. The stricter rule allows for the foreign company's assets in South Africa to be forfeited to pay any damages caused by the product. The provisions of the CPA are especially important when it comes to labeling. U.S. manufacturers must take extra care on any product that needs warning labels or product information sheets explaining product use, as both the local retailer as well as the manufacturer could be liable.

**Please also read the Labeling and Marking Section subsection under Standards.**

## **Prohibited and Restricted Imports**

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The importation of the following goods into South Africa is prohibited:

- Narcotic and habit-forming drugs in any form;
- Fully automatic, military and unnumbered weapons, explosives and fireworks;
- Poison and other toxic substances;
- Cigarettes with a mass of more than 2 kilograms per 1,000;
- Goods to which a trade description or trademark is applied in contravention of any Act (for example, counterfeit goods);
- Unlawful reproductions of any works subject to copyright; and
- Prison-made and penitentiary-made goods.

Each year, the Department of Trade and Industry (DTI) publishes a list of goods requiring import permits in an annual Import Control Program, which covers imports from any country. The Directorate of Import and Export Control of the DTI administers the issuance of permits, though for some imports, additional and prior authorization may be required from other departments. By notice in the Government Gazette, the Minister of Trade and Industry may prescribe that goods of a specified class or kind may not be imported into South Africa, except under the authority of, and in accordance with, the conditions stated in a permit issued by ITAC.

The main categories of controlled imports are as follows:

- Used goods: ITAC may grant import permits on used goods or substitutes if not manufactured domestically, thus creating a *de facto* ban on most used goods. While designed to protect the domestic manufacture of clothing, motor vehicles, machinery, and plastics, these restrictions limit imports of a variety of low-cost used goods from the United States and Europe;
- Waste, scrap, ashes, and residues: The objective of import controls on these goods is to protect human health and the environment under the Basel Convention;
- Other harmful substances: Imports of substances such as ozone-depleting chemicals under the Montreal Convention and chemicals used in illegal drug

manufacturing under the 1988 United Nations Convention are controlled for environmental, health, and social reasons; and

- Goods subject to quality specifications: This restriction permits the monitoring of manufacturing specifications that enhance vehicle safety (such as in the case of tires) or protect human life.

A phytosanitary certificate is required for the importation of lard, bacon, ham, hides and skins, animal hair and bristles, and honey products. These certificates are issued by the Department of Agriculture. Other products that require import permits include fish and fish products, residues, petroleum products, firearms and ammunition, gambling equipment, and radioactive chemical elements.

The South African Revenue Service (SARS), a division of the Department of Finance/Treasury, administers import duties and controls. The latter are implemented in consultation with the Department of Trade and Industry.

SARS - Customs and Excise - Johannesburg  
Postal Address- Customs and Excise  
Private Bag X21, Marshalltown  
Johannesburg 2107  
Tel: +27 (0)11 225 9000; Fax: +27 (0)11 225 9013  
Website: <http://www.sars.gov.za/>

## Customs Regulations and Contact Information

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The South African Revenue Service (SARS), a division of the Department of Finance/Treasury, administers import duties and controls. The latter are implemented in consultation with the Department of Trade and Industry.

SARS - Customs and Excise - Johannesburg  
Postal Address- Customs and Excise  
Private Bag X21, Marshalltown  
Johannesburg 2107  
Tel: +27 (0)11 225 9000; Fax: +27 (0)11 225 9013  
Website: <http://www.sars.gov.za/>

## Standards

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## Overview

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The South African Bureau of Standards (SABS) is a specialized South African statutory agency responsible for the promotion and maintenance of standardization and quality relating to commodities and the rendering of services. Its tasks include:

- Publishing national standards,
- Testing and certifying products and services to standards,
- Developing technical regulations (compulsory specifications),
- Monitoring and enforcing of legal metrology legislation,
- Promoting design excellence, and
- Providing training on aspects of standardization.

SABS is accredited nationally by the South African Accreditation System (SANAS), and is recognized internationally by Netherlands-based Raad voor Accreditatie (RvA). SABS belongs to both the International Organization of Standardization (ISO) and the International Electrotechnical Commission (IEC). Accordingly, it issues pharmaceutical and industrial standards that conform to those of the ISO.

All SABS standards have been renamed as South African National Standards (SANS) to make the numbering system simpler and easier to understand.

SABS follows the standards of the ISO, the IEC and the European Committee for Standardization (CEN), and does not automatically recognize the standards of the United States. British Industry Standards and the Deutsche Industrienorm are favored in the SABS systems for historic and technical reasons. Products sourced from these countries enjoy quasi-automatic accreditation.

In practice, U.S. companies have been able to comply with South African standards when importing goods into South Africa. Based on a survey of U.S. firms already established in South Africa, the standards maintained by SABS have not been a major trade-inhibiting factor; the automotive sector is one exception that is receiving more attention.

Manufacturers have the option of paying SABS to test and approve their products. This option is rarely exercised. Though SABS has the right to terminate the sale of products if it receives enough complaints, there have been very few cases of this happening.

The standards issued by the SABS are in accordance with the Environmental Conservation Act and are enforced on all imports and exports. All foreign companies establishing themselves in South Africa need to have their Environmental Management System (EMS) certified. This certification needs to be updated every year in order to ensure that the company is observing South African standards.

The Directorate of Plant Health and Quality within the National Department of Agriculture (<http://www.nda.agric.za>) is responsible for setting standards for certain agricultural and agricultural-related products. These standards cover aspects such as composition, quality, packaging, marketing, and labeling as well as physical, physiological, chemical, and microbiological analyses.

The Standards Act, Nr. 29 of 1993 gave SABS the power to be involved in the regulations governing consumer protection. There are voluntary and compulsory

standards. Only 53 of SABS's approximately 5,000 standards are actually mandatory. However, depending on the laws, other standards may be considered compulsory as well (i.e., electricity standards) and it may create uncertainty for businesses.

With regard to consumer protection, reports indicate that SABS is taking a tougher line on companies that violate mandatory standards. This comes in the wake of the amended Consumer Protection Act of 2008 that from 1 April 2011, changed many aspects of business in South Africa by introducing new legislation concerning manufacturers and service providers. This legal framework aims to protect the consumer through controls on product liability, sales and marketing practices and fairness in consumer contracts, among other issues.

## Standards Organizations

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The following is a list of the major South African organizations involved in the management of the standards regime:

SABS - South African Bureau of Standards, the Government agency regulating standards.

Website: <http://www.sabs.co.za>

Human Science Research Council (HSRC) – works with non-governmental organizations (NGOs), international development agencies, and the Government on large-scale, social-scientific projects. HSRC is also involved in the homologation of academic standards.

Website: <http://www.hsrc.ac.za/PHHSI.phtml>

Medicines Control Council (MCC) – the organization that regulates medicine in South Africa.

Website: <http://www.mccza.com>

### **NIST Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

**Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL:

<http://www.nist.gov/notifyus/>

## Conformity Assessment

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The following is a list of the major South African organizations involved in conformity assessment:

NMISA - National Metrology Institute of South Africa develop primary scientific standards of physical quantities for SA

Website: <http://www.nmisa.org/Pages/default.aspx>

SABS - South African Bureau of Standards, a Government agency regulating standards.

Website: <http://www.sabs.co.za>

SANAS – South African National Accreditation System  
Website: <http://www.home.sanas.co.za/>

NRCS – National Regulator of Compulsory Specifications, a Government agency overseeing EHS standards and consumer protection.  
Website: - <http://www.nrccs.org.za/>

## Product Certification

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Important points concerning product certification:

- Electrical products need to receive Electromagnetic Interference (EMI) certification.
- A mutual recognition agreement (MRA) exists between the Engineering Council of South Africa (ECSA) and the Accreditation Board for Engineering and the Accreditation Board for Engineering and Technology, Inc. (ABET) in the United States.
- All medicines must be certified by the Medicines Control Council (MCC)  
Website: <http://www.mccza.com/>
- Electro-medical products, such as x-ray devices, need certification from the Radiation Control Council, a directorate of the Department of Health  
Website: <http://www.doh.gov.za/show.php?id=2963>

## Accreditation

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The following is a list of organizations involved in accreditation in South Africa:

South African National Accreditation System (SANAS) – Organization that awards official recognition to laboratories, certification bodies, inspection bodies, proficiency testing scheme providers, and good laboratory practice (GLP) test facilities that possess the capability to carry out certain tasks. Electronic equipment must be tested at labs accredited by SANAS.

Website: <http://www.sanas.co.za>

International Laboratory Accreditation Cooperation (ILAC) – International body that determines whether laboratories are able to perform specific tasks.

Website: <http://www.ilac.org>

International Accreditation Forum (IAF) – Accreditation organization whose members are required to maintain high standards when accrediting companies.

Website: <http://www.iaf.nu>

## Publication of Technical Regulations

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The SABS is the statutory repository of all relevant standards. These can be obtained in electronic format from the SABS:

[https://www.sabs.co.za:/Business\\_Units/Standards\\_SA/index.aspx?Services\\_LeftLinks\\_StandardsSA1:MenuLink1=6](https://www.sabs.co.za:/Business_Units/Standards_SA/index.aspx?Services_LeftLinks_StandardsSA1:MenuLink1=6)

All proposed and final technical regulations are published in the *Government Gazette*. To subscribe to the printed (hard copy) of the *Government Gazette*, please contact:

The Government Printing Works

E-mail: [jpe@print.pwv.gov.za](mailto:jpe@print.pwv.gov.za)

Tel: +27 (0)12 334 4737/4734; Fax: +27 (0)12 323 0009

Access to the Government Gazette is available online through a fee-based service provided by Sabinet Online Ltd. For additional information, visit <http://www.sabinet.co.za>.

## Labeling and Marking

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Important points on labelling/marketing:

- Labeling/marketing for industrial and pharmaceutical imports must be provided in English. South Africa follows the Harmonized System (HS) and belongs to the Southern African Customs Union (SACU), an organization that permits goods to be exchanged practically unhindered among the member states: South Africa, the principal administrator and revenue collector; Lesotho; Swaziland; Botswana and Namibia.
- The South African Government has regulations mandating the labeling of genetically modified (GM) food products under certain circumstances, including when allergens or human/animal proteins are present and when a GM food product differs significantly from a non-GM equivalent. The new rules also required validation of enhanced-characteristic (for example, “more nutritious”) claims for GM food products. The regulations did not address labeling claims that products are GM-free. Biotechnology advocates are concerned about this omission, noting it could lead to fraudulent claims. Trade organizations seem satisfied with the regulations, which follow internationally recognized, scientific guidelines (under the Codex Alimentarius Commission (Codex) (<http://www.codexalimentarius.net>)). South Africa’s Codex representative comes from the Directorate of Food Control.

For more information, see: <http://www.doh.gov.za/healthtopics.php?t=Food%20Control>

## Contacts

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The South African Bureau of Standards

Tel: +27 (0)12 428 7911; Fax: +27 (0)12 344 1568

Website: <http://www.sabs.co.za/>

National Department of Agriculture (NDA)

Tel: +27 (0)12 319 6001; Fax: +27 (0)12 325 7394

Website: <http://www.nda.agric.za/>

- There is duty-free trade between South Africa and the other four countries (Botswana, Lesotho, Namibia, and Swaziland) that comprise the Southern African Customs Union (SACU).
- The Southern African Development Community (SADC) Free Trade Agreement as of 2012 allows duty-free trade among the 12 of the 15 member.
- The European Union-South African Trade and Development Cooperation Agreement that came into effect in 2000, has as a progressive Free Trade Agreement (FTA) that has become the cornerstone of the regional trading landscape, which some trading partners (including the United States) would like to emulate in their trade regime with South Africa.
- South Africa has also negotiated agreements with the European Free Trade Association and Mercosur.

The South African Reserve Bank approves currency exchanges.

The Department of Trade and Industry (DTI) is empowered to regulate, prohibit or ration imports to South Africa in the national interests, but most goods may be imported into South Africa without any restrictions.

As a matter of government policy, the South African Government is aiming to open its market further in order to increase trade and to develop more competitive domestic industries. However, in 2006, the South African Government made exceptions to this approach in order to protect the labor-intensive garment industry.

**Web Resources**

ATA Carnets

Website: <http://www.atacarnet.com/>

Bureau of Industry and Security, U.S. Department of Commerce

Website: <http://www.bis.doc.gov>

Codex Alimentarius Commission (Codex)

Website: <http://www.codexalimentarius.org>

Council for Scientific and Industrial Research

Website: <http://www.csir.co.za>

Department of Health

Website: <http://www.doh.gov.za>

Department of Trade and Industry

Website: <http://www.thedti.gov.za>

Directorate of Plant Health and Quality/National Department of Agriculture

Website: <http://www.nda.agric.za>

Engineering Council of South Africa  
Website: <http://www.ecsa.co.za>

Human Science Research Council  
Website: <http://www.hsrc.ac.za>

International Accreditation Forum  
Website: <http://www.iaf.nu>

International Laboratory Accreditation Cooperation  
Website: <http://www.ilac.org>

International Trade Administration Commission of South Africa  
Website: <http://www.itac.org.za>

Medicines Control Council  
Website: <http://www.mccza.com>

National Department of Agriculture  
Website: <http://www.nda.agric.za>

Office of the U.S. Trade Representative  
Website: <http://www.ustr.gov>

Sabinet Online Ltd  
Website: <http://www.sabinet.co.za>

South African Revenue Services  
Website: <http://www.sars.gov.za>

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## **Chapter 6: Investment Climate**

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### **Executive Summary**

The most advanced, broad-based economy on the continent, South Africa offers investors a diverse and mature economy with vibrant financial and other service sectors, as well as preferential access to export markets in the United States, the European Union and the Southern African Development Community (SADC). Standards are generally similar to those in most developed economies, U.S. investors find local courts fair and consistent, and infrastructure is well-developed. Similarly, democratic life is well-established with transparent and contested elections, an appreciation for the rule of law, and citizens maintaining significant pride in the constitution and the peaceful formation of the post-Apartheid state.

There are serious and growing concerns among investors, however. Industrial action has increased in recent years, especially in the mining and manufacturing sectors. Strikes have been sustained, and in some cases resulted in investment diversion. Violent crime and corruption remain widespread. Foreigners and foreign investments are targeted no more than South Africans and domestic investments, but security and avoiding corrupt practices are factors that investors do have to spend time and resources managing. Basic infrastructure gaps and poor government service delivery in low-income areas have increased the incidence of protest and crime in recent years. While infrastructure is generally good, access to electricity is a concern and serves as a limiter on economic growth, which has been low in recent years. The government is making sizable investments into generation, but energy-intensive users may have to contend with disruptions for years to come. Unemployment is high, averaging 25

percent by standard definitions, but high-skilled labor is in short supply and emigration laws make importing labor a challenge that has frustrated many current investors. While many challenges can be managed with careful planning and resolve, the biggest concern for investors has become the direction of economic policy.

The South African government has since 2012 increasingly proposed laws, policies and reforms aimed at improving economic transformation and industrialization. South Africa is among the most economically unequal countries in the world. The need to improve economic outcomes for the unemployed and historically disadvantaged is broadly recognized within the business community. However, foreign and domestic investors have been concerned that government has not taken the voice of business sufficiently into account when developing these initiatives. Recent initiatives have included tightening labor laws to achieve proportional racial representation in workplaces, performance requirements for government procurement such as ownership transfer and localization, and weakening commercial property rights. While some initiatives have gained the force of law, such as the updated 2013 Broad-based Black Economic Empowerment (B-BBEE) amendments, other initiatives remain the subject of debate, creating uncertainty about the future regulatory and investment climate. Sectors of specific concern have included the extractive industries, security services and agriculture.

Despite policy uncertainty, South Africa is a destination conducive to U.S. investment, and should remain so as the dynamic business community is highly market-oriented and the driver of economic growth. South Africa offers ample opportunities, and continues to attract investors seeking a location from which to access to the rest of the continent.

## **1. Openness to Foreign Investment**

The government of South Africa is open to green field foreign investment as a means to drive economic growth, improve international competitiveness, and access foreign export markets. Merger and acquisition activity is more sensitive and requires more advance work. Virtually all business sectors are open to foreign investment. Certain sectors require government approval for foreign participation, including energy, mining, banking, insurance, and defense. Excepting those sectors, no government approval is required to invest, and there are few restrictions on the form or extent of foreign investment. The Department of Trade and Industry's (DTI) Trade and Investment South Africa (TISA) division provides assistance to foreign investors. The DTI concentrates on sectors in which research indicates the foreign country has a comparative advantage. TISA offers information on sectors and industries, consultation on the regulatory environment, facilitation for investment missions, links to joint venture partners, information on incentive packages, assistance with work permits, and logistical support for relocation. DTI publishes the "Investor's Handbook" on its website: [www.dti.gov.za](http://www.dti.gov.za).

While the South African government supports investment in principle, investors and market commentators were concerned its commitment to assist foreign investors was insufficient in practice. Some of their concerns included a belief that the national-level government lacked a sense of urgency when it came to supporting investment deals. Several investors reported trouble accessing senior decision makers. Additionally, South Africa scrutinizes merger- and acquisition-related foreign direct investment for its impact on jobs, local industry, and retaining South African ownership of key sectors. Private

sector representatives and other interested parties were concerned about politicization of South Africa's posture towards this type of investment.

Macroeconomic management was generally strong over the first half of the past decade, with reduced levels of public debt, generally low inflation, and a positive rate of economic growth. Inflation has remained within the central bank's target range of 3-6 percent since 2010, though it has pushed the upper limit since late 2012. Growth has stalled, averaging 2 percent for the past 4 years, and government revenue has been negatively affected to result in a projected deficit of 4 percent of GDP through March 2015. Sovereign debt remains investment worthy despite recent downgrades and a sustained negative outlook. In September 2012, Moody's downgraded South Africa's credit rating to Baa1 from A3, and maintained a negative outlook in its December 2013 ratings. The rating agency still cited the government's weakening institutional strength, lackluster economic growth despite low interest rates, infrastructure shortfalls, high labor costs despite high unemployment, and increased concern about political stability as the major factors for maintaining a negative outlook for South Africa. In December 2013 Fitch Rated South Africa's sovereign debt at BBB with a stable outlook. Standard and Poor's downgraded South Africa to BBB in October 2012, and has affirmed a similar rating at its December 2013 review.

Since the end of apartheid in 1994, the government has liberalized trade and enhanced international competitiveness by lowering tariffs, abolishing most import controls, undertaking some privatization and reforming the regulatory environment. While this resulted in several large foreign acquisitions in banking, telecommunications, tourism and other sectors, foreign direct investment has fallen short of the government's expectations. South African banks are well-capitalized and have little exposure to sub-prime debt or other sources of financial contagion. Moody's in December 2012, however, downgraded the outlook for South African banks to negative based on their holding of government securities and overall weakening macroeconomic conditions.

Mergers and acquisitions in South Africa are subject to screening and approval under the Competition Act of 1998. This act allows South Africa's Competition Commission to review investment for public interest considerations such as its effect on specific industrial sectors, employment within South Africa, the ability of small businesses to become competitive, and the ability of national industries to compete internationally. These broad powers present a risk. Political interference has, at times, imposed requirements that discriminated against foreign investors. The Competition Tribunal reviews decisions made by the Competition Commission. Inward investment is subject the Companies Act of 2011, which sets out requirements for corporate governance, among other considerations. See the "Transparency of the Regulatory System" section of this report for more about South Africa's Companies Act.

South Africa's Industrial Policy Action Plan (IPAP) aims to strengthen industrial development. Key stated objectives include revising government procurement policy to support targeted sectors (capital and transport equipment; automotive; chemical, plastic fabrication and pharmaceuticals; and forestry, paper and furniture); using trade and competition policy to improve South Africa's competitiveness; and facilitating industrial financing for small- and medium-sized firms.

South Africa's Broad-Based Black Economic Empowerment (B-BBEE) program has a significant effect on foreign investment. B-BBEE is an affirmative action program assisting historically disadvantaged South Africans to participate in the economy. B-

BBEE requirements are specified in the Codes of Good Practice, which were published in the Government Gazette in 2007 and first implemented in 2011. The codes were updated in 2013 with those changes to enter into force in April 2015. The 2013 updates retain a Black Economic Empowerment (BEE) “Scorecard” to rate a firm’s commitment to economic transformation using five different dimensions—ownership, management control, skills development, enterprise and supplier development, and socio-economic development. Each dimension is weighted, with ownership receiving the most empowerment points (25) and socio-economic development the least (5).

Equity equivalence deals provide multinational corporations options for scoring on the B-BBEE ownership dimension without the transfer of equity stakes, which could run against a company’s bylaws. Such a deal would likely involve creation of a black-owned South African joint venture valued at least 25 percent of the multinational’s South African operations. However, the process for approving an equity equivalent mechanism by the DTI is complicated and requires a significant effort on the part of the multinational. Two U.S. companies have established equity equivalence schemes since 2007. Other companies have scored sufficiently well without such a scheme by focusing their transformation efforts on B-BBEE dimensions other than ownership. However, the 2013 updates remove this option. The updated codes identify ownership, management and enterprise development/preferential procurements as key elements. Should a firm fail to score high enough in these areas, a one level penalty is applied to the final scorecard.

In addition to B-BBEE transformation framework, sectors such as financial services, mining, and petroleum have their own “transformation charters” intended to accelerate empowerment within the sector. In 2011, the integrated transport, forest products, construction, tourism, and chartered accountancy sector charters gained force of law in South Africa. In 2012, the Information and Communication Technology (ICT) Charter and Property Sector and Financial Services charters gained force of law. Other sectors, including Agri-business and Marketing, have transformation charters that are more “aspirational” in nature. While public tenders consider B-BBEE along with price, quality and delivery to weigh bids, individual public tenders increasingly involve additional performance requirements separate from B-BBEE such as job creation, localization, and knowledge transfer. These reduce the weight of price in the final calculation of a bid’s competitiveness.

**Openness Index**

South Africa is not a Millennium Challenge Corporation (MCC) compact country. Therefore, it is not ranked by MCC on measures of openness. The following chart lists South Africa's ranking in other widely used indices compiled by non-governmental organizations.

Measure	Year	Index/Ranking
Transparency International Corruption Index	2013	72
Heritage Economic Freedom	2013	75
World Bank Doing Business	2013	41

**2. Conversion and Transfer Policies**

The South African Reserve Bank's (SARB) Exchange Control Department administers foreign exchange policy. An authorized foreign exchange dealer, normally one of the large commercial banks, must handle international commercial transactions and report every purchase of foreign exchange, irrespective of the amount. Generally, there are only limited delays in the conversion and transfer of funds. Due to South Africa's relatively closed exchange system, no private player, however large, can hedge large quantities of Rand for more than five years.

While non-residents may freely transfer capital in and out of South Africa, transactions must be reported to authorities. Non-residents may purchase local securities without restriction. To facilitate repatriation of capital and profits, foreign investors should ensure an authorized dealer endorses their share certificates as "non-resident." Foreign investors should also be sure to maintain an accurate record of investment.

Subsidiaries and branches of foreign companies in South Africa are considered South African entities and are treated legally as South African companies. As such, they are subject to exchange control by the SARB. South African companies may, as a general rule, freely remit the following to non-residents: repayment of capital investments; dividends and branch profits (provided such transfers are made out of trading profits and are financed without resorting to excessive local borrowing); interest payments (provided the rate is reasonable); and payment of royalties or similar fees for the use of know-how, patents, designs, trademarks or similar property (subject to prior approval of SARB authorities).

While South African companies may invest in other countries without restrictions, SARB approval/notification is required for investments over R500 million. South African individuals may freely invest in foreign firms listed on South African stock exchanges. Individual South African taxpayers in good standing may make investments up to a total of R4 million in other countries. As of 2010, South African banks are permitted to commit up to 25 percent of their capital in direct and indirect foreign liabilities. In addition, mutual and other investment funds can invest up to 25 percent of their retail assets in other countries. Pension plans and insurance funds may invest 15 percent of their retail assets in other countries.

Before accepting or repaying a foreign loan, South African residents must obtain SARB approval. The SARB must also approve the payment of royalties and license fees to non-residents when no local manufacturing is involved. When local manufacturing is involved, the DTI must approve the payment of royalties related to patents on manufacturing processes and products. Upon proof of invoice, South African companies may pay fees for foreign management and other services provided such fees are not calculated as a percentage of sales, profits, purchases, or income.

SARB approval is required for the sale of all forms of South African-owned intellectual property rights (IPR). Approval is generally granted by SARB if the transaction occurs at arm's length and at fair market value. IPR owned by non-residents is not subject to any restrictions in terms of repatriation of profits, royalties, or proceeds from sales.

Further questions on exchange control may be addressed to:  
South African Reserve Bank  
Exchange Control Department  
P.O. Box 427, Pretoria, 0001

Tel: +27 (0) 12 313-3911; Fax: +27 (0) 12 313-3197  
Website: <http://www.reservebank.co.za/>

### **3. Expropriation and Compensation**

The Expropriation Act of 1975 (Act) and the Expropriation Act Amendment of 1992 entitles the government to expropriate private property for reasons of public necessity or utility. The decision is an administrative one. Compensation should be the fair market value of the property as agreed between the buyer and seller, or determined by the court, as per section 25 of the Constitution. In several restitution cases, in which the government initiated proceedings to expropriate white-owned farms after courts ruled the land had been seized from blacks during apartheid, the owners rejected the court-approved purchase prices. In most of these cases, the government and owners reached agreement on compensation prior to any final expropriation actions. The government has twice exercised its expropriation power, taking possession of farms in Northern Cape and Limpopo Provinces in 2007 after negotiations with owners collapsed. The government paid the owners the fair market value for the land in both cases. There is no record, dating back to 1924, of an expropriation or nationalization of a U.S. investment in South Africa.

Racially discriminatory property laws during apartheid resulted in highly distorted patterns of land ownership in South Africa. In 2011, South Africa tabled a "Green Paper" on land reform to address these distortions. The Green Paper's "three pillars" include a land management commission, a land valuation-general and a land rights management board with local management committees. These would keep track of land sales, ensure proper record keeping, and "facilitate productive land usage and an equitable land distribution." Certain provisions in the Green Paper have generated controversy such as proposed "severe limitations" on private land ownership, particularly foreign ownership, the powers granted to a proposed "valuer-general" to assist the Department of Rural Development and Land Reform in assessing the fair value of land, the proposed Commission's powers to invalidate title deeds and confiscate land, and the state's right to intervene regarding the use of land.

In March 2014, the Parliament passed the Restitution of Land Rights Amendment Bill, which reopens the window for persons or communities disposed of their land after 1913, due to past discriminatory laws and policies to lodge claims for their properties. If President Zuma signs it into law, the bill is expected to inspire significant new claims for restoration of property seized during colonization or under the Apartheid government. The new window would likely close in 2019. The Valuer-General bill was introduced into Parliament in 2013, but not passed. Parliament did not pass the draft Expropriation bill either, and returned it to the government for revision in 2013.

The Mineral and Petroleum Resources Development Act 28 of 2002 ("MPRDA"), enacted in 2004, gave the state ownership of all of South Africa's mineral and petroleum resources. It replaced private ownership with a system of licenses controlled by the South African government. Under the MPRDA, investors who held pre-existing rights were granted the opportunity to apply for licenses provided they met certain criteria, including the achievement of certain BEE objectives. Amendments to the MPRDA passed by Parliament in 2014 but not signed into law by President Zuma as of April 2014 grant the state de facto expropriation rights for projects in the minerals and

petroleum sectors; they also grant broad discretionary powers to the person of the Minister to restrict exports and prices for commodities the Minister deems strategic.

In February 2014, the South Africa Parliament passed amendments to the 2001 Private Security Industry Regulatory Act aimed at controlling national security risks associated with foreign investors. President Zuma had not signed the bill into law as of April 2014. This bill would require at least 51 percent domestic ownership of foreign-owned private security companies, possibly including not only private security services providers, but also security equipment manufacturers. The forced ownership transfer requirements likely would be found in violation of South Africa's commitments under the General Agreement on Trade in Services (GATS).

In 2013, the government published for comment a draft bill—the Promotion and Protection of Investment Act—to put the rights of foreign and domestic investors on an equal footing. The draft would provide the government the option to expropriate commercial property at a price lower than market value based on a formulation in the Constitution termed “just and equitable compensation.” This considers market value but discounts it based on the current use of the property, the history of the acquisition and use of the property, and the extent of direct state investment and subsidy in the acquisition and beneficial capital improvement of the property. The bill also would allow the government to expropriate under a broad range of policy goals, including economic transformation and correcting historical grievances. The government has underscored its intentions are not to expropriate property, and was revising the draft in early 2014.

#### **4. Dispute Settlement**

South Africa is a member of the New York Convention of 1958 on the recognition and enforcement of foreign arbitration awards, but is not a member of the World Bank's International Center for the Settlement of Investment Disputes. South Africa recognizes the International Chamber of Commerce, which supervises the resolution of transnational commercial disputes. South Africa applies its commercial and bankruptcy laws with consistency, and has an independent, objective court system for enforcing property and contractual rights. South Africa's new Companies Act also provides a mechanism for Alternative Dispute Resolution. South African courts retain discretion to hear a dispute over a contract entered into under U.S. law and under U.S. jurisdiction. The South African court will interpret the contract with the law of the country or jurisdiction provided for in the contract, however.

Dispute resolution can be a time-intensive process in South Africa. If the matter is urgent, and the presiding judge agrees, an interim decision can be taken within days while the subsequent appeal process can take months or years. If the matter is a dispute of law and is not urgent, it may proceed by application or motion to be solved within months. Where there is a dispute of fact, the matter is referred to trial, which can take several years. The Alternative Dispute Resolution involves negotiation, mediation or arbitration, and may resolve the matter within a couple of months. Alternative Dispute Resolution is increasingly popular in South Africa for many reasons, including the confidentiality which can be imposed on the evidence, case documents and the judgment.

#### **5. Performance Requirements and Incentives**

DTI offers several investment incentives for manufacturing:

- Business Process Services (BPS) replaced in 2010 the Business Process Outsourcing & Off-Shoring (BPO&O) investment incentive. BPS is aimed at attracting investment and creating employment in South Africa through off-shoring activities. The incentive consisted in 2011 of a tax exempt grant of R112,000 (US\$12,600) paid over three years for each offshore job created and maintained. The value of the incentive declined in 2012 and 2013. Between FY13 and FY15, each job will net a grant worth R32,000 (US\$3,600). There is an additional 20 percent incentive for creating 400-800 offshore jobs in a year, and 30 percent for more than 800 offshore jobs created. To qualify, companies must: be starting new operations or expanding existing BPS activities; must create at least 50 new off-shore jobs in South Africa within three years; and must commence operations no later than six months from the approval of the BPS incentive grant.
- The 12i Tax Incentive supports green field investments (i.e. new industrial projects that utilize only new and unused manufacturing assets), as well as brown field investments (i.e. expansions or upgrades of existing industrial projects). The 12i incentive is available for investments with a total value of more than R1.6 million (US\$235,000). Projects must be within the priority sectors identified in the Industrial Policy Action Plan (IPAP). Projects should: upgrade an industry within South Africa; provide general business linkages within South Africa; acquire goods and services from small, medium and micro-sized enterprises (SMMEs); create direct employment within South Africa; provide skills development in South Africa; and, in the case of a Greenfield project, be located within an Industrial Development Zone (IDZ).
- The Manufacturing Investment Program offers local- and foreign-owned entities an investment grant of up to 30 percent of qualifying investment costs in machinery, equipment, commercial vehicles, land and buildings required for: establishing a new production facility; expanding an existing production facility; or upgrading production capability in an existing clothing and textile production facility.
- The Sector Specific Assistance Scheme (SSAS) is a reimbursable cost-sharing grant whereby financial support is provided to Export Councils, Industry Associations, and Joint Action Groups. Export Councils represent the trade promotion efforts of specific industries, while Industry Associations represent sectors DTI has prioritized for development. Joint Action Groups are groups of companies or associations cooperating on one-time projects in sectors prioritized for development by DTI. Foreign companies can access SSAS funding through participation in one of these entities.
- The Film and Television Production Rebate Scheme encourages foreign and domestic investment in the local film industry. Eligible applicants may receive a rebate of 15 percent of the production expenditures for foreign productions and up to 25 percent for qualifying South African productions. To qualify, film projects must have begun after 2004 and investment in the film must reach R25 million (approximately US\$3.67 million). Other requirements include completing 50 percent of the principal photography in South Africa and a minimum of four weeks' local photography time. Eligible productions include movies, television series, and documentaries. The maximum rebate for any project will be R20 million (US\$2.9 million U.S.).

- The Automotive Investment Scheme was announced in 2010 as part of the Automotive Production and Development Program (APDP). It provides qualifying firms a taxable cash grant of 20 percent of the value of qualifying investment in productive assets. To qualify, a light motor vehicle manufacturer must introduce a new or replacement model with a minimum 50,000 units of annual production per plant within three years. A component manufacturer can qualify by proving that a contract has been awarded for the manufacture of components for the light motor vehicle manufacturing supply chain, and that the investment will generate revenue of R 10 million (US\$1.4 million). An additional taxable cash grant of 5-10 percent is available if additional conditions are met. APDP stipulates that automobile import tariffs will be frozen at 25 percent until 2020.
- The Capital Projects Feasibility Programme (CPFP) is a cost-sharing grant that contributes to feasibility studies for projects to increase local exports and stimulate the market for South African capital goods and services. The cap on a feasibility study grant is R8 million or 50 percent of the total costs for projects outside Africa and 55 percent of the total costs for projects in Africa. A foreign entity will only be considered if it partners with a South African registered entity, and if the application is submitted by the South African entity.
- The Critical Infrastructure Programme (CIP) is a cost sharing grant for projects designed to improve critical infrastructure in South Africa. The grant covers qualifying development costs from a minimum of 10 percent to a maximum of 30 percent towards the total development costs of qualifying infrastructure. It is made available upon the completion of the infrastructure project concerned. Private firms with a minimum B-BBEE level of four can qualify.
- Incubation Support Programme (ISP) develops small, micro and medium enterprises (SMMEs) incubators that create successful enterprises with the potential to revitalize communities and strengthen local and national economies. The program is available to applicants that want to establish new incubators or wish to grow and expand existing ones. Support is on a cost-sharing basis between the Government and private sector partner(s). It is available for infrastructure and business development services necessary to mentor and grow enterprises to ensure that within two to three years they achieve self-sustainability. The grant approval is capped at a maximum of R 10 million (VAT inclusive) per financial year over a three year period and is subject to the availability of funds. The ISP offers a cost-sharing support of 50:50 for large businesses and a cost-sharing of 40:60 for SMMEs. Applicants can be a registered legal entity in South Africa in terms of the Companies Act, 1973 (as amended) or the Companies Act, 2008 (as amended); the Close Corporations Act, 1984 (as amended) or the Cooperatives Act, 2005 (as amended).
- The Manufacturing Competitiveness Enhancement Programme (MCEP) introduced in the Industrial Policy Action Plan (IPAP) 2012/13 – 2014/15 encourages manufacturers to upgrade production facilities in a manner that sustains employment and maximizes value-addition in the short to medium term. The MCEP Production Incentive provides grants for five areas: Capital Investment; Green Technology and Resource Efficiency Improvement; Enterprise-Level Competitiveness Improvement grant; Feasibility Studies; and Cluster Interventions. The Industrial Financing and Loan Facilities offers: the Pre- and Post-Dispatch Working Capital Facility - a maximum of R30

million for up to four years, at a preferential fixed interest rate of percent; and the Industrial Policy Niche Projects Fund - DTI-identified projects with potential for job creation, diversification of manufacturing output and contribution to exports, and that would otherwise not be candidates for commercial or IDC funding. Applicants can be a registered legal entity in South Africa in terms of the Companies Act, 1973 (as amended) or the Companies Act, 2008 (as amended); the Close Corporations Act, 1984 (as amended) or the Co-operatives Act, 2005 (as amended).

- The Support Programme for Industrial Innovation (SPII) promotes technology development in South Africa's industry through financial assistance for the development of innovative products and/or processes. SPII focuses on the development phase, which begins at the conclusion of basic research and ends at the point when a pre-production prototype has been produced. There are three schemes SPII uses to apply assistance. Assistance is linked to BEE levels. Criteria are that development and subsequent production takes place within South Africa; Intellectual Property to reside in South African registered company; and Participating businesses should (must) be South African registered enterprises.
- The Clothing and Textile Competitiveness Improvement Programme (CTCIP) builds capacity among manufacturers and the apparel value chain in South Africa on issues of cost, quality, flexibility, reliability, adaptability and the capability to innovate. The Production Incentive (PI) forms part of the overall Clothing and Textile Competitiveness Programme (CTCP) for the clothing, textiles, footwear, leather and leather goods industries.

Details on these and other investment programs are available at the DTI website at: [www.dti.gov.za](http://www.dti.gov.za): Trade, Exports and Investment – Financial Assistance, or Financial Assistance, or Industrial Development – Financial Assistance.

South Africa's various provinces have development agencies that offer incentives to encourage investors to establish or relocate industry to their areas. The incentives vary from province to province and may include reduced interest rates, reduced costs for leasing land and buildings, cash grants for the relocation of physical plants and employees, reduced rates for basic facilities, railroads and other transport rebates, and assistance in the provision of housing. Under the National Industrial Participation Program (NIPP), foreign companies winning large government tenders exceeding US\$10 million must invest at least 30 percent of the value of the imported content of the tender in South Africa.

Several South African public entities have been established to support investment in export-oriented industries, research and development, or offer technical assistance to industry:

- The Industrial Development Corporation (IDC) is a self-financing, state-owned corporation that provides equity and loan financing to support investment in target sectors. The IDC also provides credit facilities for South African exporters
- The Council for Scientific and Industrial Research (CSIR) is a government-owned organization that does multi-disciplinary research and development for industrial application.

- Technifin, a CSIR subsidiary, finances the commercialization of new technology and products.
- MINTEK develops mining and mineral processing technology for commercial application.
- The Council for Geoscience undertakes geological surveys and services related to minerals exploration. Foreign companies and research organizations can access research done by a specific organization through partnerships and direct contract.

South Africa uses government procurement policies to promote domestic economic development and fight unemployment. South Africa's Preferential Procurement Policy Framework Act of 2000 (the Framework Act) and associated implementing regulations created a legal framework and formula for evaluating tenders for government contracts. Certain provisions of the Act provide a pathway for government departments to issue tenders that favor local content providers. Moreover, in a bid to boost industrialization and to create jobs, the government signed with labor leaders in 2011 the "Local Procurement Accord," which commits the government to increasing the proportion of goods and services procured from South African suppliers to an "aspirational target" of 75 percent.

## **6. Right to Private Ownership and Establishment**

The right to private property is protected under South African law. All foreign and domestic private entities may freely establish, acquire and dispose of commercial interests. The securities regulation code requires an offer to minority shareholders when 30 percent of shareholding has been acquired in a public company with at least ten shareholders and net equity in excess of R5 million.

## **7. Protection of Property Rights**

The South African legal system protects and facilitates the acquisition and disposition of all property rights (e.g., land, buildings, and mortgages). Deeds must be registered at the Deeds Office. Banks usually register mortgages as security when providing finance for the purchase of property.

### ***Intellectual Property***

Owners of patents and trademarks may license them locally, but when a patent license entails the payment of royalties to a non-resident licensor, DTI must approve the royalty agreement. Patents are granted for twenty years - usually with no option to renew. Trademarks are valid for an initial period of ten years, renewable for ten-year periods. The holder of a patent or trademark must pay an annual fee to preserve ownership rights. All agreements relating to payment for the right to use know-how, patents, trademarks, copyrights, or other similar property are subject to approval by exchange control authorities in the SARB. A royalty of up to four percent of the factory selling price is the standard approval for consumer goods. A royalty of up to six percent will be approved for intermediate and finished capital goods.

Literary, musical, and artistic works, as well as cinematographic films and sound recordings are eligible for copyright under the Copyright Act of 1978. New designs may be registered under the Designs Act of 1967, which grants copyrights for five years. The Counterfeit Goods Act of 1997 provides additional protection to owners of trademarks, copyrights, and certain marks under the Merchandise Marks Act of 1941. The Intellectual

Property Laws Amendment Act of 1997 went into force on 1997. It amended the Merchandise Marks Act of 1941, the Performers' Protection Act of 1967, the Patents Act of 1978, the Copyright Act of 1978, the Trademarks Act of 1993, and the Designs Act of 1993 to bring South African intellectual property legislation fully into line with the WTO's Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS). Amendments to the Patents Act of 1978 also brought South Africa into line with TRIPS, to which South Africa became a party in 1999, and implemented the Patent Cooperation Treaty. In August 2012, the Copyright Review Commission (CRC) released a report recommending amending laws to hold Internet Service Providers (ISPs) and Wireless Application Service Providers (WASPs) accountable for copyright violations occurring through the internet and improve royalty collection. In December 2013, President Zuma signed into law a bill amending four pieces of intellectual property legislation to protect indigenous intellectual property. IP experts and rights holders have been concerned the legislation could undermine the ability of existing IP rights holders to protect their rights in court. In 2013, the government released a draft National Intellectual Property Policy that would inform the government's approach to intellectual property and existing laws. The policy recommended South Africa make greater use of TRIPS flexibilities in order to lower the cost of medicines, and ensure the protection of rights reflected in national industrial and public objectives.

For additional information about South Africa's treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>. List of attorney for various South African districts can be found on the U.S. Mission Citizen Services page: [http://southafrica.usembassy.gov/information\\_for\\_travelers.html](http://southafrica.usembassy.gov/information_for_travelers.html). To contact the U.S. Mission Trade and Investment Officer on IP matters please email [USEmbassySA-Business@state.gov](mailto:USEmbassySA-Business@state.gov).

## **8. Transparency of the Regulatory System**

South African laws and registrations are generally published in draft form for stakeholder comment, and legal, regulatory, and accounting systems are generally transparent and consistent with international norms.

South Africa implemented a new Companies Act in 2011, intended to encourage entrepreneurship and employment opportunities by simplifying company registration procedures and reducing the costs for forming new companies. It is also intended to promote innovation and investment in South African markets and companies by providing for a predictable and effective regulatory environment. In the first action against a U.S. company under the new act, South Africa's Competition Appeals Court dismissed in March 2012 an appeal by the South African Government to overturn the Competition Tribunal's approval of a U.S. company's purchase of a majority stake in a South African retailer. The court, however, ordered the South African firm to re-employ 503 workers fired before the merger and commissioned a study to recommend the best means by which South African small and medium sized suppliers could participate in the U.S. company's global value chain.

South Africa's Consumer Protection Act (2008) went into effect in 2011. The legislation reinforces various consumer rights, including right of product choice, right to fair contract terms, and right of product quality. Impact of the legislation will vary by industry, and businesses will need to adjust their operations accordingly. The legislation for the

Consumer Protection Act can be found at:  
[www.dti.gov.za/ccrdlawreview/DraftConsumerProtectionBill.htm](http://www.dti.gov.za/ccrdlawreview/DraftConsumerProtectionBill.htm)  
The implementing regulations can be found at:  
[www.dti.gov.za/ccrd/cpa\\_regulations.htm](http://www.dti.gov.za/ccrd/cpa_regulations.htm).

## **9. Efficient Capital Markets and Portfolio Investment**

South African banks are well capitalized and comply with international banking standards. There are 17 registered banks in South Africa, of which 14 are branches of foreign banks. Four banks - Standard, ABSA, First Rand (FNB), and Nedbank - dominate the sector, accounting for over 80 percent of the country's banking assets, which total over US\$366 billion. However, Capitec Bank is a notable newcomer in the retail banking space. The South African Reserve Bank (SARB) regulates the sector according to the Bank Act of 1990. There are three alternatives for foreign banks to establish local operations, all of which require SARB approval: separate company, branch, or representative office. The criteria for the registration of a foreign bank are the same as for domestic banks. Foreign banks must include additional information, such as holding company approval, a letter of "comfort and understanding" from the holding company, and a letter of no objection from the foreign bank's home regulatory authority. More information on the banking industry may be obtained from the South African Banking Association at the following website: [www.banking.org.za/](http://www.banking.org.za/).

The Financial Services Board (FSB) governs South Africa's non-bank financial services industry (see website: [www.fsb.co.za/](http://www.fsb.co.za/)). The FSB regulates insurance companies, pension funds, unit trusts (i.e., mutual funds), participation bond schemes, portfolio management, and the financial markets. The JSE Securities Exchange SA (JSE) is the seventeenth largest exchange in the world measured by market capitalization. Market capitalization stood at R11.036 billion (US\$1.007 billion) in February 2014, with over 380 firms listed. The Bond Exchange of South Africa (BESA) is licensed under the Financial Markets Control Act. Membership includes banks, insurers, investors, stockbrokers, and independent intermediaries. The exchange consists principally of bonds issued by government, state-owned enterprises, and private corporations. The JSE acquired BESA in 2009. More information on financial markets may be obtained from the JSE (website: [www.jse.co.za](http://www.jse.co.za)). Non-residents are allowed to finance 100 percent of their investment through local borrowing (previously, they were required to invest R1 for every R3 borrowed locally). A finance ratio of 1:1 also applies to emigrants, the acquisition of residential properties by non-residents, and financial transactions such as portfolio investments, securities lending and hedging by non-residents.

## **10. Competition from State-Owned Enterprises**

State-owned enterprises (SOE) play a significant role in the South African economy. In key sectors such as electricity, transport (air, rail and freight), and telecommunications, SOEs play a lead role, often defined by law, although limited competition is allowed in some sectors (i.e., telecommunications and air). The government's interest in these sectors often competes with and discourages foreign investment. The Department of Public Enterprises (DPE) Minister, Malusi Gigaba, has publicly stated that South Africa's SOEs should advance economic transformation, industrialization and import substitution. DPE has oversight responsibility in full or in part for eight of the approximately 300 SOEs that exist at the national, provincial and local levels: Alexcor (diamonds); Broadband

Infraco (fiber optic cable); Denel (military equipment); Eskom (electricity generation); South African Airways (SAA); South African Express; South African Forestry Company (SAFCOL) (forestry) and Transnet (transportation). These eight SOEs employ approximately 118,000 people. South Africa's overall fixed investment was 19 percent of GDP. The SOEs share of the investment was 21 percent while private enterprise contributed 63 percent (government spending made up the remainder of 16%). The IMF estimates that the debt of the SOEs would add 13.5% to the overall national debt.

The state-owned electricity monopoly Eskom generates approximately 95 percent of the electricity used in South Africa. Coal-fired power stations generate approximately 93 percent of Eskom's electricity. Eskom's core business activities are generation, transmission, trading and distribution. South Africa's electricity system operates under strain due largely to insufficient base load generation capacity. The electricity grid's capacity reserve margins frequently fall under five percent, well below international norms. Since November 2013, Eskom has periodically declared "electricity emergencies," and asked major industrial users reduce consumption by ten percent for specified periods (usually one to two days). To meet rising electricity demand, Eskom is building new power stations (including two of the world's largest coal-fired power stations) and power lines. It plans to double electricity generation capacity to 80 000MW by 2026. Eskom and independent industry analysts anticipate South Africa's electricity grid will remain constrained for at least the next two years. Standard and Poor's rates Eskom as BBB- with a Fair business risk and highly leveraged financial risk.

In February 2012, President Jacob Zuma announced a major infrastructure investment strategy to address South Africa's unemployment and infrastructure needs. The Presidential Infrastructure Coordinating Commission (PICC) adopted the Infrastructure Plan, which outlines 17 Strategic Integrated Projects (SIPs) worth \$384 billion over a 20-year period. The SIPs are comprised of more than 150 individual projects spread throughout South Africa's nine provinces. The PICC's plan is separate from another major infrastructure initiative, Transnet's Market Demand Strategy (MDS), announced in April 2012. MDS will channel more than \$33.9 billion into port and rail infrastructure upgrades.

Transnet National Port Authority (TNPA), the monopoly responsible for South Africa's ports, charges the highest shipping fees in the world. In March 2014, Transnet announced an average overall tariff increase of 8.5 percent at its ports to finance a \$240 million modernization effort. High tariffs on containers subsidize bulk shipments of coal and iron ore, thereby favoring the export of raw materials over finished ones. According to the South African Ports Regulator, raw materials exporters paid as much as one quarter less than exporters of finished products. Transnet is a state-owned company that manages the country's port, rail and pipeline networks. Standard and Poor's rates Transnet as BBB- with a Strong business risk and significant financial risk.

Direct aviation links between the United States and Africa are limited, but have expanded over the past few years. The growth of low-cost carriers in South Africa has reduced domestic airfares, but private carriers are likely to struggle against national carriers without further air liberalization in the region and in Africa. In South Africa, the state-owned carrier, South African Airways (SAA), relies on the government for financial assistance to stay afloat. SAA dominates the southern Africa regional market, but faces competition from regional airlines such as Emirates. SAA has had losses exceeding US\$1.6 over the past 10 years. They have also instituted nine turnaround plans within

the same time. Their CEOs are replaced approximately once a year. SAA bases many of its international routes on political rather than economic criteria. One of SAA's primary goals to cut costs is to replace its aging wide-bodied long haul fleet (currently A340-600s). Cost constraints and a chaotic tendering process have caused delays. In September 2013, the wide-body tender was cancelled without notice. In February 2014, Minister Gigaba stated he cancelled the tender because there was not enough localization of content. The next tender is currently scheduled to be released in October 2014.

While government efforts to liberalize the telecommunications sector and encourage competition have improved, regulatory uncertainty and fragmented competition have hampered growth. Key challenges include: strengthening the capacity of the sector regulator, the Independent Communications Authority of South Africa (ICASA), to implement a spectrum auction; ensuring digital migration remains on track; stabilizing the Department of Communication's state-owned companies, including Telkom (national telephone operator), the South African Broadcasting Company (SABC), and Sentech (signals provider); and improving broadband penetration. ICASA falls under the Department of Communications.

South Africa's telecommunications priority is effecting the migration from analogue to digital broadcasting. This will significantly improve South Africa's broadcast capabilities as frequencies occupied by analogue will become available for next-generation mobile broadband networks. Progress has been sporadic, however, leaving industry concerned South Africa will miss the global deadline of June 2015. With five ministers since 2006, leadership stability in the Department of Communications has been one obstacle. Industry insiders also argue the Department of Communications lacks personnel who understand the digital migration process or regulating the sector. Meanwhile, technology reviews and legal challenges hamper ICASA's ability to regulate. For example, in March 2014, the High Court struck down a decrease in mobile termination rates (MTR) ICASA tried to impose on the two largest mobile carriers in South Africa—Vodacom and MTN (although the court struck down the ruling, they allowed ICASA to impose the rate reductions).

## **11. Corporate Social Responsibility**

Corporate Social Responsibility (CSR), or Corporate Social Investment (CSI) as it is more commonly referred to locally, is well-developed in South Africa, and is driven in part by the recognition that the private sector has an important role to play. The socio-economic development element of B-BBEE has formalized and increased CSR in South Africa, as firms have largely aligned their CSR activities to the element's performance requirements. The 2013 amendment's compliance target is one percent of net profit after tax, and at least 75 percent of the CSR activity must benefit historically disadvantaged South Africans referred to the B-BBEE act as black people, which includes South Africans of black, colored, Chinese and Indian descent. Most CSR is directed towards non-profit organizations involved in education, social and community development, and health.

## **12. Political Violence**

Political violence is a growing problem in South Africa. Political rallies occasionally result in violent confrontations between rival parties. An increasing trend of politically-

motivated killings has plagued KwaZulu-Natal Province since 2011. More than 60 members of the African National Congress, the Inkatha Freedom Party (IFP), and National Freedom Party (NFP) have been killed in politically-linked violence since 2011. Although a fluctuating level of violence is not new in KZN—and usually pickup in the run up to elections—the killings result primarily from intra-party conflict and are targeted against ward leaders. Competition for power and economic gain in KZN is at the root cause of political violence. South Africa's Independent Electoral Commission, as well as a number of local and national law enforcement agencies are working together to ensure that the 2014 local and national elections are free and fair. There were a number of violent strikes in 2013, including among gold and platinum miners. (see labor section)

### **13. Corruption**

Allegations of corruption in the public tendering process persist in South Africa at all levels of government, despite the country's excellent anti-corruption regulatory framework, as highlighted by the Prevention and Combating of Corrupt Activities Act of 2004. The office of the Public Protector, among other agencies, is tasked with conducting independent investigations into allegations of official corruption, and is widely respected for its effectiveness and impartiality. The Public Protector conducted an extended investigation into public spending on President Zuma's private residence in Nkandla, KwaZulu-Natal, which has increased the public dialogue around corruption. The governing African National Congress and opposition parties have all made fighting corruption a primary campaign platform in the run-up to the May 2014 national and provincial elections.

### **14. Bilateral Investment Agreements**

South Africa had bilateral investment treaties (BITs) with 41 countries, including Argentina, Austria, Belgium and Luxemburg, Canada, Chile, the Czech Republic, Finland, France, Germany, Greece, Mauritius, the Netherlands, the Republic of Korea, Spain, Sweden, Switzerland, Turkey, and the United Kingdom. After a two-year review of BITs, the DTI determined in 2012 that "first generation" BITs, an estimated 30 agreements mostly with EU states, exposed South Africa unnecessarily to international arbitration or created domestic policy conflicts, and should be terminated. South Africa may adopt a new BIT model for the future that exempts investor-state dispute and expropriation provisions, and facilitates the government's economic transformation goals including Broad-based Black Economic Empowerment (B-BBEE). South Africa has allowed the BITs of Netherlands, Spain, Luxembourg and Belgium and Germany to expire. Article 52 of the 1999 EU-South Africa Trade, Development, and Cooperation Agreement covers investment promotion and protection.

The United States and South Africa signed a Trade and Investment Framework Agreement (TIFA) in 1999. TIFA discussions were renewed in 2011, and the agreement was updated in 2012. The United States and the South African Customs Union negotiated in 2008 a Trade, Investment and Development Cooperation Agreement (TIDCA) that South African participates in. The U.S.-South Africa bilateral tax treaty eliminating double taxation entered into force in 1998.

### **15. OPIC and Other Investment Insurance Programs**

Since a 1993 agreement to facilitate Overseas Private Investment Corporation (OPIC) programs, OPIC has invested in a number of funds supporting sub-Saharan Africa development, including the Africa Catalyst Fund (\$300 million focused on small- and medium-sized enterprise development), Africa Healthcare Fund (\$100 million focused on private healthcare delivery businesses, and ECP Africa Fund II, (\$523 million, focused on telecommunications, oil and gas, power, transportation, agribusiness, media, financial services and manufacturing). Tailored products to support clean and renewable energy are a particular focus. OPIC opened an office in Johannesburg in 2013 to support investment to key African countries through its financing and risk mitigation instruments. Additional information on OPIC programs that involve South Africa may be found on OPIC's website: <http://www.opic.gov>.

## **16. Labor**

Over the last 20 years, the South African government has replaced apartheid-era labor legislation with policies that emphasize employment security, fair wages, and decent working conditions. Under the aegis of the National Economic Development and Labor Council (NEDLAC), government, business and organized labor negotiate all labor laws, with the exception of laws pertaining to occupational health and safety. The law allows workers to form or join trade unions without previous authorization or excessive requirements. Labor unions that meet a locally negotiated minimum threshold of representation (often 50 percent plus one union member) are entitled to represent the entire workplace in negotiations with management. As the majority union or representative union, they may also extract agency fees from non-union members and any minority unions also present in the workplace. In some workplaces, this financial incentive has encouraged inter-union rivalries, including intimidation, as unions compete for the maximum share of employees in seeking the status of representative union. There were 191 trade unions registered in 2013. Trade union membership figures are imprecise but according to the 2013 Fourth Quarter Labor Force Survey, 3.7 million workers belonged to a union, 28.6 percent of the formal sector. Union membership grew by 1.3 percentage points, or 46,000 people, from the previous year.

The right to strike is protected under South African law. There were 5.2 million working days lost in 2013 as compared to 3.5 million in 2012, according to the December 2013 Andrew Levy Quarterly Wage Settlement Survey. About 244 working days were lost to work stoppages per 1,000 working South Africans in 2012, compared to 208 in 2011. The mining industry endured 82.4 percent of all days lost, by far the most of any sector. In 2012, employees lost approximately R6.666 billion in wages due to participation in work stoppages, compared to R1.073 billion in 2011. Data from the Department of Labor indicates the bulk, or 38.5 percent, of strikes in 2012 lasted between 6 to 10 days, down almost 14 percentage points from the previous year.

This past year, there were a number of economically impactful strikes, particularly in the automotive sector. Although the emergence in 2012 of wildcat and illegal strikes in the mining sector ebbed, platinum mines remained vulnerable to large-scale strikes in 2013. Improved labor stability is essential for South Africa's economic stability and development, and vital to the country's ability to continue to attract and retain foreign investment. Government, business, and labor are attempting to address these challenges by implementing the Framework Agreement for a Sustainable Mining Industry in 2013.

***Major labor legislation includes:***

The Labor Relations Act, in effect since 1995 with amendments pending in 2014, provides fair dismissal guidelines, dispute resolution mechanisms, and retrenchment guidelines stating employers must consider alternatives to retrenchment and must consult all relevant parties when considering possible layoffs. The Act enshrines the right of workers to strike and of management to lock out striking workers. The Act created the Commission on Conciliation, Mediation, and Arbitration (CCMA) which can conciliate, mediate, and arbitrate in cases of labor dispute, and is required to certify an impasse in bargaining council negotiation before a strike can be called legally. The CCMA's caseload currently exceeds what was anticipated. Revisions seek to close a loophole in current legislation regarding the definition of employers and employees in the South African legal system. Amendments to the LRA deal with the regulation of temporary employment service firms, extend organizational rights to workplaces with a majority of temporary or fixed term contract workers, reduces the maximum period of temporary or fixed term contract employment to three months, establishes joint liability by temporary employment services and their clients for contraventions of employment law, and strengthens other protections for temporary or contract workers.

The Basic Conditions of Employment Act, implemented in 1997, establishes a 45-hour workweek and minimum standards for overtime pay, annual leave, sick leave and notice of termination. The Act also outlaws child labor. Further, it states that no employer may require or permit overtime except by agreement, and overtime may not be more than ten hours per week. Amendments to the Act, pending in 2014, will clarify the definitions of employment, employers, and employees to reflect international labor conventions. The revised Act will give the Minister of Labor the power to set minimum wages and annual minimum wage increases for employees not covered by sectoral minimum wage agreements.

The Employment Equity Act of 1998 prohibits employment discrimination and requires large- and medium-sized companies to prepare employment equity plans to ensure that historically disadvantaged South Africans, such as blacks, South Asians, and colored men, as well as women and disabled persons are adequately represented in the workforce. The Employment Equity Act amendments will increase fines for non-compliance with employment equity measures and have a new provision of equal pay for work of equal value. The new Act will prohibit the use of foreign nationals to meet employers' affirmative action targets, and relaxes the standards for parties in labor disputes to access the Commission for Conciliation, Mediation and Arbitration instead of the Labor Court.

The Occupational Health and Safety Act, last amended in 1993, provides for occupational health and safety standards and gives the Department of Labor the right to inspect the workplace. The Mine, Health and Safety Act authorizes the Inspector of Mines to provide regulatory oversight for the mining industry.

The Skills Development Act of 1998 imposes an annual levy on employers equal to one percent of the payroll that is to be used for training programs devised by industry-specific training authorities (SETAs). Many groups, including organized business, question the effectiveness of SETAs. This concern has been magnified due to recent proposals to double the annual levy.

The most recent Quarterly Labor Force Survey (LFS) published in February 2014 listed the official unemployment rate at 24.1 percent. The LFS defines unemployment to

exclude persons who have not actively sought employment during the previous four weeks. The unemployment rate increases to 34 percent if 2.2 million discouraged job seekers are included. Many unemployed people have never worked. Despite the high unemployment rate, South Africa has a shortage of skilled workers across many sectors.

South Africa has no country-wide minimum wage, but the Minister of Labor has issued determinations that set a minimum wage for certain occupations where collective bargaining is not common. These occupations include domestic workers, farm workers, and taxi drivers. More information regarding South African labor legislation can be found at: [www.labour.gov.za/legislation](http://www.labour.gov.za/legislation).

## **17. Foreign Trade Zones/Free Ports**

South Africa designated its first Industrial Development Zone (IDZ) in 2001. IDZs offer duty-free import of production-related materials and zero VAT on materials sourced from South Africa, along with the right to sell in South Africa upon payment of normal import duties on finished goods. Expedited services and other logistical arrangements may be provided for small to medium-sized enterprises, or for new foreign direct investment. Co-funding for infrastructure development is available from DTI. There are no exemptions from other laws or regulations, such as environmental and labor laws. The Manufacturing Development Board licenses IDZ enterprises in collaboration with the South African Revenue Service (SARS), which handles IDZ customs matters. IDZ operators may be public, private, or a combination of both. IDZs are currently located at Coega near Port Elizabeth, in East London and Richards Bay. In February 2014, the Department of Trade and Industry introduced a new Special Economic Zones (SEZs) bill focused on industrial development. The SEZs were intended to encompass the IDZs but also provide scope for economic activity beyond export-driven industry to include innovation centers and regional development. The broader SEZ incentives strategy allows for 15% Corporate Tax as opposed to the current 28%, Building Tax Allowance, Employment Tax Incentive, Customs Controlled Area (VAT exemption and duty free) and Accelerated 12i Tax Allowance.

## **18. Foreign Direct Investment Statistics**

Foreign direct investment (FDI) data is available in South Africa. The U.S. Embassy relies on the U.S. Department of Commerce and SARB for foreign investment data. SARB statistics conform to the IMF definition of FDI (i.e., ownership of at least 10 percent of the voting rights in an organization by a foreign resident or several affiliated foreign residents, including equity capital, reinvested earnings, and long-term loan capital) and represent actual investment to exclude announced but not completed "intended" investment. The SARB does not provide country-specific figures that distinguish between investment flows and changes in investment stocks from asset swaps, exchange rate adjustments, or mergers and acquisitions.

SARB statistics can be found at: [www.reservebank.co.za](http://www.reservebank.co.za) – Publications – Quarterly Reports.

U.S. Companies with investment in South Africa of at least R 10 million (US\$1.4 million) include: Amazon, Amonix, Caltex, Caterpillar, Chevron, Coca-Cola, Corning, Cisco, CitiGroup, CSX, Dell, Dow Chemical, Eastman, Eli Lilly, First Solar, Ford, Forest Oil, Fluor, General Electric, General Motors, Goodyear, Honeywell, HP, IBM, Johnson &

Johnson, Joy Global, Kimberly-Clark, Levi Strauss, McDonald's, Microsoft, Nike, Pioneer Energy, Proctor & Gamble, Sara Lee, Silicon Graphics, Solar Reserve, Timken, Walmart, Westinghouse, Sun Edison and Whirlpool.

The following FDI statistics were drawn from the SARB's March 2014 Quarterly Bulletin. The conversion exchange rate used was the average exchange rate for each year cited. There was no update for 2013 figures.

Year	2007	2008	2009	2010	2011	2012
Rand/USD	7.05	8.25	8.43	7.32	7.30	8.21

	2006	2007	2008	2009	2010	2011	2012
Rand (billion)	611.72	751.92	632.61	866.66	1015.5	1297.9	1390.02
USD (billion)	90.49	106.66	76.68	102.81	138.7	177.8	169.3

REGION/COUNTRY	2010	2011	2012	2010	2011	2012
CURRENCY(billion)	Rand	Rand	Rand	USD	USD	USD
EUROPE - Total	850.03	1015.32	1085.5	116.12	139.1	132.22
N/S America (excl USA)	10.74	30.90	33.32	1.47	4.23	4.06
USA	62.73	98.62	99.56	8.57	13.51	12.13
AFRICA	6.5	43.69	42.67	.89	5.98	5.19
ASIA	83.88	98.12	115.92	11.46	13.44	14.12
OCEANIA	1.53	10.78	12.60		1.48	1.53
TOTAL	1015.52	1297.43	1389.57	138.73	177.8	169.3

2005	2006	2007	2008	2009	2010
6.65094	-0.5325	5.68794	9.01818	5.39383	1.22814

#### 19. Point of Contact

[USEmbassySA-Business@state.gov](mailto:USEmbassySA-Business@state.gov)

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## Chapter 7: Trade and Project Financing

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### How Do I Get Paid? (Methods of Payments)

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South African importers utilize most of the standard payment methods available in international commerce. The most commonly used are:

- **Cash in Advance:** the buyer pays for goods in advance and money is transferred from the buyer's account to the seller's account in the currency of the Pro Forma Invoice. (Lowest Risk).
- **Letters of Credit (LC), also known as Commercial or Documentary Credits:** this form protects both buyer and seller against non-payment and is issued by a bank on behalf of an importer in favor of a beneficiary, typically the exporter.
- **Irrevocable LC:** if the exporter is concerned about the reliability of the importer only, he/she should use an irrevocable LC.
- **Confirmed irrevocable credit:** if the exporter is also concerned about the standing of the issuing bank and/or the standing of the importer's country, he/she should use a confirmed irrevocable credit.

Other methods of payment include the following:

- **Bank Collections and Bills of Exchange:** whereby the exporter initiates through the banking system the collection of money owed to him by the buyer (Medium Risk).
- **Open Account:** the seller relies entirely on the buyer/importer to make payment as stipulated under a contract of sale, usually after a part of the consignment has been sold (High Risk).
- **Sales on Consignment:** the seller sends goods prior to payment, but retains ownership of the goods until the buyer sells the goods to the end-user. The buyer is then expected to pay for the goods (Highest Risk).

For most payment processes, two reliable methods are used: Telegraphic Transfers (TT's) or S.W.I.F.T. (Society for Worldwide Interbank Financial Telecommunication).

In South Africa, all credits issued are subject to exchange control regulations, and in limited cases, a South African import permit. South African exchange control regulations stipulate that payment of imports may be effected only by authorized banks against submission by their customers of documentary proof that the goods were imported into South Africa as evidenced by invoices and shipping documents stamped by South African Customs. An exception is, inter alia, when South African banks have opened documentary import letters of credit in favor of foreign exporters. Payment in those instances may be effected against presentation by the exporter of invoices and shipping documents to the foreign negotiating bank before the goods have arrived in South Africa (but after they have left the United States). If credit is available, payment will take place upon presentation of documents.

American exporters should offer quotations based on the f.o.b. value at the port of export. As a general rule, such quotations should also include a statement of the actual charges for freight and insurance plus any additional charges to the port of delivery. Quotations are usually in terms of the currency of the country of origin.

The terms of payment for imported goods vary according to the type of buyer and the buyer's access to capital. Large organizations such as the government or mining companies tend to transact business on a sight-draft basis, while small companies tend to operate on documents against acceptable terms.

Payment between 80 and 120 days after acceptance is most common, but terms may vary between 30 and 180 days. For larger orders of capital equipment, longer terms are often required. It is advisable to ship on a letter of credit, sight letter of credit, or 30-day letter of credit basis that the importer can use as a negotiating instrument to expedite the payment transfer. The payment transfer can be affected within 24 to 48 hours after the importer presents a valid import permit and proper documents to his or her bank.

## **How Does the Banking System Operate**

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The Basel 3 framework was implemented in South Africa in January 2013 and is scheduled to continue until 2018.

Despite recent ratings downgrades, South Africa still has a well-developed banking system which resembles Britain's system rather than that of the United States. It consists of three key elements:

- The South African Reserve Bank (the country's central bank),
- Private sector banks (commercial banks, merchant banks, and general banks), and
- Mutual banks.
- 

The South African banking system weathered the recent global financial crisis relatively well, and remains relatively stable and the South African Reserve Bank reported that banks were adequately capitalized.

South African banks hold the first six places among the top 100 banks on the African continent. Four large banks dominate, with Standard Bank of South Africa, Nedcor, ABSA (Amalgamated Bank of South Africa, now owned by Barclays PLC), and

FirstRand Bank collectively accounting for around 85% of banking services in South Africa. New banking entities, Capitec and African Bank have made significant inroads into the unbanked and entry-level banking segment. In total, there are approximately 70 foreign banks operating in South Africa, either via representative offices, branches, subsidiaries or joint ventures with local companies. These are listed here:

<http://www.resbank.co.za/RegulationAndSupervision/BankSupervision/Pages/SouthAfricaRegisteredBanksAndRepresentativeOffices.aspx>

International banks in the country have focused on offshore lending (where they have a competitive advantage as a result of their low overheads and their ability to raise funds at comparatively favorable rates), as well as treasury activities for corporate clients and government.

All banks offer a comprehensive range of products and services through extensive branch and electronic banking infrastructures, serve a wide customer base, and have the characteristics of universal banks.

Based on population numbers, South Africa does not appear to be “over-banked,” as one branch exists for approximately every 9,500 persons. However, a large portion of the population does not have access to normal banking services and uses only a few products. Many Black South Africans tend to save outside the formal banking sectors, and choose to save in cooperative savings institutions called “stokvels.” Excluding the non-banked segment of the population, it is estimated that there is one branch for every 3,200 persons. Electronic banking has become commonplace. The banking sector is overshadowed by the four largest retail banks that set cost and service standards. Attempts by authorities to make the banking sector more cost-effective and service orientated, especially to new entry-level clients, have met with limited success.

## **Foreign- Exchange Controls**

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The Exchange Control Department at the South African Reserve Bank (SARB) administers a foreign exchange policy that has been progressively relaxed over recent years. Authorized foreign exchange dealers, normally one of the large commercial banks, must handle all international commercial transactions and report every purchase of foreign exchange, irrespective of the amount, received by South African residents and companies. In practice, there are only limited delays in the conversion and transfer of funds.

All inquiries regarding exchange controls should be directed to an authorized foreign exchange dealer, who will, if required, refer the matter to the Exchange Control Department of the SARB. For more information and a list of authorized dealers in foreign exchange, please refer to:

<http://www.resbank.co.za/RegulationAndSupervision/FinancialSurveillanceAndExchangeControl/ExconAdmin/Pages/default.aspx>

South African Reserve Bank (SARB)  
Mr. Elijah Mazibuko  
Head, Exchange Control Department  
Tel: +27 (0)12 313 3911; Fax: +27 (0)12 313 3133

When South African authorized dealers of foreign exchange open documentary import

letters of credit in favor of foreign exporters, payment is effected against presentation by the exporters of invoices and shipping documents to the foreign negotiating bank prior to the arrival of goods in South Africa.

Foreign exchange may also be provided on a cash-with-order basis to cover the cost of permissible imports up to an amount of R50,000 but authorized dealers must satisfy themselves by the subsequent production of the usual documentary evidence that the exchange provided has been used for the purposes stated and that the goods have been imported into the country. Prior Exchange Control approval is required for amounts exceeding R50 000.

Foreign Exchange regulations are detailed here:

<http://www.resbank.co.za/RegulationAndSupervision/FinancialSurveillanceAndExchangeControl/EXCMan/Pages/TableOfContents.aspx>

## **U.S. Banks and Local Correspondence Banks**

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### **U.S. Banks with representative offices in South Africa:**

Bank of New York Mellon

Merrill Lynch Bank of America (pending)

### **U.S. Banks with registered offices in South Africa:**

JP Morgan

Citibank

### **Banks in South Africa with Correspondent Worldwide Banking Arrangements:**

ABSA (with Chemical Bank)

First National Bank

Nedbank (with Bankers Trust, Chase Manhattan, Chemical Bank, Citibank, and Morgan Guarantee Trust)

Bank of Taiwan (South Africa) Limited

FirstRand Bank Limited

First National Bank of Southern Africa Limited

Mercantile Bank

HSBC

International Bank of Southern Africa - S.F.O.M. Limited

Investec Bank Limited

Rand Merchant Bank Limited

Societe Generale South Africa Limited

Standard Merchant Bank Limited

The South African Bank of Athens Limited

The Standard Bank of South Africa, Ltd.

For a current listing of all South African Reserve Bank registered banks, see:

<http://www.resbank.co.za/Publications/Guides/Documents/Financial%20corporate%20sector.pdf>

## **Project Financing**

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Much of the SA Government's impressive capital infrastructure investment drive is being

financed by the Government and the larger state-owned enterprises (Transnet, Eskom, ACSA, TCTA), although a sizeable portion has also been funded by the private sector in the form of public private partnerships (PPP). South Africa was an early pioneer of PPPs, embracing, for example, the use of toll roads to upgrade and maintain the national road systems as early as 1997, and building the first two private prisons in South Africa in 2000-01. Since then, there has been a downturn in PPP projects, but renewed fiscal pressures may see closer cooperation with private funders and operators.

National or provincial governments will generally publish tenders, requiring consortia to respond to PPP-type projects. This is different from normal infrastructure tenders in that all the funding is privately raised. The concessionaire will usually be required to build and operate the infrastructure for an extended period of time, taking the risks and rewards that go along with such an endeavor.

Project finance in South Africa generally exhibits the following characteristics:

- Long-term tenders, to match the underlying concession contract with government.
- Limited recourse, meaning that the lender takes on the project risk.
- Involvement of more than one bank, owing to the large amounts of debt.
- Very high gearing as infrastructure is a low-risk asset class, and there is usually no or very limited market risk being taken by the funders. This results in lower shareholder equity requirements.

Most of the current deals in the PPP sector involve building and operating the project; the most profiled recent example is the now commissioned Gautrain high-speed passenger rail connection between Johannesburg, Pretoria and OR Tambo International Airport.

The Government has a dedicated PPP unit in the National Treasury, whose task it is to oversee new and existing projects. Their website, <http://www.ppp.gov.za/Pages/default.aspx>, gives further details around PPPs.

A current list of PPP projects appears here: <http://www.ppp.gov.za/Lists/PPP%20Project%20List%20Master/Master%20Project%20List.aspx>

The five big emerging economies of Brazil, Russia, China, India and South Africa (Brics) have in principle agreed to create a Brics development bank. The bank would fund infrastructure and development projects throughout the developing nations. Details on the location and structure of the bank remain to be worked out.

## **Sources of Project Financing in South Africa**

### **U.S. Trade and Development Agency (TDA)**

The U.S. Trade and Development Agency promotes economic development in developing countries by funding feasibility studies, consultants, training programs, and other project planning services. In Africa, TDA assists U.S. firms by identifying major development projects that offer large export potential and by funding U.S. private sector involvement in project planning. This, in turn, helps position U.S. firms for follow-on activities during the implementation phase of the project. For more information contact:

Mr. Jason Nagy, Country Manager  
Tel: +27 (0)11 290-3084  
Email: [jnagy@ustda.gov](mailto:jnagy@ustda.gov)  
Website: <http://www.tda.gov/>

### **Export-Import Bank**

Ex-Im is an independent U.S. Government agency that helps finance the overseas sales of U.S. goods and services. In over 70 years, Ex-Im Bank has supported more than R3.86 trillion in U.S. exports. Ex-Im Bank's mission is to create jobs through exports. The Bank provides guarantees of working capital loans for U.S. exporters, guarantees the repayment of loans or makes loans to foreign purchasers of U.S. goods and services. Ex-Im Bank also provides credit insurance that protects U.S. exporters against the risks of non-payment by foreign buyers for political or commercial reasons. Ex-Im Bank does not compete with commercial lenders, but assumes the risks they cannot accept. It must always conclude that there is reasonable assurance of repayment on every transaction financed. To qualify for Ex-Im Bank support, the product or service must have significant U.S. content and must not affect the U.S. economy adversely. Ex-Im Bank supports the sale of U.S. exports worldwide, and will support the financing of the export of any type of goods or services, including commodities, as long as they are not military-related. For more information, please visit <http://www.exim.gov>

### **Overseas Private Investment Corporation (OPIC)**

OPIC is the U.S. Government's development finance institution. It mobilizes private capital to help solve critical development challenges and in doing so, advances U.S. foreign policy. Because OPIC works with the U.S. private sector, it helps U.S. businesses gain footholds in emerging markets, catalyzing revenues, jobs and growth opportunities both at home and abroad. OPIC achieves its mission by providing investors with financing, guarantees, political risk insurance, and support for private equity investment funds.

OPIC now has an office in South Africa. For additional information contact:

Mr. Peter Ballinger  
Tel: +27 (0)11 290-3000  
Email: [Peter.Ballinger@opic.gov](mailto:Peter.Ballinger@opic.gov)  
Website: <http://www.opic.gov/>

### **Development Bank of Southern Africa (DBSA)**

The DBSA is one of five existing development finance institutions in South Africa and has a mandate to accelerate sustainable socio-economic development in the region by funding physical, social and economic infrastructure. For additional information contact:

CEO: Mr. Patrick Dlamini  
Tel: +27 (0)11- 313-3516; Fax: +27 (0)11-206-3516  
Email: [lorraineL@dbsa.org](mailto:lorraineL@dbsa.org)  
Website: <http://www.dbsa.org>

### **Industrial Development Corporation of South Africa, Ltd (IDC)**

The IDC is a state-owned financial institution offering an extensive range of financing facilities to private sector entrepreneurs engaged in manufacturing industries in South

Africa. Its mission is to assist in the financing of new and existing private sector enterprises so that industrial development takes place in South Africa according to sound business principles.

CEO: Mr. Geoffrey Qhena  
Tel: +27 (0)11-269-3000; Fax: +27 (0)11-269-3113  
Email: [geoffreyq@idc.co.za](mailto:geoffreyq@idc.co.za)  
Website: <http://www.idc.co.za>

### **Small Business Development in South Africa**

The United States Agency for International Development (USAID) is the U.S. Government agency responsible for development assistance. USAID assists government and non-government institutions in South Africa to contribute to the political, social, and economic empowerment. It has two programs that help with small business development in South Africa.

- The Southern Africa Trade Hub (SATH)

SATH is a USAID funded grant program that seeks to increase international competitiveness, intra-regional trade and food security in the Southern Africa Development Community (SADC) region. SATH will realize this through supporting progress on the SADC regional integration agenda and increasing the trade capacity of regional value chains in selected sectors.

Website: <http://www.satradehub.org/grants-program/usaids-southern-africa-trade-hub-is-accepting-grant-concept-applications>

- South African Supplier Diversity Council (SASDC - previously South African International Business Linkages SAIBL).

SASDC is a USAID supported supplier diversity program aimed at assisting products and services from previously under-used South African suppliers. This process helps to sustainably and progressively transform a corporation's supply chain to reflect the demographics of the society in which it operates. In South Africa, it involves the process of integrating a growing pool of competitive black suppliers into corporate supply chains, using targeted procurement and enterprise development to achieve this.

Website: <http://www.sasdc.org.za/>

Please contact USAID for additional information on its programs at:  
United States Agency for International Development - South Africa  
Tel: +27 (0)12-452-2000; Fax: +27 (0)1- 460-3177  
Website: <http://sa.usaid.gov/>

### **Enterprise Development in Southern Africa**

The Southern African Enterprise Development Fund (SAFEDF), a R965 million USAID-sponsored project supports small-to-medium-sized enterprises throughout South Africa. For additional information on the SAFEDF, please visit the website at: <http://www.saedf.org.za/>.

The Entrepreneurship Development Unit of the University of the Western Cape also provides information on small business development in South Africa:  
Entrepreneurship Development Unit

Department of Management  
Head of Department: Mr. Goosain Solomon  
University of the Western Cape  
Tel: +27 (0)21-959-2595; Fax: +27 (0)12-959-3219  
Website: <http://www.uwc.ac.za/ems/man/edu.htm>

### **Multilateral Development Banks**

The African Development Bank Group  
The African Development Bank Group (AfDB), headquartered in Abidjan, Côte d'Ivoire, is an international financial institution created in 1964 to promote the economic and social development of member African countries. Due to the current situation in the host country, the AfDB has temporarily relocated to Tunis, Tunisia, until the political situation has normalized in Côte d'Ivoire. The Bank Group covers Africa exclusively, with its lending operations and non-lending development activities all centered on Africa. Additional information about the African Development Bank Group can be found on the Internet at <http://www.afdb.org>.

African Development Bank Group (Temporary Relocation to Tunis)  
Tel: (+216) 71 10 39 00 Fax: (+216) 71 35 19 33  
E-mail: [afdb@afdb.org](mailto:afdb@afdb.org)  
Website: <http://www.afdb.org>

### **The World Bank Group**

South Africa was a founding member of the International Bank for Reconstruction and Development (IBRD) in 1944. It joined the International Development Association (IDA) in 1960, the International Finance Corporation (IFC) in 1957, and the Multilateral Investment Guarantee Agency (MIGA) in 1994. Additional information is available on the Internet at <http://www.worldbank.org>  
Or contact:

- World Bank Resident Mission in South Africa/IBRD Section

Chief of Mission: Ms. Ruth Kagia  
Tel: +27 (0)12- 742-3105; Fax: +27 (0)12-742-3135  
Email: [plampsey@worldbank.org](mailto:plampsey@worldbank.org)  
Website: <http://www.worldbank.org/za>

- IFC Section (International Finance Corporation)

Tel: +27 (0)11-731-3000; Fax: +27 (0)11-268-0074  
Country Manager: Mr. Salix Karimjee  
Email: [skarimjee@ifc.org](mailto:skarimjee@ifc.org)  
Website: <http://www.ifc.org>

- U.S. Commercial Service Liaison Office at the World Bank

Mr. David Fulton  
Advisor & Director of U.S. Business Liaisons  
Office of the U.S. Executive Director  
U.S. Trade Advocacy Center  
Bank E-mail: [world.bank@mail.doc.gov](mailto:world.bank@mail.doc.gov)  
Commerce E-mail: [David.Fulton@trade.gov](mailto:David.Fulton@trade.gov)  
Phone: (202) 458-0120  
Fax: (202) 477-2967

Website: <http://www.buyusa.gov/worldbank/>

## Web Resources

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African Development Bank Group

Website: <http://www.afdb.org/>

Ex-Im Country Limitation Schedule

Website: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

Development Bank of Southern Africa

Website: <http://www.dbsa.org>

Entrepreneurship Development Unit of the University of the Western Cape

Website: <http://www.uwc.ac.za/ems/man/edu.htm>

Export-Import Bank of the United States

Website: <http://www.exim.gov>

Country Limitation Schedule:

Website: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

Industrial Development Corporation of South Africa, Ltd

Website: <http://www.idc.co.za>

OPIC

Website: <http://www.opic.gov>

SBA's Office of International Trade

Website: <http://www.sba.gov/oit>

South African Association of Freight Forwarders

Website: <http://www.saaff.org.za>

South African Reserve Bank

Website: <http://www.reservebank.co.za>

Southern African Enterprise Development Fund

Website: <http://www.saedf.org.za>

The World Bank

Website: <http://www.worldbank.org>

Trade and Development Agency

Website: <http://www.ustda.gov>

USDA Commodity Credit Corporation

Website: <http://www.fsa.usda.gov/cc/default.htm>

United States Agency for International Development South Africa

Website: <http://www.sn.apc.org/usaidsa/>

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## Chapter 8: Business Travel

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### Business Customs

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Business customs in South Africa are generally similar to those in the United States and Western Europe. South African business people tend to dress conservatively, particularly in the financial sector. However, “smart-casual” clothing has become increasingly popular with executives in the ICT, tourism, and other services related industries. Terminology used in business invitations are:

- Black Tie (dark suit and tie or tuxedo or formal evening dress)
- Business (jacket and tie or a business dress)
- Smart Casual (casual clothing with or without tie, but no jeans and no sneakers)
- Casual (can include jeans but no sport shorts)

Business cards are usually simple, including only the basics such as company logo, name, business title, address, telephone/mobile number, fax number, e-mail, and web-address. South Africans are usually punctual, so it is best to make every effort to be on time for appointments. Appointments are always made in advance of a business visit.

### Travel Advisory

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Travelers are encouraged to be vigilant and avoid large gatherings, particularly protests and demonstrations. The possibility of violence should not be discounted, particularly in times of heightened world tension, although South Africa is a comparatively “low risk” country in terms of terrorist attacks. While the majority of visitors complete their travels in South Africa without incident, criminal activity, often violent, does occur regularly, i.e. armed robbery, carjacking, mugging, “smash and grab” attacks on motor vehicles and other incidents.

For the latest Consular Information Sheet and travel advisory on South Africa, please click on the following link: [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1008.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1008.html)

For general information on international travel, please visit the main website at: <http://travel.state.gov>

Value-added Tax (VAT) is levied at 14%. Travelers may apply for tax refunds on purchases made in South Africa over \$37 on departure.

## Visa Requirements

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In June 2014 the SAG announced new visa regulations with these notable changes for investors:

- The criteria for business permits: it is required that the intended business fit into a specific business category as well as not being deemed an undesirable business.
- Quota work permits and exceptional skills permits will no longer be available.
- A new work permit called a critical skills permit is now offered.
- First time permit applicants will have to submit their applications at an embassy or consulate in their country of origin.

Further notes are available here:

[http://www.vfsglobal.com/dha/southafrica/Business\\_Visa.html](http://www.vfsglobal.com/dha/southafrica/Business_Visa.html)

U.S. citizens traveling to South Africa require a valid passport. A visa is not required for regular passport holders on bona fide holiday or business visits for periods of up to 90 days or in transit. However should a U.S. citizen wish to visit neighboring countries, a visa may be required for that particular country. For South Africa, visas are also required for extended stays, employment, study, and for diplomatic and official passport holders.

Evidence of a yellow fever vaccination is necessary if arriving from an infected area. Information on South African visa requirements can be obtained prior to departure from the United States by checking with the South African Embassy in Washington, D.C. <http://www.saembassy.org> or the South African Consulates in New York, Chicago, and Beverly Hills. For information on visa requirements for other countries, contact the Embassy of the country you intend to visit, or a travel agent, or a U.S. Consular Officer.

**IMPORTANT NOTE:** All travelers to South Africa should make sure that their passports contain at least two completely blank pages for stamps; otherwise they will be turned away and refused entry by South African immigration officials. As a general precaution, travelers are advised to carry a photocopy of the photo/bio information page of their passport and keep it in a location separate from the passport.

U.S. companies that require travel of foreign businesspeople to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links:

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas: <http://www.unitedstatesvisas.gov/>

US Embassy Pretoria Visa Information: [http://southafrica.usembassy.gov/non-immigrant\\_visas.html](http://southafrica.usembassy.gov/non-immigrant_visas.html)

## Telecommunications

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The South African telecommunications sector boasts one of the continent's most advanced telecommunications markets in terms of technologies deployed and services provided. The national fixed line operator is Telkom; the Second National Operator (SNO) is Neotel.

Cellular services are provided by four licensed cellular operators: Vodacom, MTN, Cell C and 8ta. All four mobile operators offer voice and data solutions to subscribers.

## Transportation

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South Africa boasts one of the most modern and extensive transport infrastructures on the African continent in terms of road, railway systems, airports and seaports.

There are two major international airports: OR Tambo International in Johannesburg, and Cape Town International Airport in Cape Town. Carriers that fly directly from the United States to South Africa are Delta Air Lines (<http://www.delta.com>) and South African Airways (SAA) (<http://www.saa.co.za>) only. United Airlines code-shares with SAA (<http://www.united.com>). A high-speed train, the Gautrain, runs from O.R. Tambo International to Sandton, every fifteen minutes from 7:00am to 8:00pm. (<http://join.gautrain.co.za>).

Do not hail taxis in South Africa. When taking a taxi, it is recommended to use private taxi companies that operate at all four and five-star hotels. Travelers to South Africa can also rent a car. Major car rental groups represented include: Hertz (<http://www.hertz.co.za>), Avis (<http://www.avis.co.za>) and Budget (<http://www.budget.co.za>). South Africans drive on the left-hand side of the road.

To view U.S. Consulate information sheet on travel to South Africa visit:  
[http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1008.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1008.html)

## Language

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South Africa has 11 official languages. Based on the most recent data available, the respective percentages of the population speaking each of them are: Zulu (23.8%), Xhosa (17.6%), Afrikaans (13.3%), Sepedi (9.4%), English (8.2%), Setswana (8.2%), Sesotho (7.9%), Xitsonga (4.4%), Swazi (2.6%), Venda (1.7%), and Ndebele (1.5%). Languages used by the Asian population include Tamil (2%), Hindi (2%), Gujarati (2%), and Urdu. Business is conducted mostly in English.

## Health

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In line with U.S. laws, the South Africa's health policy stipulates that smoking is prohibited in public places unless otherwise designated as smoking areas. South African tap water is mostly safe to drink, generally adhering to the highest standards, but if a traveler is not acclimatized to it or has a sensitive digestive system, bottled water is widely available.

South Africa has world-class (private care) medical services and all major cities have modern well-equipped hospitals and ambulance services to assist travelers in emergency situations. Travelers should familiarize themselves with emergency

telephone numbers and the locations of nearest hospitals on arrival in the country. The national emergency telephone number is 10111.

South Africa has a few provinces where there is a threat of contracting malaria. Appropriate prophylactics taken well in advance of visiting these areas should limit the risk of falling ill. Self-protection actions should include use of mosquito repellent (all day), wearing of light long sleeved shirts and pants as well as socks and shoes from dawn and at night. Sleeping under a mosquito net or in a mosquito-proof room should also be considered.

High risk malaria areas: Lowveld of Mpumalanga and the Limpopo (the region where the Kruger Park is located) as well as in Kwazulu Natal (on the Maputaland coast).

Intermediate risk malaria areas: Kosi Bay, Sodwana Bay, Mkuze Game Reserve and St Lucia (but not the town of St Lucia and the river mouth).

Low risk malaria areas: North West Province and the Northern Cape along the Molopo and Orange Rivers, including the Augrabies Falls and the Kgalagdi Transfrontier Park (malaria is rarely transmitted here, so anti-malaria drugs may not be necessary).

It is very important for travelers to realize that they may still contract malaria despite all precautionary measures, and if any flu-like symptoms such as headaches, fever, muscular and joint pains, sweating, shivering and attacks of nausea or diarrhea occur at any time within six months after a visit to one of these high-risk areas, a physician should be consulted immediately.

South Africa has also an epidemic of HIV/AIDS and travelers should ensure that they are well aware of the associated risks.

## Local Time, Business Hours, and Holidays

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Throughout the year, Standard Time in South Africa is two hours ahead of Greenwich Mean Time and seven hours ahead of Eastern Standard Time. Clocks are not advanced in the summer. Generally, business hours are weekdays from 8:00 a.m. to 1:00 p.m. and 2:00 p.m. to 5:00 p.m. Most offices observe a five-day week, but many stores are open on Saturdays, and from 9:00am to 2:00pm on Sundays. All banks are open weekdays from 9:00 a.m. to 3:30 p.m., and Saturdays from 8:30 a.m. to 11:00 a.m. In certain large shopping centers, some bank branches are open on Sunday mornings.

### Local Holidays 2014

Holiday	Date	Day
New Year's Day	January 1	Wednesday
Human Right's Day	March 21	Friday
Good Friday	April 18	Friday
Family Day	April 21	Monday
Freedom Day	April 27/28	Sunday / Monday
Worker's Day	May 1	Thursday
Youth Day	June 16	Monday
National Women's Day	August 9	Saturday
Heritage Day	September 24	Wednesday

Day of Reconciliation	December 16	Tuesday
Christmas Day	December 25	Thursday
Day of Goodwill	December 26	Friday

Note: U.S. Government offices in South Africa are closed on U.S. federal and legal holidays.

### Temporary Entry of Materials and Personal Belongings

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Travelers must declare all goods in their possession with the exception of personal clothing, essential toilet articles and used sporting equipment. In order to be free from declaration, these goods must be for the passenger's personal use and not intended as gifts or to be sold, exchanged, or traded. All articles, used or unused, carried by the visitor as presents or parcels for other people, must be declared. There are no restrictions on the amount of U.S. Dollars that may be taken into South Africa.

U.S. Dollars cannot be used in South Africa and must be converted into the local currency - the South African Rand - by authorized foreign exchange dealers, hotels, commercial banks, and certain travel agencies. It is illegal to convey foreign currency to anyone else and U.S. Dollars may not be used in commercial or other private transactions.

With a valid carnet, a visitor may enter South Africa with his/her automobile for a period not exceeding 12 months. An import duty will be charged on entry and rebated on departure. If a visitor wishes to sell his/her vehicle during his/her stay or upon departure, he/she must first obtain an import permit and pay the relevant duty.

### Web Resources

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#### Hotels

<http://sandton.hotelguide.co.za/>

#### Car Rental

Avis: <http://www.avis.co.za>  
 Budget: <http://www.budget.co.za>  
 Hertz: <http://www.hertz.co.za>

#### Air Lines

Delta Air Lines: <http://www.delta.com>  
 South African Airlines: <http://www.saa.co.za>  
 United Air Lines: <http://www.united.com>

#### Private Healthcare (Hospitals)

Netcare: <http://www.netcare.co.za>  
 MediClinics: <http://www.mediclinic.co.za>  
 Life: <http://www.mediclinic.co.za>

## **U.S. Government**

Consular Services for American Citizens

<http://pretoria.usembassy.gov/wwwhacs1.html>

Consular Information Sheet on South Africa

[http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1008.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1008.html)

State Department Visa Website

<http://travel.state.gov/visa/index.html>

U.S. Commercial Service – South Africa

<http://export.gov/southafrica/>

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## Chapter 9: Contacts, Market Research, and Trade Events

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- [Market Research](#)
- [Trade Events](#)

### Contacts

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United States Embassy South Africa - <http://www.southafrica.usembassy.gov>

American Chamber of Commerce South Africa – <http://www.amcham.co.za>

Attorneys in South Africa – <http://www.attorneys.co.za>

Exhibition Association of Southern Africa – <http://www.exsa.co.za>

Internet based South African travel information –  
[http://www.sa-venues.com/tourist\\_and\\_visitor\\_information\\_.htm](http://www.sa-venues.com/tourist_and_visitor_information_.htm)

Statistics South Africa – <http://www.statssa.gov.za>

South African Department of Trade and Industry – <http://www.dti.gov.za>

South African Government – <http://www.gov.za>

South African Internet search engines – <http://www.ananzi.co.za>,  
<http://www.google.co.za>

Southern African Tourism Services Association – <http://www.satsa.co.za>

United States Commercial Service in South Africa - <http://export.gov/southafrica/>

United States Consular Services in South Africa - <http://www.unitedstatesvisas.gov>

United States Embassy, Pretoria - <http://pretoria.usembassy.gov/>

### Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

### Trade Events

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Please click on the links below for information on upcoming trade events.  
<http://www.export.gov/tradeevents/index.asp>

South African trade events are detailed here:  
<http://export.gov/southafrica/tradeevents/index.asp>

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## Chapter 10: Guide to Our Services

The President's National Export Initiative marshals Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: <http://www.export.gov>

CS South Africa coordinates market research and business facilitation in several sub-Saharan African states. These include the following countries (hyper-linked):

[Angola](#)  
[Benin](#)  
[Botswana](#)  
[Burkina Faso](#)  
[Cote d'Ivoire](#)  
[DRC Congo](#)  
[Gambia](#)  
[Guinea](#)  
[Lesotho](#)  
[Liberia](#)  
[Madagascar](#)  
[Malawi](#)  
[Mali](#)  
[Mauritius](#)  
[Mozambique](#)  
[Namibia](#)  
[Senegal](#)  
[Swaziland](#)  
[Zambia](#)

For additional information, please e-mail the U.S. Commercial Service Johannesburg office at: [Johannesburg.office.box@trade.gov](mailto:Johannesburg.office.box@trade.gov)

In 2013 the official US Government SA Rand - Dollar exchange rate was R 9.65. On

June 16, 2014 the bank exchange rate was R 10.80; the US Government Rand buying rate was R 10.73

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: <http://www.export.gov/southafrica>

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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