Doing Business in South Africa
2013 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in South Africa

Market Overview Return to top

Welcome to the South Africa Country Commercial Guide (CCG). This guide 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 pro-business environment, South Africa is a logical and attractive choice for U.S. companies to enter sub-Saharan Africa. 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 2012, its gross domestic product (GDP) grew by 2.5 percent to $409 billion.

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

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

The tourism sector has experienced continued growth, capitalizing on South Africa's natural beauty, wild life preserves 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.

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In 2011, South Africa saw an increase in the stock of U.S. Foreign Direct Investment (FDI) from US$ 6.4 billion to US$ 6.45billion. The United States is the largest portfolio investor in South Africa with over US$70 billion (R568bn) as of 2010 and the second largest source of FDI in South Africa, after the United Kingdom.

According to published reports, about 48 percent of sub-Saharan African merger and acquisition (M&A) activity during 2012 involved a South African target. The value of M&A transactions involving sub-Saharan African targets increased by 18 percent year-on-year, reaching $25 billion (R222bn) at the end of 2012. South Africa was the most targeted destination for M&As, and also the most acquisitive nation, accounting for 39 percent of M&As in the sub-Saharan African region.

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 hold regular Trade and Investment Facilitation Agreement (TIFA) meetings, and 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; the U.S. trading deficit is largely a function of primary exports.

Foreign merchandise trade ($US Millions)	2010	2011	2012
U.S. Exports to South Africa	5,631	7,257	7,553
U.S. Imports from South Africa	8,220	9,487	8,657
U.S. Trade Balance with South Africa	-2,589	-2,229	-1,104

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/

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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 and within the general business community. A few companies have addressed the ownership element of B-BBEE by implementing “equity equivalent” programs that emphasize training and development of local companies.

Although unemployment remains high (official figure of about 25 percent), 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 and impacts labor availability, productivity and healthcare costs. Annual labor negotiations are often marked by unrest, particularly in the mining, transportation and public sectors, which affects productivity and increases the cost of doing business.

In its 2012 index of perceived public-sector corruption, Transparency International ranked South Africa 69 out of 176 countries, a decline from 2011, when it ranked 64 out of 183 countries. U.S. firms should be aware that crime against businesses and individuals is a serious concern. High telecommunications and security expenses add to the cost of doing business. While recently installed fiber optic cable systems have reduced telecom costs somewhat, at least on a retail basis, broadband service is relatively limited. Power generation shortages are likely to restrict opportunities for energy-intensive industries. The government has an investment plan to significantly increase the country's generating capacity between 2013 and 2016, but implementation is proving slow.

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 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 $70 billion

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

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 ten percent of the population earns 45 percent 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 sticks 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

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COUNTRY FACT SHEET: SOUTH AFRICA

PROFILE

Population in 2011 (Millions): 51

Capital: Pretoria

ECONOMY	2009	2010	2011
Nominal GDP (Current Billions $U.S.)	284	363	409
Nominal GDP Per Capita (Current $US)	5,746	7,271	8,078
Real GDP Growth Rate (% change)	-1.5	2.9	3.1
Real GDP Growth Rate Per Capita (% change)	-2.6	1.8	1.9
Consumer Prices (% change)	7.1	4.3	5.0
Unemployment (% of labor force)	23.9	24.0	23.9

Economic Mix in 2011: 30.6% All Industries; 13.4% Manufactures; 67% Services; 2.4% Agriculture

FOREIGN MERCHANDISE TRADE ($US Millions)	2009	2010	2011
South Africa Exports to World	53,864	71,484	92,976
South Africa Imports from World	63,766	80,139	99,726
U.S. Exports to South Africa	4,453	5,631	7,257
U.S. Imports from South Africa	5,879	8,220	9,487
U.S. Trade Balance with South Africa	-1,426	-2,589	-2,229
Position in U.S. Trade:			
Rank of South Africa in U.S. Exports	39	38	37
Rank of South Africa in U.S. Imports	37	35	36
South Africa Share (%) of U.S. Exports	0.42	0.44	0.49
South Africa Share (%) of U.S. Imports	0.38	0.43	0.43

Principal U.S. Exports to South Africa in 2011:	**Principal U.S. Imports from South Africa in 2011:**
1. Machinery, Except Electrical (25.4%)	1. Primary Metal Mfg (40.3%)
2. Transportation Equipment (14.3%)	2. Transportation Equipment (25.4%)
3. Chemicals (11.1%)	3. Miscellaneous Manufactured Commodities (13.5%)
4. Primary Metal Mfg (8.1%)	4. Chemicals (7.7%)
5. Computer & Electronic Products (7.3%)	5. Machinery, Except Electrical (2.6%)

FOREIGN DIRECT INVESTMENT	2009	2010	2011
U.S. FDI in South Africa (US $Millions)	5,805	6,465	6,546
FDI in U.S. by South Africa (US $Millions)	594	700	932

DOING BUSINESS/ECONOMIC FREEDOM RANKINGS

World Bank Doing Business in 2012 Rank: 39 of 185

Heritage/WSJ 2012 Index of Freedom Rank: 70 of 179

Source: Created by USDOC/ITA/OTII-TPIS from many sources: FDI from USDOC, Bureau of Economic Analysis. US Trade from USDOC,Census Bureau,Foreign Trade Division. South Africa Trade with World from United Nations where available. National Macroecono data from IMF/World Bank databases including World Economic Outlook and World Development Indicators. .WORLD and other country aggregates are summaries of available UN COMTRADE, IMF and other data, and coverage varies over time and by source, but typically represents greater than 85 percent of world trade and production. Note: Principal U.S. Exports and Imports Are 3-digit NAICS Categories

Chapter 2: Political and Economic Environment

For background information on the political and economic environment of South Africa, please click on the link below to the U.S. Department of State Background Notes.

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

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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One of the first steps that 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 to 25 percent 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
- Cameroon
- Cote d'Ivoire

DRC Congo
Gabon
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

Establishing an Office Return to top

Since 2009, South Africa has slowly been slipping in the World Bank's Ease of Doing Business Index (from # 32 to 39 in 2013). However, the 2011 Companies Act is expected to counter this tendency, and South Africa has consistently done well for ease of access to credit.

The Companies Act 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
Website:	www.cipc.co.za

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 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)
Posnet Suite 256, Private Bag X4, Bedfordview, 2008
Physical Adress: 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

Website: http://www.fasa.co.za/

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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 Return to top

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 Return to top

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.info.gov.za/view/DynamicAction?pageid=575) 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 it 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 increasing important in the bidding process, particularly in bids by 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 $10 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%20Straddle%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 that 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, they have little or no chance in practice of competing if they do not.

BEE Codes of Good Practice and other pertinent legislation may be found on DTI's website: http://www.dti.gov.za/economic_empowerment/bee.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 Department 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 US$10 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 percent 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

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.

Industrial Development Zones (IDZs):

South Africa has IDZs (Industrial Development Zones) aimed at encouraging export-bound commodities and manufacturing. So far, they have managed to attract investments in bulk ore handling, petro-chemicals, automotive manufacture and related industries.

The Department of Trade and Industry and the South African Revenue Service (SARS) administer IDZs as dedicated, industrial estates linked to an international air or sea port, which might contain one or more Customs Controlled Areas (CCA).

In February 2012, the SAG announced plans to invest R1.3 billion into the IDZs at Ngqura Port / Coega, Richards Bay and East London. The largest IDZ, Coega, has attracted investments worth approximately R30 billion. It is reportedly preparing feasibility studies worth some R140 billion for an oil refinery, a combined cycle gas turbine power station, a business process outsourcing park, automotive plants, and various other investments in the logistics, chemicals and food processing sectors.

In 2012 the SAG also announced plans to establish Special Economic Zones which, unlike current Industrial Development Zones (IDZs), can be situated in areas not physically associated with a port or airport.

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

For a detailed customs-related discussion around IDZs, please see: http://www.sars.gov.za/home.asp?pid=44747

Distribution and Sales Channels

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Approximately 90 percent 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 called City Deep, which handles 30 percent 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 percent 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.

Selling Factors/Techniques

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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.

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 Return to top

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 Return to top

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) (www.acasa.co.za); the two major media bodies, the National Association of Broadcasters (NAB) (www.nab.org.za) and the Print Media Association (PMA) (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 percent 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
Tel: +27 (0)11 781 2006; Fax: +27 (0)11 781 1616
Mr. Fred Makgato
Email: 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.
Tel: +27 (0)11 835 2221; Fax: +27 (0)11 835 2631
Email: Yolanda.Hegurtha@infixion.co.za
Website: www.infixion.co.za

Major English-language South African newspapers include:

Business Day	www.businessday.co.za
The Star	www.thestar.co.za
The Citizen	www.citizen.co.za
The Sowetan	www.sowetan.co.za
The Times	www.thetimes.co.za
Mail and Guardian	www.mg.co.za
Sunday Independent	www.sundayindependent.co.za

Major English-language periodicals for business include:

Financial Mail	www.free.financialmail.co.za
Engineering News	www.engineeringnews.co.za

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 Return to top

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 percent 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: www.sars.gov.za

Sales Service/Customer Support Return to top

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 Return to top

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)

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).

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 **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 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**

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **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

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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 Return to top

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 Return to top

Association for Communication and Advertising	http://www.acasa.co.za/
Advertising Standards Authority of South Africa	http://www.asasa.org.za
Department of Trade and Industry (DTI)	http://www.dti.gov.za/
Exhibition Association of Southern Africa	http://www.exsa.co.za
Franchising Association of South Africa	http://www.fasa.co.za
Law Society of the Northern Provinces	http://www.northernlaw.co.za/
National Association of Broadcasters	http://www.nab.org.za/
Infixion Media (PTY) Ltd.	http://www.infixion.co.za
Print Media Association	http://www.printmedia.org.za/
South African National Consumer Union	http://www.sancu.co.za
South African National Treasury	http://www.treasury.gov.za/
South African Revenue Service	http://www.sars.gov.za/

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

Commercial Sectors

Agricultural Sectors

Green Technologies Return to top

South Africa relies heavily on coal as a primary energy source (87% in 2008 according to the International Energy Agency), accounting for 38% of CO2 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. Under its Policy-Adjusted Integrated Resource Plan (IRP2010), the government's blue-print for power generation through 2030, South Africa is expanding renewable energy, weighing up nuclear energy, exploring carbon capture and storage (CCS) technologies, and leveraging demand side management (DSM) initiatives. South Africa's public electricity utility, Eskom plans to reduce dependence on conventional coal to 70% by 2025, and to provide at least 1 600 megawatts in renewable capacity by 2025 (mostly large-scale solar- and wind-powered).

The early stages of a formal green technology policy are evidenced by voluntary energy efficiency programs driven by industry; these will presumably be adopted by the South African Government as a mandatory standard in due course. A case in point is the South African industry standard SANS 204 that sets guidelines for energy efficiency in buildings with and without artificial ventilation or air-conditioning. Please see: https://www.sabs.co.za/content/uploads/files/Standards_21stCentury_Energy_Efficiency_Buildings_14October2010.pdf

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

- In 2010, a progressive carbon tax was imposed on fuel-inefficient internal combustion motor vehicles, as was a mandate that for South African oil refineries produce the latest technology fuels to power EURO 5-compliant internal combustion engines. It was announced in 2012 that this tax may amount to R120 per ton of carbon dioxide.
- The government recently approved an 8% per annum increase in electricity tariffs for the period 2013-2018. Increasing the efficiencies of the Eskom-dominated power grid. With the increased tariff regime, cost structures may become more attractive for Independent Power Providers (IPPs).
- 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 1,800MW and supplies six percent of South Africa's electricity needs.
- 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.

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)

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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 Policy-Adjusted Integrated Resource Plan (IRP2010), is the blue-print for power generation until2030, and envisages delivery through Eskom and the public sector projects (accounting for 70% of the capacity) and various independent power producers (IPPs) (accounting for the remaining 30% of the capacity). The plan also factors in demand savings over the period, to be achieved through energy efficiency and demand side management (DSM) strategies.

Additional Generation Capacity
Eskom will play a key role in achieving the IRP2010 objectives and is pursuing a suite of capacity-expansion projects valued in the range of $69.83 billion (R500-billion). These projects, which will bring more than 11 000 MW of additional power on stream by 2020, form part of what the IRP2010 refers to as 'committed build'.

Key among the projects under development by Eskom are the return to service projects, which will bring previously decommissioned capacity back into production; the Medupi and Kusile projects, which will introduce significant new coal-fired base load capacity to the country's power system; and the Ingula pumped-storage project, which will introduce additional peaking capacity.

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 Return to top

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

- Independent Power Producers (IPPs)
- Energy Efficiency and Demand Side Management (DSM)Technologies,
- Transmission and Distribution Equipment
- New Plant Equipment and Related Systems
- Process Automation and Systems Control Equipment

Independent Power Producers (IPP)
The additional capacity that Eskom will introduce to the national grid in the coming years will need to be supplemented with power from independent operators, if South Africa is to avoid future power shortages. The SAG has announced that 30% of all new build capacity is to be supplied by IPPs. The designation of Eskom as the sole buyer of electricity has, however, delayed the introduction of IPPs to the South African market. There is a perceived conflict of interest for Eskom as power producer and purchaser of independent power. However, legislation has been proposed to create an independent

system and market operator (ISMO) that would buy the power produced by both Eskom and private operators.

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 $4 billion, and is growing at a rate of about $350 million a year.

South Africa's Generation Capacity to 2030

The plan shows a heavy ongoing reliance on coal-fired power, with coal expected to account for 45.9% of South Africa's electricity in 2030, down from 88% currently. The remaining mix constitutes:

Nuclear Generation
Nuclear power, at 12.7 %, will be the second-largest component of the country's energy mix in 2030, as outlined by IRP2010.South Africa has one nuclear power station, Koeberg, but the plan envisages the introduction of additional nuclear capacity from 2023, with a total of six tranches added by 2030.

Renewable Generation
The plan also includes the introduction of significant renewable power by 2030, including wind, concentrated solar and photovoltaic solar power generation. Together, these three sources are expected to contribute 21% of South Africa's total energy in 2030. There are two renewable power projects currently under development by the utility – the Sere wind power project and the Upington concentrated solar thermal power project. The announcement by the Department of Energy of labor-intensive bio-fuel projects (bio-ethanol and bio-diesel) seem imminent with legislation allowing for admixture of bio-fuels to conventional fuels coupled with a fixed pricing and mandatory off-take by industry.

Other Sources
The energy mix outlined in IRP2010 also includes power from open-cycle gas turbine, combined-cycle gas turbine, pumped-storage, and hydro sources.

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Engineering News
Website: www.engineeringnews.co.za

Central Energy Fund
Website: www.cef.org.za

Department of Energy
Website: www.energy.gov.za

Eskom Holdings Limited
Website: www.eskom.co.za

South African National Energy Association (SANEA)
Website: www.sanea.org.za

For More Information

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

Information Technology (IT)

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Unit: USD billions

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	10.4	10.8	11.8	12.7
Hardware	4.5	4.7	5.3	5.7
Software	2.1	2.0	2.3	2.5
Services	3.8	4.0	4.2	4.5
Exchange Rate: 1 USD	7.16	8.22		

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. 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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Hardware:
A migration to Windows 8 will provide a boost in 2013

Software
Growth in this sub-sector will be driven by private consumption, but may be hampered due to piracy

Services:
Strong interest in cloud computing and BPO services will continue.

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.

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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: www.ispa.org.za

The Electronic Industries Federation (EIF)
Website: www.eif.org.za.

Information Technology Association (ITA)
Website: 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: 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

Telecommunications

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Telecom performance indicators

Indicator	2011	2012 (estimated)	2013 (estimated)
Fixed Line Networks			
Lines connected	4,009,000	4,000,000	4,100,000
Teledensity	8.55	8.0	8.1
Fixed lines as % of total lines	6.9	6.7	6.8
Mobile Networks			
Number of mobile operators	4	4	4
Total mobile subscribers	54,890,000	55,000,000	55,500,000
Teledensity	113	113.5	114
Mobile lines as a % of total lines	93.10	93.50	94
Number of PC internet subscribers	3,707,000	4,350,000	5,000,000

Telecom Operators

National Fixed Line Network Operator	Telkom SA Limited
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 (BMI-T) 2011

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. ICASA implements policy as directed by the Department of Communications (DoC), the public service arm of the Ministry of Communications. 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 Vodaphone), MTN, Cell-C (75% owned by Saudi Orger) and 8-ta (a subsidiary of Telkom);

- 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;

- Undersea cable capacity to South Africa at the end of 2011 was 2.69 Terabits a second (Tbps), growing to 11.9 Tbps by end of 2012. This figure is expected to double in 2013;

- 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. WASCS 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 Return to top

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

Opportunities Return to top

- market demand for lower cost high-speed data services
- convergence of bundled uncapped broadband

Exhibitions & Conferences

- Satcom 2013
  http://www.terrapinn.com/exhibition/satcom-africa/?pk_campaign=Terr-Listing&pk_kwd=Africa

- Africom 2013
  http://africa.comworldseries.com/

- MediaTech 2013
  http://www.biztradeshows.com/trade-events/mediatech-africa.html

Web Resources
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Department of Communications (DoC)
www.doc.gov.za

Independent Communications Authority of South Africa (ICASA)
www.icasa.org.za

Telkom
www.telkom.co.za

Neotel
www.neotel.co.za

Vodacom
www.vodacom.co.za

MTN
www.mtn.co.za

Cell C
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

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	217,000	228,000	205,000	211,000
Total Local Production	68,000	71,000	77,000	72,000
Total Exports	16,000	17,000	18,000	18,000
Total Imports	165,000	174,000	165,000	170,000
Imports from the U.S.	51,000	52,000	46,000	46,000
Exchange Rate: 1 USD	7.16	8.22		

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.

Since the 2008 commodity price crash, there has been a severe cutback in investment, project planning and employment in the South African mining sector. 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 by labor violence in the platinum sector that had a significant impact on employment, growth, business confidence and credit ratings. The Platinum Metal Group (PMG) and gold mining sectors have yet to address deep-seated structural challenges that have profound implications for South Africa's 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.

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 chorine plant;

- A planned 65-mile slurry pipeline to the Majuba coal station, as well as bulk coal handling systems from the Waterberg coalfields for the Groot Geluk power station; and
- Further enhanced bulk material handling systems for coal at the port of Richards Bay.

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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: www.geoafrica.co.za

Mining Weekly Publication
Website: www.miningweekly.co.za

South African Chamber of Mines
Website: www.bullion.org.za

Council for Geoscience
www.geoscience.org.za

Mintek
Website: 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; 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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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)

Total Market Size	35,800	38,600	41,090	44,377
Total Local Production	6,000	7,000	7,300	7,600
Total Exports	1,600	1,700	1,710	1,720
Total Imports	31,400	33,300	35,500	38,500
Imports from the U.S.	4,700	5,200	5,300	5,400
Exchange Rate: 1 USD	7.16	8.22		

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.

Sub-Sector Best Prospects Return to top

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.

Best Products/Services Return to top

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 Return to top

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.

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Exhibitions and Conferences

4th Municipal Water Quality ConferenceWater Institute of SA (WISA) and the Department of Water Affairs (DWA)
Sun City July 7 and 11, 2013 www.wisa.org.za

Key Contacts

Department of Environmental Affairs and Tourism
Website: www.environment.gov.za

Department of Trade and Industry
Website: www.dti.gov.za

Department of Water Affairs and Forestry
Website: www.dwaf.gov.za

Water Research Commission
Website: www.wrc.org.za

Rand Water - South Africa
Website: 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; Phone: +27-11-290-3025; Fax: +27-11-884-0253 or visit our website: http://export.gov/southafrica/index.asp

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	418,00	422,000	425,000	430,000

	0			
Total Local Production	36,000	38,000	41,000	43,000
Total Exports	49,000	51,000	52,000	52.000
Total Imports	431,00 0	435,000	450,000	450,000
Imports from the U.S.	211,00 0	220,000	230,000	220,00
Exchange Rate: 1 USD	7.16	8.22		

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 successful hosting of the 2010 World Cup Soccer event in South Africa, attendant freight handling upgrades, and an improved regulatory and oversight framework, mean that the significant airport developments in South Africa have been completed for the foreseeable future. In 2009/10 the ten most important airports in South Africa (excluding Lanseria International Airport) had 448 571 annualized aircraft movements.

- 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 38 new aircraft.

Sub-Sector Best Prospects Return to top

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 Return to top

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 Return to top

Africa Aerospace and Defense (AAD) 2014
Land, Sea and Air Systems Show
Date: September, 2014AFB Waterkloof
Pretoria
Website: http://www.aadexpo.co.za

Web Resources Return to top

Airports Company South Africa (ACSA)
Website: www.airports.co.za

Air Traffic and Navigation Services (ATNS)
Website: www.atns.co.za

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

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

For More Information

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Green Building Technologies Return to top

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The mainstream commercial property sector has adopted green building principles, and energy efficiency and green building is part of the strategy of every major property developer in South Africa. Although no formal statistics are available for green building products, the building and construction materials market is estimated at about $12 billion per annum, with 60% sold direct to end-users and 40% via the distribution/merchant network. Of the $12 billion total, $2 billion of materials would be used in the additions, alterations and home improvement market (including unrecorded home improvement).

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.

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 2008. 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.

GBCSA launched the Green Star South Africa rating tool for office developments, which is freely available on the council's website at 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.

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.

South Africa's State-owned Industrial Development Corporation (IDC) plans to inject $1.68 billion into 'green' industries over the next five years as part of a larger $14 billion disbursement plan between 2010 and 2015. The IDC indicated the "green economy" has emerged as a primary focus for its development finance institution, 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 have begun pursuing green practices and projects, particularly in the renewable energy arena.

Exhibitions Return to top

Green Building Convention 2013
Hosted by the Green Building Council of South Africa and the World Green Building Council
Date: October 16-18, 2013
Venue: Cape Town International Convention Center
Website: http://gbcsa-convention.org.za/

Interbuild Africa
Date: August 20-23, 2014
Expo Center, NASREC, Johannesburg
http://www.interbuild.co.za/

Web Resources Return to top

Green Building Council of South Africa
Website: 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; Phone: +27 21 702 7379; Fax: +27 21 702 7402 or visit our website www.export.gov/southafrica

Automotive Aftermarket: Specialty Equipment Return to top

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Unit: USD Billion

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	16.20	18.30	20.25	21.30
Total Local Production	9.61	11.37	12.57	13.23
Total Exports	6.15	6.98	7.68	8.08
Total Imports	12.74	13.91	15.36	16.20
Imports from the U.S.	0.64	0.98	1.12	1.18
Exchange Rate: 1 USD	7.16	8.22		

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

There has been a rapid growth in demand for automotive aftermarket and specialty equipment and accessories in South Africa. This market size is estimated at $2.0–$2.5 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 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.

Sub-Sector Best Prospects Return to top

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, dynanometers.

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 Return to top

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 Return to top

Automechanika South Africa
Date: May 8-11, 2013
Venue: Expo Center NASREC, Johannesburg South Africa
Website: http://www.automechanikasa.co.za/

South African Automotive Week (SAAW)
Date: October 13-17, 2014
Johannesburg, Gallagher Estate
http://www.saaw.co.za/

Johannesburg Motor Show (JIMS)
Date: October 16-27, 2013
Venue: Expo Center NASREC, Johannesburg South Africa
http://jhbmotorshow.co.za/

Web Resources Return to top

National Association of Automobile Manufacturers of South Africa
Website: www.naamsa.co.za

National Association of Automotive Component and Allied Manufacturers (South Africa)
Website: www.naacam.co.za

The Department of Trade and Industry South Africa
www.thedti.gov.za

For More Information

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Transportation Infrastructure

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	430,000	600,000	800,000	870,000
Total Local Production	36,000	58,000	61,000	61,000
Total Exports	49,000	51,000	52,000	52,000
Total Imports	431,000	735,000	850,000	850,000
Imports from the U.S.	211,000	320,000	430,000	430,000
Exchange Rate: 1 USD	7.16	8.22		

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-electric locomotive roll-out confirmed in 2010 and 2011. 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 SAR 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.

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 seven years for the expansion and improvement of its bulk and container terminals. Significant capacity-creating projects included 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 Return to top

Transportation equipment and infrastructure:

- New and refurbished locomotives
- 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 Return to top

Transnet
www.transnet.co.za

Rail-Road Association
www.rra.co.za

Richard Bay Coal Terminal Consortium
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 Return to top

Africa Rail 2013 (includes Ports and Roads)
24 - 27 June 2013
Sandton Convention Center, Johannesburg
http://www.terrapinn.com/2013/africa-rail/

For More Information

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website: http://export.gov/southafrica/index.asp

Agricultural Equipment
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Agricultural Equipment
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Unit: USD millions

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	917	919	920	925
Total Local Production	49	50	51	53
Total Exports	5.67	5.70	5.71	5.75
Total Imports	860	862	863	865
Imports from the U.S.	187	190	192	194
Exchange Rate: 1 USD	7.16	8.22		

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 $919 million. Tractor sales constitute sixty percent of the market followed by combine and baler sales. Five percent new agriculture equipment is produced locally, while ninety five percent of agriculture equipment and parts is sourced from international markets, with at least twenty percent 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 few years, currently contributing around 2-3%.

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 2014.

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 Return to top

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

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

Opportunities Return to top

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 Agco, John

Deere, New Holland and CaseiH are well entrenched and are ll 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.

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Exhibitions and Conferences

Show:	**NAMPO Harvest Day Week**
Focus:	Agriculture machinery and equipment for the maize and general farming industry:
Dates:	14 –17 May, 2013
Venue:	Bothaville, Freestate, South Africa

Show:	**The Royal Show**
Focus:	Agriculture machinery and equipment, agricultural live stock, crafts and home Industry
Dates:	24 May –2 June, 2013
Venue:	Pietermaritzburg, Kwazulu Natal, South Africa

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

Agricultural Business Chamber (ABC)
Website: 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; Phone: +2711 2903025; Fax: +27 (0)11 884 0538 or visit our website: http://export.gov/southafrica/index.asp

Medical Devices

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Unit: USD billions

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	1.20	1.15	1.3	1.4
Total Local Production	0.06	0.06	0.07	0.07
Total Imports	1.14	1.10	1.2	1.3
Imports from the U.S.	0.33	0.32	0.35	0.4
Exchange Rate: 1 USD	7.16	8.22		

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Data Sources: *Above figures are unofficial estimates obtained from industry sources.*

South Africa's medical device import market fell by 2.8 percent in 2012 in dollar terms, reflecting a 13 percent depreciation of the South African Rand. However, in local currency terms, imports actually rose 10 percent, reflecting a steady growth trend since 2007. This is set to continue as the South African Government is planning to spend around $48 billion on health over the next three years as part of the future National Health Insurance Scheme. Most spending will be on upgrading hospital infrastructure and medical equipment, and HR resource development programs. Media reports indicate almost 2,000 health facilities and 50 nursing colleges are in different stages of planning, construction and upgrading in 2012. The Feburary 2013 South African budget has set aside $15 billion for health spending this year.

Medium term prospects for the medical device industry look promising. The market is expected to grow at a compound annual growth rate of 8.7 percent from 2012 through 2017. Over 95 percent of the products are imported, dominated by the United States (27.9 percent) followed by Germany (13.7 percent). Imports from China have doubled over the last five years to 8.4 percent. Other notable countries include Switzerland, Japan, UK and France. Countries such as Mexico and Singapore have also increased their supply to South Africa.

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

Although this sub-sector did not perform as well in 2012 as in other years, diagnostic imaging equipment will grow due to increased spending on hospital infrastructure and upgrading of equipment.

Medical Consumables

This sector posted a U.S. dollar growth of 2.1 percent in 2012. However, this market is dominated by China and India.

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 percent of equipment is imported.

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South African Medical Devices Industry Association (SAMED)
www.samed.org.za

Radiological Society of South Africa
www.rssa.co.za

South African Orthopaedic Association
www.saoa.org.za

South African Spine Society
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
Phone: +27-11- 290-3332; Fax: +27-11- 884-0253 or visit our
website: http://export.gov/southafrica/index.asp

Franchising

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There are over 550 franchised brands, and close to 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. The total turnover for the sector was around $3.2 billion in 2010.

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 percent of franchises are locally developed, and some of the bigger South African franchisors, such as Famous Brands, are beginning to expand to other regions in Africa.

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.

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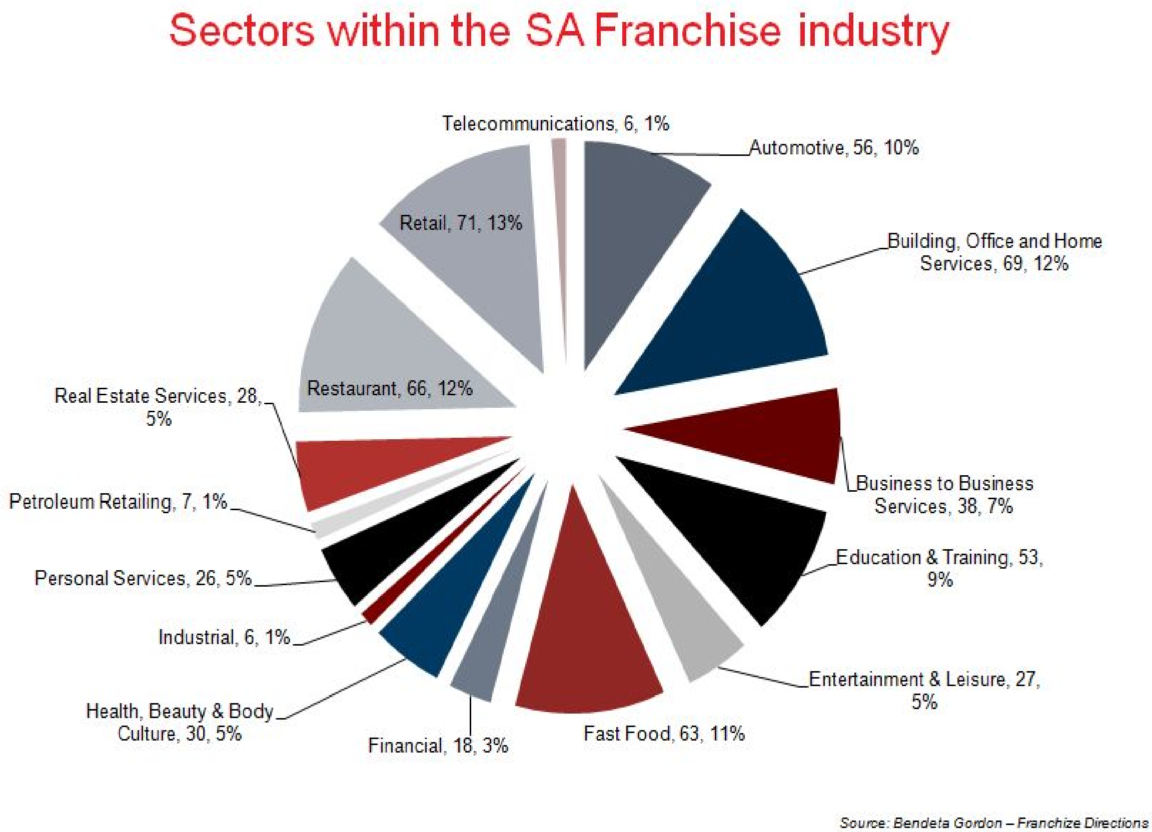

Service-based franchises have experienced the fastest growth in South Africa for the past number of years, but fast-food still remains a strong opportunity as consumption continues to grow 3.2. percent over the last year.

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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.

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Franchise Association of South Africa (FASA) www.fasa.co.za

WhichFranchise
www.whichfranchise.co.za

Franchising Plus
www.franchisingplus.co.za

Franchize Directions
www.franchize.co.za

For More Information

The U.S. Commercial Service, Johannesburg, South Africa can be contacted via email: 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

Agricultural Sectors Return to top

Grains
Vegetable oils
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 $6.2 billion,in agricultural and food products in FY2012 up by 3 percent from the previous fiscal year. The major products imported were wheat ($488 million), rice ($485 million), palm oil ($370 million), soybean meal ($332 million), chicken cuts and offal ($275 million and soybean oil ($240 million).

In FY2012, the United States exported $288 million of agricultural, fish and forestry products to South Africa. Almost 50 percent of exports were in the consumer-oriented product category, which reached a record high of $146 million, up by 23 percent from the previous year. 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

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 percent 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 2 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 2010	FY 2011	FY 2012
Total Local Production	15 million tons	13 million tons	15 million tons
Total Exports	$250 million	$700 million	$540 million
Total Imports	$700 million	$985 million	$1,040 million
Imports from the U.S.	$82 million	$143 million	$20 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 2012/13 MY (October 2012 to September 2013) wheat crop is estimated at 1.9 million tons on 511,200 hectares, almost 1.4 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.

	FY 2010	FY 2011	FY 2012
Exports	$42 million	$46 million	$67 million
Imports	$266 million	$556 million	$492 million
Imports from the USA	$34 million	$202 million	$18 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

Overview: Vegetable oils Return to top

South Africa consumes about 1.1 million tons of vegetable oil per annum, of which about 30 percent is locally produced. Furthermore, the gap between locally produced vegetable oils and vegetable oil imports is widening, as production is limited while consumption is increasing. The positive trend in vegetable oil consumption in South Africa is expected to continue in relation to economic growth. South Africa consumes mostly soybean oil, sunflower oil and palm oil. South Africa imported 902,918 tons of oilseed oil in the 2011/12 MY, eight percent more than the previous season. Sunflower oil imports increased by more than 100,000 tons to 195,985 tons in the 2011/12 MY, due to a decrease in local production. On the other hand, soybean oil imports decreased by 28 percent to 197,938 tons, due to increased capacity in local soybean crushing. Sunflower oil was imported from Argentina (61 percent of total sunflower oil imports), Ukraine (17 percent), and Switzerland (7 percent), while soybean oil was imported mainly from Spain (36 percent), the Netherlands (35 percent) and Germany (16 percent). The imports of palm oil increased by ten percent in the 2011/12 MY, to 400,742 tons. Palm oil is mainly imported from Indonesia (51 percent) and Malaysia (47 percent).

For the 2012/13 MY and 2013/14 MY, oilseed oil imports are expected to be on the same level as the 2011/12 MY, i.e., around 900,000 tons.

	FY 2010	FY 2011	FY 2012
Total Exports	$120 million	$200 million	$212 million

Total Imports	$740 million	$1,105 million	$1,010 million
Imports from the U.S.	$4 million	$17 million	$4 million

Note: All figures in US$ Million
Above Figures are from World Trade Atlas

Overview: Alcoholic Beverages Return to top

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.

	FY 2010	FY 2011	FY 2012
Total Exports	$93 million	$108 million	$108 million
Total Imports	$300 million	$378 million	$350 million
Imports from the U.S.	$18 million	$32 million	$28 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 Return to top

The South African poultry meat industry, with a gross value of more than US$3.1 billion, is the country's largest individual agricultural industry and is contributing almost 17 percent to the total gross value of agricultural products. Broiler production makes up most of the poultry industry. In 2011, South Africa slaughtered 979 million broilers (1.37 million tons of meat), and in 2012, 997 million broilers were slaughtered (1.4 million tons of meat). 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 percent since 2000 and is now the most important protein source in the diet of the majority of South Africans. In 2012, South Africa consumed about 1.75 million tons of broiler meat.

South Africa imported 380,866 tons of poultry meat in FY2012, which is 16 percent more than the 326,813 tons of FY2011. Chicken bone-in portions represented the largest category of poultry meat imports, namely 38 percent or 144 thousand tons, at a value of $US203 million (50 percent of the total value of poultry meat imports). The second largest category in volume is mechanically deboned meat with a share of 34 percent or 129,000 tons, at a value of $US60 million (15 percent of the total value of poultry meat imports). These two poultry meat product segments represent 72 percent of total poultry meat imports in quantity by South Africa and are followed by turkey (8 percent), chicken offal (8 percent), whole chicken (7 percent) and chicken fillets (5 percent). Brazil is the most important trading partner for South Africa in terms of poultry meat, with a 54 percent market share of the import market. Almost 60 percent of Brazil's poultry meat export basket to South Africa consists of mechanically deboned meat.

	FY 2010	**FY 2011**	**FY 2012**
Total Exports	$40 million	$30 million	$14 million
Total Imports	$226 million	$334 million	$400 million
Imports from the U.S.	$11 million	$29 million	$31 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.
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

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 percent to an average of 5.8 percent. 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 percent to 30 percent, 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 percent, yarns, 15 percent; fabrics, 22 percent; finished goods, 30 percent; and fibers, 7.5 percent. The effective rated duty rates on cars, light vehicles, and minibuses is still at the high level of 34 percent, while the rate of duty on original motor parts is 20 percent.

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 percent. 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 ten percent (except for most office machinery, as well as motorcycles, that attract duty of five percent).

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: www.itac.org.za

Trade Barriers Return to top

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

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. 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.

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: www.itac.org.za.

Import Requirements and Documentation Return to top

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: 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

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

SACCI accepts ATA Carnets for:

- Commercial Samples
- Exhibitions and Fairs
- Professional Equipment

Labeling and Marking Requirements

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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 Return to top

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 Return to top

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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- Conformity Assessment
- Product Certification
- Accreditation
- Publication of Technical Regulations
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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 Return to top

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/

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 Return to top

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

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.pww.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 www.sabinet.co.za.

Labeling and Marking Return to top

Important points on labelling/marking:

- Labeling/marking 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) (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/

Trade Agreements

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- 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

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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: 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: 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: 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

Openness to Foreign Investment

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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 has indicated that 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**. DTI expects to release the 2012 publication in January 2013.

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 has begun scrutinizing merger- and acquisition-related foreign direct investment for its impact on jobs and local industry. 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 past decade, with reduced levels of public debt, generally low inflation, and a positive rate of economic growth until the global slowdown in 2009. While inflation increased during 2012, it remained within the central bank's target range of 3-6 percent. As growth stalled, however, government revenue has been negatively affected to result in a projected deficit of 4.3 percent of GDP through March 2013; although, worse-than-expected third and fourth quarter GDP results could push the deficit higher. While still investment worthy, South African sovereign debt was downgraded in 2012. In September, Moody's downgraded South Africa's credit rating to Baa1 from A3, and maintained a negative outlook. The rating agency 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. This brought Moody's rating into line with Fitch Ratings. Standard and Poor's downgraded South Africa further to BBB in October, the lowest rating of all three major rating agencies.

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 weak macroeconomic conditions.

South Africa's Industrial Policy Action Plan (IPAP) aims to strengthen industrial infrastructure 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.

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 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. The codes, first implemented in 2011, created a Black Economic Empowerment (BEE) "Scorecard" to rate a firm's commitment to economic transformation using seven different dimensions—ownership, management, skills development, employment equity, preferential procurement, enterprise development, and socio-economic development. Each dimension is weighted, with ownership receiving the most empowerment points (20) and socio-economic development the least (5). Equity equivalence deals provide multinational corporations options for scoring on the ownership dimension without the transfer of equity stakes, which could run against the 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.

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 sectors had 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.

In October 2012, the government submitted for public comment proposed revisions to the law underpinning its B-BBEE policy. The revisions emphasize local procurement and introduce measures to combat the practice of "fronting," by which companies manipulate or misrepresent their black empowerment levels to win contracts. The government reasoned an increased focus on enterprise and skill development over simple equity ownership would produce more meaningful transformation of the South African economy. The revisions also introduced penalties for companies failing to perform sufficiently across all key dimensions, including ownership, which would make certification more difficult for multinationals. The government has argued a more rigorous scoring regime was necessary to ensure only those firms most committed to economic transformation gain the benefits of B-BBEE certification. The public comment period ended December 5, and after further review the government may forward draft amendments to the National Assembly sometime in 2013.

Openness Index

South Africa is not a Millennium Challenge Corporation (MCC) compact country and 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	2012	69
Heritage Economic Freedom	2012	70
World Bank Doing Business	2012	35

Conversion and Transfer Policies

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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/**

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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. 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 valuer-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. As of late 2012, this paper had not yet been turned into draft legislation. The government, however, approved a motion to establish an Office of the Valuer-General in November 2012. This motion could be brought before the National Assembly in 2013 as a bill to be given the force of law.

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.

The Mineral and Petroleum Resources Development Act 28 of 2002 ("MPRDA"), enacted in May 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.

Controversial debates over the nationalization of mines and banks continued at the highest political levels in South Africa throughout most of 2012. Proponents claim it would redistribute wealth and tackle economic inequality. Critics argue nationalization is neither tenable nor workable in South Africa due to the potential cost of compensating mine owners and the broader, adverse impact it would have on foreign investment.

Dispute Settlement

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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.

Performance Requirements and Incentives

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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 declines 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 R10 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 R10 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 Co-operatives 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 – Trade Exports and Investment – Incentives, or Financial Assistance – Industrial Development Incentives, or Industrial Development – Incentives.

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.

Right to Private Ownership and Establishment

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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.

Protection of Property Rights

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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.

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. The CRC's recommendations should be proposed to parliament as bills in 2013. In September 2012, President Zuma referred back to the National Assembly for reconsideration a bill to amend four pieces of IP legislation to include protection of indigenous intellectual property. One potential source of concern was the legislation's vague definition of "indigenous" intellectual property, which could have undermined the ability of existing IP rights holders to protect their rights in court. President Zuma's decision, however, referred to questions of constitutional process.

Transparency of Regulatory System

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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

The implementing regulations can be found at:
www.dti.gov.za/ccrd/cpa_regulations.htm.

Efficient Capital Markets and Portfolio Investment

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South African banks are well capitalized and comply with international banking standards. There are 17 registered banks in South Africa and 12 are branches of foreign banks. Four banks - Standard, ABSA, First Rand, and Nedbank - dominate the sector, accounting for almost 84 percent of the country's banking assets, which total over US$466 billion. 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/**.

The Financial Services Board (FSB) governs South Africa's non-bank financial services industry (see website: **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 R7.267 billion (US$835 million) in October 2012, with 388 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**). 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.

Competition from State Owned Enterprises

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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. The government’s interest in these sectors often competes with and discourages foreign investment. The Department of Public Enterprises has oversight responsibility in full or in part for nine 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); Pebble Bed Modular Reactor (nuclear); South African Airways; South African Air Express; SAFCOL (forestry) and Transnet (transportation). Government oversight can inject some political uncertainty into business decisions. In November 2012, Standard and Poor's (S&P)

downgraded seven large South African companies, including parastatals Telkom, Eskom and Transnet, and underscored a negative outlook for the corporate bond market by signaling more downgrades could follow. S&P cited problems in the global economy, economic policy uncertainty, and a weaker investment climate in South Africa.

Government plans to “ring-fence” Eskom’s power purchasing function from its power generating function have not materialized. This hinders the advent of independent power producers (IPPs) in the energy market. Draft legislation to create an independent system and market operator (ISMO) remains under review after nearly two years, further limiting competition in the domestic energy market. South Africa's renewable energy program, however, registered a success in November when the government signed contracts with 28 IPPs to add 1,400MW of renewable energy generation capacity to the national grid. The renewable program aims to add 3725 MW of new generation capacity by 2016, contributing towards the long-term goal of creating over 17000 MW of renewable energy generation capacity by 2030.

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 US$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 US$33.9 billion into port and rail infrastructure upgrades. Transnet is a state-owned company that manages the country’s port, rail and pipeline networks.

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 underwent a contentious leadership change in late 2012 over public disagreements with the Department of Public Enterprises (DPE), its major shareholder.

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 1, 2015. With four 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. Meanwhile, technology reviews and legal challenges hamper ICASA's ability to regulate.

Political Violence

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Political violence is a growing problem in South Africa, primarily in KwaZulu Natal, where over 30 persons appear to have been killed in 2012 for political reasons. In 2011, South Africa's Independent Electoral Commission, with support from the South African Police Service, held municipal elections generally considered free and fair, despite minor voting irregularities, and violence was not a factor. Service delivery protests and strike actions are frequent and occasionally turn violent. There were a number of violent strikes in 2012, including among gold and platinum miners, and farmer workers of the Western Cape (see labor section).

Corruption

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: http://www.justice.gov/criminal/fraud/

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see http://www.oecd.org/dataoecd/59/13/40272933.pdf). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. South Africa acceded to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions in 2007.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. South Africa is since 2004 party to the UN Convention.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention that, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html)

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on

Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.)

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize "active bribery" of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic "passive bribery" (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.
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. In 2010 and 2011, the government intensified anti-corruption efforts. While the newly formed priority crimes unit, the "Hawks," is thus far less effective than the unit it replaced in 2009 (the "Scorpions"), it has arrested a number of white collar criminals for banking irregularities and fraud.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa.

- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/dataoecd/11/40/44176910.pdf.

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://transparency.org

  TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://transparency.org/publications/publications/other/corruption_perceptions_index_2011

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/index.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS.

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://www.weforum.org/s?s=global+enabling+trade+report.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/.

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://report.globalintegrity.org/.

Bilateral Investment Agreements Return to top

South Africa has 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 review of BITs began in 2010, the DTI determined in 2012 that "first generation" BITs, an estimated 30 agreements mostly with EU states but also Singapore and others, exposed South Africa 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). In September 2012, South Africa gave notice to Belgium and Luxemburg that it will terminate their BITs in March 2013, and informed the EU that remaining BITs would be allowed to expire. Article 52 of the 2000 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 SACU negotiated a Trade, Investment and Development Cooperation Agreement (TIDCA), which was signed in 2008. The U.S.-South Africa bilateral tax treaty eliminating double taxation entered into force in 1998.

OPIC and Other Investment Insurance Programs

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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 (US$300 million focused on small- and medium-sized enterprise development), Africa Healthcare Fund (US$100 million focused on private healthcare delivery businesses, and ECP Africa Fund II, (US$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. Specific to South Africa, OPIC currently supports a US$70 million loan to Blue Financial Services Limited to expand lending to South African SMEs. The project will have a significant developmental impact on South Africa's unbanked SME sector by providing approximately 700 loans to urban and rural borrowers, over half of which are expected to be women. As such, the project will provide increased access to capital for many previously disadvantaged entrepreneurs. OPIC will open 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/investment-funds/africa**.

Labor

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Over the last 18 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 fifty 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. Trade union membership figures are imprecise but total membership as of 2011 was estimated at 3.5 million people, 26.1 percent of employment in the formal sector. This was a decrease of almost 5 percent from 2010.

The right to strike is protected under South African law. There were 2.8 million working days lost in 2011 as compared to 20.6 million working days lost in 2010. This represents a decline of 636 percent. About 208 working days were lost to work stoppages per 1,000 working South Africans in 2011, compared to 1,593 in 2010. The community, social and personal services industry endured 52.1 percent of all days lost, the most of any sector. In 2011, electricity, gas and water supply and the construction industries experienced relative industrial peace, recording two work stoppages each. Three employers locked out strikers during work stoppages in 2010 and 2011. There were few industrial disputes in 2011 involving municipal workers. In 2011, employees lost approximately R1.073

billion in wages due to participation in work stoppages, compared to R407 million in 2010. Data from the Department of Labor indicates more than 52.3 percent of strikes involving the mining and manufacturing sectors in 2011 lasted between 6 to 10 days, up 44.4 percent from the previous year.

For the first time in the post-apartheid era, almost all of the major 2012 strikes were wildcat strikes—strikes without the backing of trade unions—which left considerable uncertainty about the future of labor relations in the South African mining sector. Labor action started in the platinum sector in February, when workers at the Impala Platinum mine demanded a salary increment outside the collective bargaining process. Likewise, workers demanding a salary increment at the Lonmin Platinum mine in Marikana began a strike in August without regard to the collective agreement signed between unions and the company. Most of these strikes were extremely violent, with 45 killed and many others injured in Marikana, as well as much property damage. During this period, illegal strikes spread to other sectors such as gold and coal. Workers in the transport sector embarked on a legally protected two-week strike which turned violent, with at least two deaths and countless damage to property and injuries to bystanders and non-striking truck drivers. This strike led to some shortages of petroleum products, particularly in Gauteng Province. Farm workers, for the first time in the history of South African labor relations, also took to the streets in protest against low salaries. They demanded increases to the government-set minimum wage of R69-R75 per day. Protests by farm workers continued through the end of 2012. The South African Department of Labor was expected to review the minimum wage for farm workers in March 2013.

South African business argues that the labor market is rigid and over-regulation has constrained job creation and employment. Under pressure to preserve jobs in the face of Chinese competition, the Southern African Clothing and Textile Workers' Union (SACTWU) in October 2011 agreed to a novel deal that allowed for lower salaries for new hires.

The government proposed amendments to each of the four main labor laws in 2010. Business groups and analysts claimed the proposals would make South Africa’s labor regime more rigid and discourage job creation. Representatives of business, labor and government changed some of the more controversial amendments in extensive consultations at the National Economic Development and Labor Council (NEDLAC), and Parliament is expected to approve the four amendment bills in February 2013, after which President Zuma will sign them into law.

Major labor legislation includes:

The Labor Relations Act, in effect since 1995, 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 labor brokers set the threshold for recognition of unions, strike ballots and protect 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.

The Employment Equity Act of 1998 prohibits employment discrimination and requires large- and medium-sized companies to prepare affirmative action plans to ensure that black South Africans, women, and disabled persons are adequately represented in the workforce. The Employment Equity Act amendments would increase fines for non-compliance with employment equity measures and have a new provision of equal pay for work of equal value.

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 July 2012 listed the official unemployment rate at 24.5 percent. The LFS defines unemployment to exclude persons who have not actively sought employment during the previous four weeks. The unemployment rate increases to 37.4 percent if these 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**.

Foreign-Trade Zones/Free Ports

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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. There were plans for an IDZ at OR Tambo International Airport near Johannesburg, which have not been realized. In August 2012, the parliament passed a bill establishing the framework for creation of Special Economic Zones (SEZs). 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 DTI plans SEZs for Cape Town, Gauteng, Durban-Pietermaritzburg, East London and Port Elizabeth.

Foreign Direct Investment Statistics Return to top

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** – Publications – Quarterly Reports.

U.S. Companies with investment in South Africa of at least R10 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, and Whirlpool.

The following FDI statistics were drawn from the SARB's September 2012 Quarterly Bulletin. The conversion exchange rate used was the average exchange rate for each year cited. There was no update for 2011 figures.

Table A: Average Exchange Rates						
Year	2005	2006	2007	2008	2009	2010
Rand/USD	6.36	6.76	7.05	8.25	8.43	7.32

Table B: Year-end Stock of Foreign Direct Investment in South Africa

	2004	2005	2006	2007	2008	2009	2010
Rand (billion)	362.86	499.59	611.72	751.92	632.61	866.66	1015.52
USD (billion)	57.05	78.55	90.49	106.66	76.68	102.81	138.73

Table C: Year-end stock of FDI in South Africa by region/country						
REGION/COUNTRY	2008	2009	2010	2008	2009	2010
CURRENCY(billion)	Rand	Rand	Rand	USD	USD	USD
EUROPE - Total	492.3	697.4	850.03	59.67	82.73	116.12
N/S America - Total	65.1	80.14	62.732	7.89	9.5	10.04
USA	47.1	55.83	73.47	5.7	6.62	8.57
AFRICA	5.2	5.9	6.5	.63	.70	.89
ASIA	68.1	81.4	83.88	8.25	9.66	11.46
OCEANIA	1.6	1.6	1.52	.19	.19	
TOTAL	679.4	922.27	1078.13	82.35	109.4	147.28

Table D: FDI Flows into South Africa (USD millions):					
2005	2006	2007	2008	2009	2010
6.65094	-0.5325	5.68794	9.01818	5.39383	1.22814

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Chapter 7: Trade and Project Financing

How Do I Get Paid? (Methods of Payments) Return to top

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.

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 percent 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/SouthAfricanRegisteredBanksAndRepresentativeOffices.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.

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. 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 (approx. $5,550), 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

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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 Return to top

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 additional information contact:

Mr. Jason Nagy, Country Manager
Tel: +27 (0)11 290-3084
Email: 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 US$400 billion 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 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
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
Website: 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
Website: 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/usaid-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 US$100 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 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
Website: 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 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: plamptey@worldbank.org
Website: 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
Website: www.ifc.org

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

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Advisor & Director of U.S. Business Liaisons
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U.S. Trade Advocacy Center
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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

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

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/ccc/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 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.

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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

For general information on international travel, please visit the main website at: http://travel.state.gov

Value-added Tax (VAT) is levied at 14 percent. Travelers may apply for tax refunds on purchases made in South Africa over $37 (R265) on departure.

Visa Requirements

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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/

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 hire a car. Major car hire groups represented include: Hertz (http://www.hertz.co.za), Avis (http://www.avis.co.za) and Budget (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

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%), Gujerati (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 repellant (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 2013

Holiday	Date	Day
New Year's Day	January 1	Tuesday
Human Right's Day	March 21	Thursday
Good Friday	March 29	Friday
Family Day	April 1	Monday
Freedom Day	April 27	Saturday
Worker's Day	May 1	Wednesday
Youth Day	June 16	Sunday / Monday
National Women's Day	August 9	Friday
Heritage Day	September 24	Tuesday
Day of Reconciliation	December 16	Monday
Christmas Day	December 25	Wednesday
Day of Goodwill	December 26	Thursday

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.

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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:	www.netcare.co.za
MediClinics:	www.mediclinic.co.za
Life:	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

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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- Trade Events

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United States Embassy South Africa - 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

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 - www.unitedstatesvisas.gov

United States Embassy, Pretoria - http://pretoria.usembassy.gov/

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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.

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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 aims to double exports over five years by marshaling 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: 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
Cameroon
Cote d'Ivoire
DRC Congo
Gabon
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

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: 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).**

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