



## ***Doing Business in South Africa - 2011 Country***

### ***Commercial Guide for U.S. Companies***

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### ***Chapter 1: Doing Business in South Africa***

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#### **Market Overview**

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- 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 about 50 million people that is rich in diverse cultures, people and natural heritage. Enjoying remarkable 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's success in holding the world's single largest sporting event, the 2010 FIFA World Cup, with virtually no incidents involving security or logistics, has shown that the country is capable of undertaking – and successfully completing – major projects on time.
- South Africa is the most advanced, broad-based and productive economy in Africa, and had a gross domestic product (GDP) of \$287.2 billion in 2009 and is expected to grow by about three percent in 2011. South Africa accounts for 31 percent of Sub-Saharan Africa's GDP in 2010.
- The South African economy is characterized by standards similar to those found in developed countries. Its service sector is well established and growing, and the economy is increasingly well managed with slow but steady industrial productivity gains. The banking system is stable and was largely immune to the worldwide financial crisis. The country boasts a well-developed physical infrastructure comparable to OECD standards. South Africa boasts a sophisticated financial sector with well-developed financial institutions and a stock exchange in Johannesburg (JSE) that ranks among the top exchanges in the world.
- Recently, South Africa has seen rapid increases in both inbound and outbound Foreign Direct Investment (FDI). The United States is the largest portfolio investor in South Africa and the second largest source of foreign direct investment (FDI) in South Africa, after the U.K. (Total U.S. FDI is \$5.7 billion with total portfolio investment in South Africa at the end of 2008 amounting to \$41 billion.)
- The United States plays a prominent role in the South African economy and is placed as the third largest trading partner behind China and Germany. The U.S. ranks third as a source of South African imports in 2009 at 7.7 percent, after China and Germany.
- Bilateral trade decreased in 2009, reflecting downturns in both economies. U.S. exports to South Africa declined by 31.4 percent from 2008 to 2009, while South Africa shipments to the U.S. fell nearly 41 percent during the same period. The trade deficit with South Africa also declined substantially, from \$3.4 billion in 2008 to \$1.4 billion last year. (Source: U.S. Census Bureau)
- 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.

Tourism may experience continuing growth in coming years, given its prominence on the world stage with the 2010 World Cup.

- South Africa is integrated into the regional economy through its membership in the Southern African Development Community (SADC). In addition, the Southern African Customs Union (SACU) agreement with Botswana, Namibia, Lesotho, and Swaziland, first established in 1910, has also been renegotiated and ratified by all members.

- The passage of the African Growth and Opportunity Act (AGOA) has provided duty-free access to the U.S. market for all African countries. The United States and SACU concluded a Trade, Investment and Development Cooperation Agreement (TIDCA) in July 2008. The U.S. and SACU will use TIDCA as a forum to conclude a range of agreements on various trade facilitation issues and other areas of cooperation.
- Like many other economies, South Africa went into recession in 2009, but economic growth rebounded to 3.2 percent in the second quarter of 2010. Inflationary pressures in the South African economy continued to wane since December 2009, with CPI inflation now at 4.2 percent, well within the South African Reserve Bank's three to six percent target range.
- The recent recession has weakened consumer and business confidence, although many of the sectors are improving off their 2009 performances. Consumers continue to concentrate on paying off their debt rather than making major new purchases. At the same time, structural reforms in general have increased the economy's diversification and openness, bolstering its resilience to external shocks. The banking sector has managed to avoid any serious disruptions, due to its limited exposure to the U.S. and other foreign markets.
- Fourteen years after the watershed 1994 democratic elections, South Africa continues to maintain a stable political environment. The ANC retained control of Parliament in elections held in May 2009 led by Jacob Zuma, who assumed the Presidency later that month. The Government has generally pursued market-oriented economic policies and is assessing the restructuring of state assets and the possibility of introducing competition and public-private cooperation schemes for state-owned enterprises (SOE's).

## Market Challenges

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- U.S. firms entering this market must contend with a typically mature and competitive market with well-established, mainly European competition. A trade agreement with the European Union enables many European products to enter South Africa duty-free and at lower rates than U.S. products.
- Broad-based Black Economic Empowerment (BEE) policies on 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 as well. A few companies have managed to address the ownership element of BEE 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 is difficult to find in various technical and professional segments, due to emigration and the state of the education system. In addition, HIV/AIDS affects one in six South Africans and is also a factor both in terms of labor availability, productivity, and medical costs.
- U.S. firms should be aware that crime against business and individuals is a concern and should be addressed in market planning. High telecommunications and security expenses add to the cost of doing business in South Africa, and while recently installed fiber optic cable systems have reduced telecom costs somewhat, at least on a retail basis, broadband service is relatively limited in terms of the consumer market. Power shortages could restrict

opportunities for energy-intensive industries, until additional power plants come on-line in 2012/2013.

## Market Opportunities

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- Opportunities for U.S. exporters and investors in South Africa reflect the growth of its consumer base and its efforts to upgrade and develop its infrastructure to match and further fuel its economic growth.
- Factors benefiting U.S. exporters include:
  - A sophisticated banking sector;
  - The recent strong performance of the rand versus the U.S. dollar;
  - Infrastructure improvements;
  - South Africa serves as a gateway to other countries in Southern Africa;
  - U.S.- branded goods are known for their quality and continue to gain market share;
  - South African Government-owned utilities such as Eskom (electric power) and Transnet (transportation) have formalized capital expenditure plans for over \$50 billion over the next five years;
- In general, the best prospects for exports are in capital goods, though opportunity exists in a wide range of consumer products and services as well. Of particular note are:
  - Electrical Power Systems;
  - Telecommunication Services;
  - Aviation;
  - Automotive Components;
  - Transportation, Infrastructure and Civil Construction;
  - Franchising;
  - Renewable Energy;
  - Safety/Security Equipment;
  - Pollution Control Equipment;
  - Mining Equipment;
  - Medical Equipment and Healthcare Services;
  - Telecommunications Equipment; and
  - Information Technology.

## Market Entry Strategy

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- Because the South African market is sophisticated, entry should be well planned and should take 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 the large retail centers are spread over only five metropolitan regions;
  - A judicious selection of one of three low-risk entry strategies: representation, agency or distributorship (Note: if you are selling to the government or government-funded organizations, any local partner should be BEE-compliant);
  - The entrenched bias of a conservative market that sticks to known suppliers and therefore requires sustained market development; and
  - South Africa's position as the pre-eminent stepping stone for developing most sectors in sub-Saharan Africa: the marketing mix should anticipate this medium-term option.
- 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 and to facilitate your export experience in South Africa. For a detailed description of these services please visit:

<http://www.buyusa.gov/southafrica/en/servicestouscompanies.html>

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

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

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**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) CSR's in South Africa depend upon the contract concluded and upon the representative'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. In some cases, the distributor is also the principal with sub-agents or as a major user of the products.

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 and society 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://www.buyusa.gov/southafrica/en/servicestouscompanies.html>

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

## Establishing an Office

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South Africa's efforts to make it easier for businesses to start up and pay tax have lifted its ranking from 35 to 32 on the 2008 World Bank's Doing Business Index.

South Africa's improvement in the rankings was due largely to the amendments to the Companies Act that were implemented during the course of 2007, making it easier to register a new business.

The Index tracks how business-friendly the regulatory environment is, especially for small and medium-sized businesses. It is based on ten indicators covering the time and cost of starting and operating a business, trading across borders, paying taxes and closing a business. The removal of the regional services council (RSC) levies and the reduction in the rate of secondary tax on companies also contributed to the improved rating. In the same World Bank Index, South Africa is ranked second in the world on ease of getting credit. It also ranks well on protecting investors and paying taxes, but scored low for ease of employing workers and trading across borders.

Furthermore, the World Bank and PricewaterhouseCoopers in November 2008 gave South Africa a high rating of 23 (up from 61 in 2007) out of 181 economies in terms of ease of paying taxes.

The Companies Act of 1973, which is administered by the Registrar of Companies, regulates the formation, conduct of affairs and liquidation of all companies. The 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.

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.

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 1.6 million Close Corporations, 400,000 Private Companies, and 4000 Public Companies.

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, a recently revised 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 Registration Office (CIPRO)  
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: [contactcentre@cipro.gov.za](mailto:contactcentre@cipro.gov.za)  
Website: <http://www.cipro.co.za>

## Franchising

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Recent years have seen a significant increase in the popularity of franchising in South Africa, as it is perceived as 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. Franchising, with its advantages of skill transfer, start-up support and ongoing operational assistance, is becoming a preferred type of business to address these areas. Business format franchising, in particular, is a proven concept offering potential opportunities for interested firms.

The Consumer Protection Act, set to effect in October 2010, is expected to have provisions affecting franchising. More information can be found at [www.dti.gov.za/ccrdlawreview/DraftConsumerProtectionBill.htm](http://www.dti.gov.za/ccrdlawreview/DraftConsumerProtectionBill.htm)

More information about this sector of the South African economy can be found in Chapter Four within the [Franchising](#) sub-section.

Additional information can be found at:

Franchise Association of Southern Africa (FASA)  
Postnet 256, Private Bag X4  
Bedfordview, 2008  
Tel: +27 (0) 11-615-0359; Fax: +27 (0)11-615-3679  
Ms. Vera Velasis, Executive Director  
Email: [fasa@fasa.co.za](mailto:fasa@fasa.co.za)  
Website: <http://www.fasa.co.za/>

## Direct Marketing

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Direct marketing is expected to grow over the next ten years and promises solid opportunities for U.S. brands to gain buyer recognition.

Direct marketing channels in South Africa include:

- Direct e-mail selling, including 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 channel, such as an independent agent or distributor system; and
- Internet marketing, a sector which has also grown rapidly as more South African consumers are now feeling comfortable about handing over banking details and ordering from non-brick and-mortar companies.

It is important to put a strong emphasis on clear-cut information campaigns that address consumer questions and introduce appropriate solutions in one effective, customized, direct-marketing package.

## Joint Ventures/Licensing

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

When a company is interested in entering into a foreign licensing agreement to manufacture a product in South Africa, the South African licensee must submit an application to the Department of Trade and Industry (DTI). The Department, in turn, will make a recommendation to the South African Reserve Bank (SARB). Government regulations stipulate that the SARB’s Exchange Control Section 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 (royalties, fees etc.) that can be set by the parties to a Joint Venture or Licensing arrangements are subject to 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.

Binding information on the foreign exchange aspects of Joint Ventures and Licensing can be obtained from the SARB or an approved foreign exchange dealer. An exhaustive listing of currently enforced stipulations relating to controls can be found at the SARB s Exchange Control Manual:

<http://www.reservebank.co.za/internet/publication.nsf/WCEV/8B1C8768741BF40C42256C44003331A6/?opendocument>

## **Selling to the Government**

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Government purchasing is a significant factor in the South African economy. Nearly all such purchasing (at all three levels of government) 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/documents/tenders/index.htm>), and sometimes in leading newspapers. Although the purchasing procedures of the central government and parastatal institutions favor products of 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.

### **Central Government Procurement**

South Africa has changed its government procurement to a "Supply Chain Management" process in order 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 now devolved to "accounting officers". Depending on their level of responsibility, the accounting officers are allowed to approve government purchases up to a certain amount.

The basic principles for government procurement in South Africa, in terms of socio-economic objectives, are set out in the Constitution. Procurement by an organ of State or any other institution identified in national legislation must:

- on the one hand, be "in accordance with a system which is fair, equitable, transparent, competitive and cost-effective," and,
- on the other hand, allow 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. Bids on tenders are to be addressed as indicated in the tender document and must be lodged in a sealed envelope with the tender number, due date and name and address of the tender on the outside.

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

A pivotal consideration with the government and parastatal procurement process is that manufacturers or suppliers to government qualify as BEE (Black Economic Empowered) partners. These criteria aim to quantify the contribution by these partnerships to empower previously

disadvantaged individuals (i.e., those whose racial/ethnic origin is described by the South African terms “Black”, “Coloured,” and “Indian”) 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). White women have also been designated as BEE beneficiaries, and a 2008 Court decision expanded the BEE program to include South African Chinese.

In January 2004, then President Mbeki signed into law the Broad-Based Black Economic Empowerment Act of 2003, the legislation enacting the BEE strategy. The Act directed the Minister of Trade and Industry to develop a national strategy for BEE, issue BEE implementing guidelines in the form of Codes of Good Practice, encourage the development of industry-specific charters, and establish a National BEE Advisory Council to review progress in achieving BEE objectives. While firms are not legally required to meet BEE criteria, in practice they are less competitive 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/bee/codes2005.htm>

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

Closely linked to BEE, the South African Government and its parastatals are giving 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 also led, in some cases, to longer adjudication and awarding timelines.

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

South African National Treasury  
PPP Unit  
Private Bag X115  
Pretoria, 0001  
Tel: +27 (0)12-315-5741  
Website: <http://www.treasury.gov.za>

## **Offsets and Counter-Trade**

South Africa has an Industrial Participation Program (IPP), which mandates a counter-trade/offset package for all state and parastatal purchases of goods, services, and lease contracts in excess of 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. The bidder then has seven years to discharge the Industrial Participation obligation. Non-performance of the contract is subject to a penalty of five percent of the outstanding Industrial Participation obligation. These IPP 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.

## **Parastatals**

Parastatals, local authorities, and major private buyers such as the mining houses must follow similar practices to the 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 the establishment of nine 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.

## **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 only a handful of major distributors, with 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 the country's three largest ports: Durban, Cape Town, and Port Elizabeth.

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

## **Johannesburg**

The city of Johannesburg is the commercial, financial and transportation hub of South Africa. It is the center for all aviation, rail and road infrastructure. It also has the continent's busiest international airport, which handles 17 million passengers and 300,000 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, ironically, 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 has 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 also serves as a crucial interface for the distribution of cargoes between ocean carriers and the markets of South Africa, Swaziland, Lesotho, 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 processed at the port of Durban represent 64 percent of the total number of containers handled at South African ports.

## **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, after Durban and Cape Town. 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, and currently handles 1,271 ships annually with a total gross tonnage of 25,756,823.

## **Selling Factors/Techniques**

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Companies wishing to introduce new products into the South African market require 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, is 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.

South Africans are becoming increasingly comfortable with making purchases online. Recently mobile phones have surpassed PC's as the preferred choice of banking and analysts anticipate that personal services and purchases will follow suit. Internet use on mobile phones is on the increase as smart-phones are gaining popularity.

It is estimated that South Africa had just over 1.5 million internet users at the end of 2008; this is only less than 4%.

The South African broadband market is expected to become increasingly dynamic over the next five years. One development that is expected to have a major shake-up effect on the market is the inauguration of various undersea cables. The first of these, SEACOM, went live in July 2009. Most of the remaining cables are expected to go live by 2010. Although the impact of these cables will not be felt immediately, they are expected to help reduce the cost of bandwidth in the long term. With this reduction we can see a deeper penetration of the internet and higher comfort levels with e-commerce.

One major limitation to e-commerce in South Africa, and Africa in general, is the lack of comprehensive online payment options. PayPal has enabled the US e-commerce sector to flourish, however South Africa does not enjoy the same fate as PayPal only allows South Africans to make online payments but not receive them. The inability to accept payments for products and services on equal footing with the rest of the world means that many viable business options are not available for merchants in South Africa and neighboring African nations.

Thus the only realistic alternative is the setup of a merchant account with a local bank, which is both taxing and time-consuming for businesses to implement. The current situation signifies insurmountable opportunities available for U.S. companies as currently no comprehensive e-commerce option is available for South Africa and the rest of Africa. However, should PayPal decided to offer more stringent verification, allowing for the identification of real people with real businesses, then the company could essentially develop and dominate the online business market overnight.

South Africa has a sophisticated advertising industry. Advertising agencies provide a full range of services and the majority of the 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 via a further independent television channel and independent radio stations.

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

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

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

The National Publishing Company (Pty) Ltd.  
IHS South Africa  
PO Box 8147  
Johannesburg, 2000  
Tel: +27 (0)11-835-2221; Fax: +27 (0)11-835-2631  
Email: [viv.hosford@ihs.co.za](mailto:viv.hosford@ihs.co.za)  
Website: <http://www.ihs.co.za>

Major English-language South African newspapers include:

|                                  |  |
|----------------------------------|--|
| Business Day (daily, except Sun) | <a href="http://www.businessday.co.za">www.businessday.co.za</a>             |
| The Star                         | <a href="http://www.star.co.za">www.star.co.za</a>                           |
| The Citizen                      | <a href="http://www.citizen.co.za">www.citizen.co.za</a>                     |
| The Sowetan                      | <a href="http://www.sowetan.co.za">www.sowetan.co.za</a>                     |
| The Times                        | <a href="http://www.thetimes.co.za">www.thetimes.co.za</a>                   |
| Mail-Guardian                    | <a href="http://www.mg.co.za">www.mg.co.za</a>                               |
| Sunday Independent               | <a href="http://www.sundayindependent.co.za">www.sundayindependent.co.za</a> |

Major English-language periodicals for business include:

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

Several trade exhibition firms operate in South Africa. The Exhibition Association of Southern Africa (EXSA) provides an overview of the exhibitions and trade shows in South Africa and can be found at: <http://www.exsa.co.za>. You can also visit the Commercial Service South Africa's website at <http://www.buyusa.gov/southafrica/> for links to upcoming trade events and business service providers.

## Pricing

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Prices are generally market-determined. The major exceptions are petroleum products, certain agricultural goods and prices administered by parastatals (government-owned firms) such as the South African Post Office and Telkom. Provisions of the Sales and Service Matters Act set marking requirements and stipulate that prices cannot be evaded through auction sales. The Act also requires that persons offering goods or services for resale keep and retain records for possible



recall, indicating purchase costs, manufacturing costs, and selling prices. Changes in the fixed prices are published in the South African Government Gazette.

South Africa applies a 14 percent Value Added Tax (VAT) [as opposed to General Sales Tax (GST)] 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 the VAT:

The South African Revenue Service (SARS),  
Private Bag X923 or P.O. Box 402  
Pretoria, 0001  
Tel: +27 (0)12-422-4000; Fax: +27 (0)12-422-5181  
Website: [www.sars.gov.za](http://www.sars.gov.za)

### **Sales Service/Customer Support**

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In the South African consumer market, after-sales service is extremely important, especially for providing technical and spare part services to prospective clients. Many South African consumers will base purchasing decisions on reliable after-sales service for their purchases, especially for high-end luxury goods such as electronic equipment.

A central distributor that stocks spare parts and provides maintenance and repair service is advisable for new-to-market companies. As the South African market has opened up and become more competitive, South African consumers have become more and more concerned about quality and after-sales service. Foreign companies that bring strong customer support systems to this market will find themselves with a competitive edge.

Consumers may direct queries and complaints to the South African National Consumers Union (SANCU), <http://www.sancu.co.za>

### **Protecting Your Intellectual Property**

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South Africa is a signatory of various international agreements and conventions relating to the protection of intellectual property, which includes patents, trademarks, designs and copyrights. South Africa has an independent judiciary under which any threat to property rights may be enforced without political interference.

While South African intellectual property rights (IPR) laws and regulations are largely in keeping 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 IPR laws, with the South African Revenue Service (SARS) 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 currently 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:

Department of Trade and Industry  
Companies and Intellectual Property Registration Office  
Trademarks, Patents, Design and Copyright  
Private Bag X84,  
Pretoria, 0001  
Tel: +27 (0)861 843 384; Fax: +27 (0)861 843 888  
Mr. Joseph Makena  
Email: [JMakena@cipro.gov.za](mailto:JMakena@cipro.gov.za)  
Website: [www.cipro.gov.za](http://www.cipro.gov.za)

### **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 U.S.
- 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, basically, 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 US government generally 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 African law. The U.S. Commercial Service can provide a list of local lawyers upon request. Contact: [Johannesburg.office.box@mail.doc.gov](mailto:Johannesburg.office.box@mail.doc.gov)

While the U.S. Government stands ready to assist, there is little we can do if the 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 USG 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, estoppels, 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)

## **IPR Resources**

A wealth of information on protecting IPR 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, calls the STOP! Hotline: **1-866-999-HALT** or register at [www.StopFakes.gov](http://www.StopFakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the U.S. Copyright Office at: **1-202-707-5959**.
- For U.S. small and medium-sized companies, the U.S. Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: [http://www.abanet.org/intlaw/intlproj/iprprogram\\_consultation.html](http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html)
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.StopFakes.gov](http://www.StopFakes.gov). This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and

copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.

The U.S. Department of Commerce has also 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@mail.doc.gov](mailto:Johannesburg.office.box@mail.doc.gov)

## Due Diligence

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

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

## Local Professional Services

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For information on local business service providers for U.S. exporters to South Africa, please visit the U.S. Commercial Service South Africa website at: <http://www.buyusa.gov/southafrica/en/>

Or, contact the U.S. Commercial Service in Johannesburg (see contact numbers at the end of this guide).

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

Law Society of the Northern Provinces  
PO Box 1493,  
Pretoria, 0001  
Tel: +27 (0)12-338-5800; Fax: +27 (0)12-323-2606  
Website: <http://www.northernlaw.co.za/>

## Web Resources

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Association for Communication and Advertising  
Website: <http://www.acasa.co.za/>

Advertising Standards Authority of South Africa  
Website: <http://www.asasa.org.za>

Companies and Intellectual Property Registration Office  
Website: <http://www.cipro.co.za>

Department of Trade and Industry (DTI)  
Website: <http://www.dti.gov.za/>

Exhibition Association of Southern Africa  
Website: <http://www.exsa.co.za>

Franchising Association of South Africa  
Website: <http://www.fasa.co.za>

Law Society of the Northern Provinces  
Website: <http://www.northernlaw.co.za/>

National Association of Broadcasters  
Website: <http://www.nab.org.za/>

National Publishing Company  
Website: <http://www.ihs.co.za>

Print Media Association  
Website: <http://www.printmedia.org.za/>

South African National Consumer Union  
Website: <http://www.sancu.co.za>

South African National Treasury  
Website: <http://www.treasury.gov.za/>

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

U.S. Commercial Service South Africa  
Website: <http://buyusa.gov/southafrica/en>

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

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### **Commercial Sectors**

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## Agricultural Sectors

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South Africa has a market-oriented agricultural economy that is highly diversified and includes the production of all the major grains (except rice), oilseeds, deciduous and subtropical fruits, sugar, citrus, wine and most vegetable. Livestock production includes cattle, dairy, pigs, sheep, and a well developed broiler and egg industry. Value-added activities in the sector include the slaughtering, processing and preserving of meat, processing and preserving of fruit and vegetables, the processing of vegetable and animal oils and fats, dairy products, grain mill products, prepared animal feeds, bakery products, sugar refining, cocoa, chocolate, and sugar confectionery amongst other food products. South African household consumption expenditures on food and beverages are just over 14 percent of total household expenditures per annum.

The agricultural sector currently contributes around 8% to South Africa's total export earnings. South African produce, mostly harvested during the Northern Hemisphere winter, has achieved remarkable successes 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 groundnuts, wine, cut flowers, bulbs, mohair, karakul pelts, sugar, meat and wool, to name just a few.

The value of South Africa's agricultural and food product imports in FY2009 exceeded \$4 billion. The major products imported are rice (\$417 million), wheat (\$296 million), plant oils (\$472 million), poultry meats (\$190 million), and soybean oil (\$141 million).

In FY2009, the United States exported \$245 million of agricultural, fish and forestry products to South Africa. Five-year trends show U.S. exports of consumer-oriented products to South Africa are growing. The increase is attributable to some categories, like dairy products, processed fruit and vegetables, fresh vegetables, and "other" consumer-oriented products, which reached record levels in 2008. Within this sub-category, "other food preparations" have shown consistent and substantial increases, including sauces and condiments. Other high value exports that have shown sustained growth are almonds, canned salmon, and whiskies. The United States enjoys a dominant position in the almond, canned salmon and other food preparations markets, holding 90 percent, 82 percent and 18 percent market shares respectively.

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

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

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

**Overview: Grains**

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The grain industry (barley, maize, oats, sorghum and wheat) is one of the largest industries of South African agriculture producing between 25 percent and 33 percent of the total gross value of agricultural production. The industry comprises 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 soya 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. With the current decline in wheat prices for the 2010/2011 marketing year, producers are expected to scale down wheat production. Extra wheat must be imported to meet local requirements of about 1.4 million tons.

| <b>South African Grain Market</b> |                  |                   |                   |
|-----------------------------------|------------------|-------------------|-------------------|
|                                   | <b>FY 2007</b>   | <b>FY 2008</b>    | <b>FY 2009</b>    |
| Total Local Production            | 9.7 million tons | 15.5 million tons | 13.9 million tons |
| Total Exports                     | \$43 million     | \$445 million     | \$594 million     |
| Total Imports                     | \$364 million    | \$584 million     | \$329 million     |
| Imports from the U.S.             | \$80 million     | \$151 million     | \$20 million      |

*Note: Above figures are from the World Trade Atlas*

Food prices are sensitive in South Africa and have become a political issue. For this reason import tariffs are very low for grain products.

The South African grain supply and demand situation changes weekly. For the most accurate up-to-date information please read one of FAS/Pretoria's South African Grain and Feed reports, which are updated monthly at: <http://www.fas.usda.gov>.

### **Best Product: Wheat**

South Africa is the only country in the region with significant wheat production. Production has been sporadic over the past ten years because of changing weather conditions but there is also a definite decreasing trend in the area planted with wheat. The 2008/2009 wheat crop estimate was 2.1 million tons.

Annual wheat consumption in South Africa is about 2.8 million tons, or about 60 kg per capita, the highest in the sub-Saharan region. Its population is growing by 1.7% annually, and there is a rapid urbanization of South Africa's major cities.

| <b>South African Wheat Market</b> |                |                 |                |
|-----------------------------------|----------------|-----------------|----------------|
|                                   | <b>FY 2007</b> | <b>FY 2008</b>  | <b>FY 2009</b> |
| Exports                           | \$12.8 million | \$132 million   | \$31.4 million |
| Imports                           | \$190 million  | \$449 million   | \$296 million  |
| Imports from the USA              | \$72.1 million | \$140.3 million | \$8.6 million  |

South Africa, with a population of 48 million people, is a growing market and has one of the largest economies in Africa. With wheat consumption exceeding production, wheat imports of more than 1 million tons per year are needed to meet the local demand.

### **Opportunities**

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

### **Resources**

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

### **Overview: Hides and Skins**

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| <b>South African Hides and Skins Market</b> |                |                |                |
|---|----------------|----------------|----------------|
|   | <b>FY 2007</b> | <b>FY 2008</b> | <b>FY 2009</b> |
| Total Exports                               | \$95 million   | \$85.4 million | \$66.5 million |
| Total Imports                               | \$4.2 billion  | \$5.1 billion  | \$1.6 billion  |
| Imports from the U.S.                       | \$6 million    | \$10.4 million | \$.56 million  |

*Note: Above Figures are from Global Trade Atlas*

Many automobile companies (Ford, GM, Volkswagen, BMW, and Daimler-Chrysler, to name a few) have production plants in South Africa and are major consumers of leather.



Leather car seats for BMW and Mercedes Benz are also produced for export.

**Best Product: Cattle Hides**

**Opportunities**

There are opportunities to supply high-quality raw cattle hides for processing into leather for seats and car interiors.

**Resources**

Contact the FAS office in Pretoria for assistance exporting to South Africa at:  
[AgPretoria@fas.usda.gov](mailto:AgPretoria@fas.usda.gov)

**Overview: Food Preparations**

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| <b>South African Food Preparations Market</b> |                |                 |                |
|---|----------------|-----------------|----------------|
|   | <b>FY 2007</b> | <b>FY 2008</b>  | <b>FY 2009</b> |
| Total Exports                                 | \$66 million   | \$83 million    | \$61.2 million |
| Total Imports                                 | \$123 million  | \$155.4 million | \$137 million  |
| Imports from the U.S.                         | \$6 million    | \$7.1 million   | \$5.3 million  |

*Note: Above Figures are from Global Trade Atlas*

South Africa is net importer of food preparations. In FY2009, imports of food preparations totaled \$137 million and exports totaled \$61.2 million. Imports of food preparations have shown consistent increases over the past few years, including sauces and condiments. The United States has the largest market share of 18 percent in both food preparations and 21 percent in sauces and condiments.

**Overview: Wood Products**

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| <b>South African Wood Products Market</b> |                 |                |                |
|---|-----------------|----------------|----------------|
|   | <b>FY 2007</b>  | <b>FY 2008</b> | <b>FY 2009</b> |
| Total Exports                             | \$63.3 million  | \$83 million   | \$61.2 million |
| Total Imports                             | \$369.1 million | \$396 million  | \$251 million  |
| Imports from the U.S.                     | \$21.6 million  | \$18 million   | \$12 million   |

*Note: All figures in US\$ Million*

*Above Figures are from World Trade Atlas*

**Best Product: Wine Barrels, and Staves for Barrels**

Demand for wine barrels is increasing in South Africa. As South Africa does not produce white oak, it must import all of its wine barrels and staves. Wine producers currently have a preference for French oak barrels, but that preference is based solely on perception. With a little marketing effort, there is no reason why an American exporter couldn't capture this market share.

| <b>South African Barrel and Staves for Barrels Market</b> |                |                |                |
|---|----------------|----------------|----------------|
|   | <b>FY 2007</b> | <b>FY 2008</b> | <b>FY 2009</b> |
| The World   | \$24 million   | \$29.4 million | \$26 million   |
| France  | \$20.4 million | \$26 million   | \$22.2 million |
| United States   | \$1.7 million  | \$1.5 million  | \$1.3 million  |
| Australia   | \$.67 million  | \$.94 million  | \$.84 million  |

*Note: All figures in US\$ Million*

*Above Figures are from the Global Trade Atlas*

### **Opportunities**

Market research shows that winemakers may remain loyal to a particular oak stave manufacturer in order to maintain product consistency, so it might be wise to link up with a winemaker who is expanding production and establishing new wine labels.

### **Resources**

The South Africa Wine Association might be willing to put oak stave manufacturers in touch with wine producers. Please look at the website at [www.wosa.co.za](http://www.wosa.co.za) for more information.

## **Overview: Alcoholic Beverages**

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South Africa is a net exporter of alcoholic beverages; however, imports of alcoholic beverages have been increasing over the past few years. In 2007 alcoholic beverage imports increased 50 percent from the previous year. 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. 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.

Assisted by the strong rand/dollar exchange rate, the South African appetite for American spirits grew in the recent past. However, exchange rate movements have kept U.S. exports of distilled spirits to South Africa at a steady level over the last two years, \$25.4 million in FY2008 to \$25.3 million in FY2009.

### **Distilled Spirits**

| <b>South African Distilled Spirits Market</b> |                |                |                 |
|---|----------------|----------------|-----------------|
|   | <b>FY 2007</b> | <b>FY 2008</b> | <b>FY 2009</b>  |
| Total Exports                                 | \$60 million   | \$70 million   | \$68 million    |
| Total Imports                                 | \$257 million  | \$249 million  | \$245.2 million |
| Imports from the U.S.                         | \$31.4 million | \$25.4 million | \$25.3 million  |

*Note: All figures in US\$ Million*

*Above Figures are from Global Trade Atlas*

### **Best Products: Bourbon**

In FY 2008, the U.K held 79 percent of the whisky market share while the United States held only 11 percent. However, the United States increased whisky exports to South in FY 2007 and has seen an annual growth over the past five years. This growth may be due, in part, to a South Africa preference for successfully promoted American branded bourbon. This preference should help other American products be more competitive in South Africa and may lead to the growth of other American-branded, high value distilled spirits. Distilled spirit marketers might wish to target the expanding Black middle and upper classes since this group likely has fewer loyalties to the competition, Scotch and brandy.

### **Resources**

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

### **Overview: Poultry**

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South Africa's poultry market, mainly chicken, is estimated to have grown by 11 percent to \$2.1 billion for the financial year to 31 March 2007, contributing approximately 16 percent of the total gross value of primary agriculture in South Africa. Driven by demand factors, poultry production is becoming big business in South Africa. Domestic demand for poultry meat is growing by about 7 percent per annum, which outstrips the performance of any other proteins on the market. The steady growth of South Africa's economy is the main overall driver for the increased demand for poultry meat. Rising living standards are pushing increasingly more consumers towards protein-filled diets, health awareness and convenience. South Africans now eat more than double as much poultry as in the 1970's. Expectations are that this growth in poultry meat consumption will continue.

### **Best Product: Fresh/Frozen Chicken Parts**

[r](#)

Imports decreased over the past years and amounted to \$186 million or 210 thousand tons in 2009 versus \$203 million or 190 thousand tons in 2008. Imports represent approximately 10 percent of the total value of the poultry market in South Africa or more than 20 percent of production.

Brazil is the most important trading partner for South Africa in terms of poultry meat, having more than 70 percent of the import market, while Argentina has 9 percent of imports, and Australia has 5 percent of imports. Argentina and Australia are, respectively, the second and third most important trading partners for South Africa in terms of poultry meat, with the United States holding 3 percent of the market.

### **Poultry**

| <b>South African Poultry Market</b> |                 |                 |                  |
|-------------------------------------|-----------------|-----------------|------------------|
|                                     | <b>FY 2007</b>  | <b>FY 2008</b>  | <b>FY 2009</b>   |
| Total Exports                       | \$5.1 million   | \$6.4 million   | \$19.1 million   |
| Total Imports                       | \$214.4 million | \$203.1 million | \$ 186.2 million |
| Imports from the U.S.               | \$5.9 million   | \$6 million     | \$5.5 million    |

*Note: All figures in US\$ Million*

*Above Figures are from Global Trade Atlas*

## ***Opportunities***

The government, International Trade Administration Commission on South Africa (ITAC) petition by the South African Poultry Association antidumping duties instituted in 2000 on the United States poultry products such as bone in cuts and chicken leg quarters remains. Imports showed exceptional growth in 2008, but the delay in lifting the anti-dumping duty of U.S. bone-in cuts limits US exports.

Strong demand for fresh /frozen chicken will continue and with the elimination of anti-dumping duties, the United States can compete with the current top suppliers to the South African market.

## ***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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## **Commercial Sectors**

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- [Green technologies](#) ([Pollution Control](#), [Renewable Energy](#), [Green Build](#))
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- [Telecommunications Equipment and Services](#)

## **Agriculture**

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## **Overview**

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|                   | 2008 | 2009 | 2010 (projected) |
|-------------------|------|------|------------------|
| Total Market Size | 905  | 910  | 915              |

|                        |     |      |      |
|------------------------|-----|------|------|
| Total Local Production | 46  | 47   | 48   |
| Total Exports          | 2.3 | 5.64 | 8.14 |
| Total Imports          | 855 | 857  | 859  |
| Imports from the U.S.  | 181 | 183  | 185  |

*Note:*

*All figures in US\$ millions.*

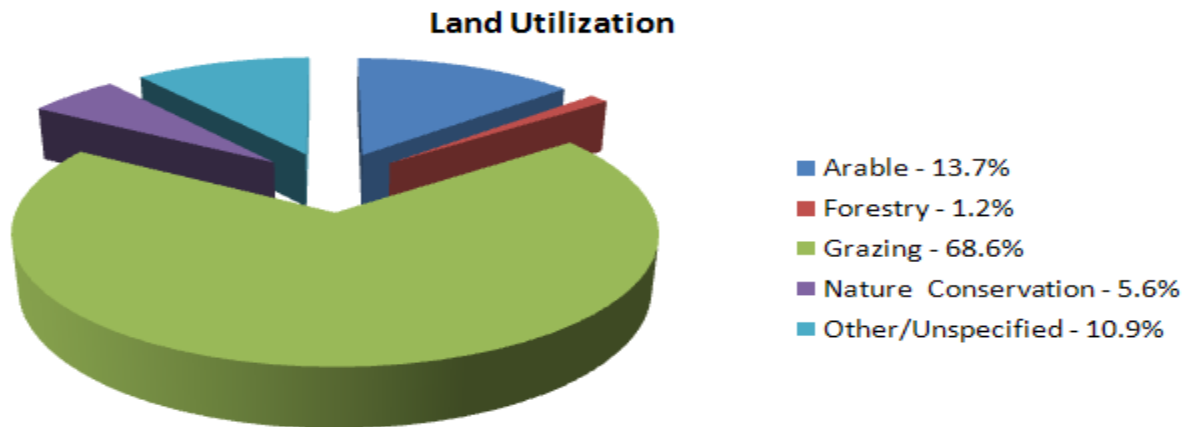
*Above figures are unofficial estimates obtained from industry sources.*

*2007 Rand/Dollar exchange rate: US\$1 = R7.05*

*2008 Rand/Dollar exchange rate: US\$1 = R8.00*

*2009 Rand/Dollar exchange rate: US\$1 = R8.45*

- The South African agricultural equipment market is estimated at approximately US\$919 million. Tractor sales constitute sixty percent of the total agricultural equipment market followed by combine and baler sales.
- Five percent of all new agriculture equipment is being produced locally, ninety five percent of all agriculture equipment and parts are being sourced from international markets, and at least twenty percent of new equipment and technologies are currently being sourced from the U.S.
- Used equipment has limited market opportunities.
- Agriculture is an important component of the South African economy. The agriculture sector provides employment for a million people and agro-industrial activity amounts to about fifteen percent of GDP, with substantial growth potential.
- New land owners through farm land allocation and redistribution to previously disadvantaged communities will also create further employment and income.
- Although eighty percent of South Africa's land is used for agriculture only fifteen percent of that is arable, with the rest used for pastoral and other purposes.
- The following diagram provides an overview of the land utilization.



Source: South African Department of Agriculture, 2009

- Compared to the rest of Africa, South Africa has by far the most modern, productive and diverse agricultural economy. It is a net exporter of agricultural and food products and is self sufficient in food products.
- The commercial agricultural sector in the previous apartheid government was almost exclusively white owned however the broad-based agriculture empowerment charter (AgriBEE) aims to boost land reforms and black ownership of farmland to thirty percent by 2014.
- Additional goals include:
  - A further twenty percent of agricultural land to be made available for black farmers through farm land allocation and redistribution to previously disadvantaged communities
  - Farm workers to receive ten percent of the land from farms where they are currently employed on, for their own farming
  - Local and international agricultural procurement to be fifty percent from black-owned by 2010.
    - It must be noted that the South African Government's (SAG) intention to have fifty percent procurement in the hands of previously disadvantaged or emerging farmers was never realized due to SAG's ineffective policy towards this initiative.
    - Ninety percent of the fifteen percent of land that was redistributed to emerging farmers since 1995 is dysfunctional.
    - SAG has however reviewed this policy and has begun to engage in new initiatives to avoid the same mistakes with this program.
- Conventional cooperatives structures have adopted a more business managed farming system which seems to be adding to their success in all the regions.

### 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 Machinery Association

- The recent strength of the Rand, combined with low domestic interest rates has enabled South African farmers to replace aging equipment.
- The agriculture machinery market has seen a significant increase in sales in the last quarter of 2007 through the first quarter of 2008 but has experienced a steady decrease in sales in the third and fourth quarter of 2009. This can in part be contributed to the 2009 economic downturn. Combine sales has also steadily declined.
- Farm land allocation and redistribution to previously disadvantaged communities continues to be high on the agenda of the South African Government (SAG), with concerted efforts being made to address and eradicate past injustices.
- The government is also working to develop small-scale farming in efforts to boost job creation. While this will ultimately place more land in the hands of emerging farmers, the resulting agricultural operations will likely be smaller and will require time and training/ assistance to reach their potential. However, the increase in numbers of farmers will represent an increased number of farming equipment purchasers as well.
- South Africa has good sunlight nationwide throughout the year, which allows for more controlled farming, particularly green house farming. This is creating a growing market for greenhouse sheeting and other related products.

## Best Prospects/Services

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- Please note that these opportunities extend to the regional Southern African market as well.
  - Tractors
  - Combines
  - Bailers
  - Planters
  - Precision Agriculture Equipment and Technologies
  - Sprayers
  - Irrigation equipment
  - Storage / silos
  - Soil testing equipment
  - Spare parts and service facilities

## Opportunities

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- Despite the current economic down-turn, farmers appear to be very upbeat about current agriculture conditions.
  - Sporadic rains and prevalent dry weather conditions are still a concerning issue and presents excellent opportunities for no-till planting equipment.
  - Companies/farmers have also indicated a strong interest in soil sampling equipment. With the continued downscaling of the elaborately high workforce, which culminated out of inexpensive labor, excellent opportunities are being presented for high-end navigational tractors and precision farming equipment.
  - Most of the precision agriculture equipment like planters and combine harvester's are primarily imported from the U.S. and smaller implements are purchased locally. Known U.S. brands like McCormick, John Deere, New Holland, CaseIH, are well entrenched in this market and are all well known for their quality.
  - The latest local buzz word is "regional expansion" with excellent opportunities being created in regional countries such as Angola and Mozambique; this presents further opportunities for U.S. business.

## Resources

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### ***Exhibitions and Conferences***

The following agricultural shows and farmers' days represent the industry. (Please note that dates for these events may change every year and needs to be confirmed with the Agriculture Equipment Commercial Specialist.)

#### Gardenex

Garden & Flower show, horticulture, Agriculture and Gardening Industries

April 2011 - TBD

The Coca Cola Dome in Johannesburg

Organizers: Simon Robinson

#### NAMPO Harvest Day Week

The major show for the maize and general farming industry:

First week of May, TBD

Bothaville (North West Province)

Organizers: NAMPO (Mr. Johan Loxton)

#### The Royal Show

Agriculture machinery and equipment, agricultural live stock, crafts and home Industry

Last week of May – First week of June

Venue: Pietermaritzburg, Kwazulu Natal

#### Bloem Show

Agriculture Machinery, equipment, live stock, crafts and home industry

April – Dates TBD

Venue: Bloemfontein

### ***Key Contacts***



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

South African Machinery Association (SAAMA)

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

### **For More Information**

The U.S. Commercial Service Commercial Specialist in for the Agriculture Equipment Sector in Johannesburg, South Africa can be contacted via e-mail at: [Denvor.Julies@trade.gov](mailto:Denvor.Julies@trade.gov) or Tel: +27 (0)11-290-3241; Fax: +27 (0)11-884-0538 visit our website: <http://buyusa.gov/southafrica/en>

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## **Automotive Aftermarket: Specialty Equipment**

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### **Overview**

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- There has been rapid growth in demand for automotive specialty equipment and accessories in South Africa. The market size is estimated to be between \$2– \$2.5 billion.
- Over the last decade accessorizing and improving performance of vehicles has transformed from a hobby to a fully-fledged culture of fierce competition. In the race to individualize and distinguish their vehicles from others, enthusiasts constantly seek innovative, authentic specialty components and accessories with little regard to price. In this lucrative segment, South Africans are highly receptive to U.S. brands and often follow trends set in the U.S.

|                        | 2008  | 2009  | 2010 (Projected) |
|------------------------|-------|-------|------------------|
| Total Market Size      | 29.89 | 26.20 | 27.19            |
| Total Local Production | 17.39 | 15.18 | 15.64            |
| Total Exports          | 11.88 | 9.82  | 10.80            |
| Total Imports          | 12.50 | 11.02 | 11.55            |
| Imports from U.S.      | 0.625 | 0.558 | 0.583            |

*Note:*

*All figures in US\$ Billion*

*Above Figures are unofficial estimates obtained from industry sources*

*2008 Rand/Dollar exchange rate: U.S. \$1 = R8.00*

*2009 Rand/Dollar exchange rate: U.S. \$1 = R8.45*

*Total Market Size represents new and used vehicle sales, workshop revenue, spares, accessories and other trading revenue*

*Total exports represent the total value of both components and vehicles*

*Total imports represent the total value of imports of both components*

*Imports from the U.S. also reflects the value of components and vehicles*

## **Best Prospects/Services**

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- 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; and
  - Dynamometers.
  
- A constant need to distinguish and individualize vehicles creates opportunities for U.S. suppliers of automotive interior and exterior accessory products such as
  - Body styling kits;
  - Racing seats;
  - Alloy wheels;
  - Lowering-suspension kits;
  - Graphics;
  - Steering wheels;
  - Gear and hand-brake pouches;
  - Boot spoilers and wings;
  - Aluminum pedals; and
  - Xenon light kits.

## **Opportunities**

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- South African specialty equipment and accessory wholesalers and retailers constantly seek to expand their product range and welcome opportunities to establish distributor/agent agreements with U.S. firms. 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, although 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 ([www.semashow.com](http://www.semashow.com)), AAPEX ([www.aapexshow.com](http://www.aapexshow.com)) and Automechanika to meet and partner with foreign companies not represented locally.

### ***Market Issues and Obstacles***

- Items under Harmonized Code (HS Code) 89: Parts and Accessories of Motor Vehicle NES are subject to a 25-30% import duty, with an additional fourteen percent for Value Added Tax (VAT) which can be reclaimed by the importer.

## **Resources**

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### ***Exhibitions and Conferences***

Automechanika South Africa

South Africa’s International Trade Fair for Automotive Parts, Equipment and Service Suppliers

March 9-12, 2011 (biennial)

Venue: Johannesburg Expo Centre, Johannesburg, South Africa

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

### ***Key Contacts***

The Department of Trade and Industry South Africa

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

Speed and Sound

Specialty Automotive Magazine

[www.speedandsound.co.za](http://www.speedandsound.co.za)

### ***For More Information***

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

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## Aviation

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## Overview

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| Aviation               | 2008 | 2009 | 2010 (projected) |
|------------------------|------|------|------------------|
| Total Market Size      | 390  | 394  | 398              |
| Total Local Production | 118  | 121  | 115              |
| Total Exports          | 93   | 84   | 79               |
| Total Imports          | 302  | 310  | 312              |
| Imports from the U.S.  | 138  | 137  | 139              |

*Note: All figures in US\$ millions.*

*Above figures exclude the value of the unannounced B-747 replacement program of SAA.*

*Above figures are unofficial estimates obtained from industry sources.*

*2008 Rand/Dollar exchange rate: US\$1 = R8.00*

*2009 Rand/Dollar exchange rate: US\$1 = R8.45*

- South Africa has eleven principal airports, including four international hubs and hundreds of smaller regional and private airports. The South African parastatal, the Airports Company of South Africa (ACSA), owns and operates South Africa's nine main airports, including Johannesburg's OR Tambo International Airport, the air transport hub of Sub-Saharan Africa.
- The 2010 World Cup Soccer event in South Africa, ongoing freight handling upgrades, and the already growing domestic low-cost carrier market have stimulated airport development in South Africa. The country's air transport sector has been forecast to grow to a \$444 million market by 2011.
- The long-awaited King Shaka International Airport (KSIA)/Dube Trade Port development in Durban is due to be operational by early 2010 with a 3.7-kilometer runway capable of handling A-380's, a passenger terminal of 6 million per year, and a freight capacity of 55,115 tons per year. All mission-critical contracts of this project have already been awarded.
- The single most important aviation procurement for 2010 will be the expected replacement of the B-747 fleet by the national carrier, South African Airways.

## Best Prospects/Services

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- The best prospects for U.S. airport solutions are:

- Ground Support Equipment
  - Passenger Transport Vehicles
  - Cargo De-Grouping and Logistics
  - Air Traffic Control, and
  - Instrument Landing Systems
- There is also continual demand for commercial and general aviation solutions from the United States in the following fields:
- Engine Management Systems
  - Precision Tooling' and
  - Maintenance, Repair and Overhaul (MRO) Certification
- Opportunities exist to provide training systems to address a severe shortage of skilled technicians in this growing industry and a low throughput from training.

## Opportunities

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- The continued growth of commercial and general aviation in Southern Africa will see significant investments in equipment and systems at airports. ACSA will be the biggest single user of this equipment.

## Resources

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### ***Exhibitions and Conferences***

Event: U.S. – S.A. Defense Industry Cooperation Symposium

Date: September 20, 2010

Location: Spier Wine Estate, Stellenbosch, Western Cape

Website: <http://www.buyusa.gov/southafrica/en/ussadefensesymposium.html>

Description: This one-day, invitation-only symposium will be organized with the support and participation of a number of organizations, including the U.S. Department of Defense and the South African National Defence Force. The overall objective is to initiate business-to-business discussions on how the private sector might contribute to bilateral defense cooperation. CSSA hopes to facilitate a robust exchange on contracting opportunities, U.S. DOD procurement procedures, South African off-set requirements, other regulatory requirements, tendering procedures, training needs and regional African cooperation,

Event: Africa Aerospace and Defence 2010 Land Sea and Air Systems Show.

Date: September 21 - 25, 2010

Location: Ysterplaat Air Force Base, Cape Town

Website: [www.aadexpo.co.za](http://www.aadexpo.co.za)

## **Key Contacts**

Airports Company South Africa (ACSA)

Website: [www.airports.co.za](http://www.airports.co.za)

Air Traffic and Navigation Services (ATNS)

Website: [www.atns.co.za](http://www.atns.co.za)

Commercial Aviation Association of Southern Africa (CAASA)

Website: [www.caasa.co.za](http://www.caasa.co.za)

## **For More Information**

The U.S. Commercial Service Commercial Specialist in for the Aviation Sector in Johannesburg, South Africa can be contacted via e-mail at: [Johan.vanRensburg@trade.gov](mailto:Johan.vanRensburg@trade.gov); Phone: +27-11-290-3208-4815; Fax: +27-11-884-02536102 or visit our website: <http://www.buyusa.gov/southafrica/>

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## **Building Construction, Transportation and Infrastructure Sector**

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### **Overview**

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- The South African construction industry is experiencing significant growth that will be sustained well after 2010. Current investment in the building and construction centers amounts to \$19.60 billion per year, including unrecorded additions and alterations.
- Public and private sector demand is driving the growth in infrastructure investment. South Africa's Accelerated and Shared Growth Initiative for South Africa (ASGISA), is a national initiative, which addresses past economic downfalls by growing investment and infrastructure that targets an economic growth rate of six percent, and aims to half poverty and unemployment by 2014. ASGISA is driving public sector investment and associated private sector investment.

### **Best Prospects**

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## **The Building and Construction Materials Sector**

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- The current building and construction materials market is estimated at about \$11.88 billion per annum, with 60 percent sold direct to end-users and 40 percent via the distribution/merchant network. Of this total, \$2.12 billion (18 percent) of materials is used in the additions, alterations and home improvement market (including unrecorded

home improvement). This bodes well for U.S. suppliers to the building and construction industry

- The escalating costs for building supplies and services are increasingly becoming a serious challenge for South Africa's ongoing infrastructure upgrades in ports, rail, pipelines and electricity generation.

### **Expanded Housing**

- Infrastructure inputs demand projections for 40 square meter houses have been based on growth expectations from 168,902 units in 2007 to 254,346 units in 2009. From 2010 until 2016, 625,324 units would need to be constructed annually to eradicate current housing backlogs.
- Annual material inputs requirements for some of the sensitive materials at peak demand for 40 square meter houses will be 187.06 kilotons of reinforcing steel, 24.94 million square meters of roof sheet steel, and 2.65 megatons of cement from 2010 to 2016.

### **Opportunities**

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- Most of the building and construction materials required by the industry are manufactured locally. However, imports are readily available across the product groups, and are particularly important in high-value products such as ceramic wall and floor tiles, taps and mixers, and sanitary ware. Commodity products are imported when need dictates, such as in the cement market.
- Imports are typically from countries with large production capacities and low costs, and are particularly prevalent from China, Eastern European and Latin American countries. Very often, these products are landed in South Africa at prices lower than that of the local production costs. Definite opportunity exists for U.S. suppliers of the following commodities:
  - Cement, Reinforcing Steel and Sections, Walling, Flooring, Roofing and Vertical Cladding,
  - Aggregate and Sand, Windows and Doorframes, Plumbing pipes and Fittings, Roof Trusses, and
  - Ceilings and Partitions, Bitumen

### **Trade Events:**

Hardex  
September 8-11, 2010 (Nasrec, Johannesburg Expo Centre)  
Hardware & Tools  
<http://www.specialised.com/>

Afribuild  
September, 8 – 11 September 2010  
<http://www.specialised.com/exhibits/interbuild/introduction.htm>

***Rail***

- Growth in the South African economy has placed significant pressure on Transnet's freight logistics capacity, which has also suffered historically from maintenance and capital expansion under-spending. In addition to the extensive business reengineering process (Vulindlela) currently being undertaken by Transnet, focus has also been placed on substantial maintenance and capital investment projects. At a total of \$8.06 billion over the medium term, these projects are designed to provide a holistic and efficient service oriented package.
- Based on the capital expenditure rollout plan, peak investment activity is expected to occur in financial years 2007/08 and 2008/09 at \$1.90 billion and \$1.82 billion respectively. Various delays such as tender inconsistencies have extended this expenditure to another three years 2010-2013.
- Transnet's Freight Rail, formerly known as Spoornet, estimates a capital expenditure totaling \$3.94 billion, will focus on the following areas:
  - Upgrade to the Sishen-Saldanha iron-ore line from the current 29-million-tons-a-year to 41-million tons by 2009/10. The expansion is necessary to cope with envisaged expansion by iron-ore miners, Kumba Resources and Assmang.
  - The Richards Bay coal line and infrastructure expansion.
  - Refurbishment and maintenance programs.
  - General freight fleet renewal/ upgrade programs.
  - Significant equipment and facilities upgrades will also be undertaken at Transwerk at a total cost of \$32.5 million
- South Africa's Transport Department is planning to construct a 140km-long rail link connecting Pretoria to Siyabuswa in the Mpumalanga province. The cost of the link will be ZAR9.3bn (US\$1.2bn). The feasibility study for this project was approved in March 2008 but commencement still awaits further approvals from Government. The rail line will be the first section of the Moloto corridor, the second section of which would link Siyabuswa and Sekhukhune in Limpopo and Burgersfort in Mpumalanga.

***Ports***

- The National Ports Authority (NPA) will spend \$2.32 billion on:
  - Container terminal expansion in Cape Town and Durban
  - The Durban port entrance channel project to enable growth and servicing of larger ships. SAPO will improve port handling logistics within a projected budget of approximately \$1 billion to facilitate:



- Container terminal expansion in Durban, Cape Town and Ngqura
- Multi-purpose terminal expansion in Durban
- Iron ore terminal expansion
- Richards Bay dry bulk terminal expansion

### **National Roads Infrastructure**

- The focus of South African National Roads Agency Limited (SANRAL) over the next decade will include road preservation through periodic maintenance, strengthening of roads with a lifespan of five years or less, and road capacity expansion.
- Over the medium term, 489 national roads related projects are expected to be in the pipeline. Road infrastructure inputs (by volume) are expected to peak in 2009/2010 with the most significant being cement (161 kilotons), aggregate and stone mix (5 megatons), ready-mix concrete (262 kilotons), bitumen (71 kilotons), cranes (30t x 38 units), and 432 tipper trucks. Concerns have been raised by SANRAL over the supply of cement, aggregate and bitumen in particular.

### **Upgrade of Transport Systems**

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- The government will be spending some \$1,125 billion on upgrading the transport system ahead of the 2010 World Cup. The funds are to be divided among South Africa's nine World Cup host cities as follows:
  - Bloemfontein: \$37.25 mil
  - Cape Town: \$95.75
  - Durban: \$106.38
  - Johannesburg: \$165.00
  - Nelspruit: \$26.50
  - Polokwane: \$22.38
  - Port Elizabeth: \$ 65.00
  - Pretoria: \$86.75
  - Rustenburg: \$8.62
- Money is also being channelled into the [South African National Roads Agency](#) (\$54 million), the South African Rail and Commuter Corporation (\$165 million) and the [Cross Border Road Transport Agency](#) (\$125,000).

### **Resources**

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### **Key Contacts:**

The Department of Trade and Industry South Africa

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

South African National Roads Agency Limited (SANRAL)

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

Transnet

[www.transnet.co.za](http://www.transnet.co.za)

U.S. Chamber of Commerce:

American Chamber of Commerce South Africa

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

### ***For More Information***

The U.S. Commercial Service Commercial Specialist for the Building Construction Sector, Transportation and Infrastructure in Cape Town, South Africa can be contacted via e-mail at: [Jaisvir.Sewpaul@trade.gov](mailto:Jaisvir.Sewpaul@trade.gov) or Phone: +27-21-702-7379; Fax: +27-21-702-7402 or visit our website: <http://www.buyusa.gov/southafrica/>

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## **Franchising**

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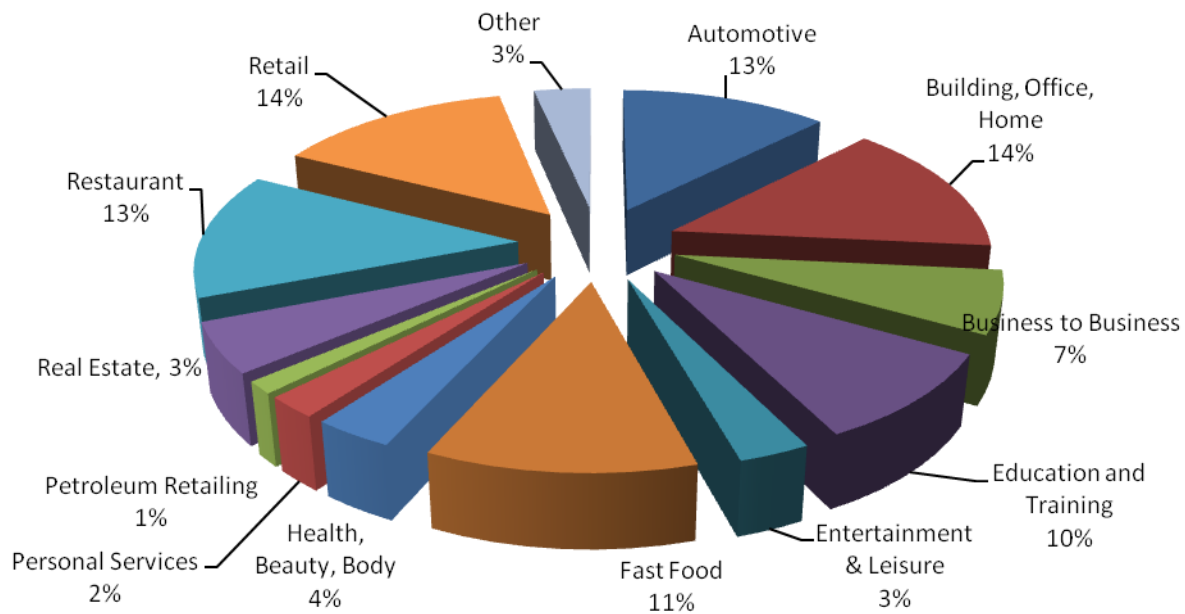
### **Overview**

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- In 2008, the franchising sector in South Africa contributed 12.5% to South Africa's gross domestic product (GDP) and employed over 460,000 people.
- Around 90% of South Africa's franchise opportunities are based on locally developed concepts, which are contrary to most countries outside the USA, where foreign brands tend to dominate the market. This is largely due to the fact that trade sanctions were in full force at the time when franchising was being established in South Africa, and local brands now dominate the market.
- Interestingly, a third of SA's franchises are non-foods systems, with the biggest growth areas being service-based and mobile or "man-in-a-van" concepts.
- According to the 2008 Standard Bank Franchise Factor Survey, there are 531 franchise systems in South Africa. The number of business units in the sector increased by 14% over the past 2 years, bringing the total number to 28 620, with 32% of business owned by previously disadvantaged individuals (PDI).
- Franchising turnover has grown by 37% to R256 billion (approx. \$ 35 billion) and over 67 000 jobs have been created over the two last years.

- The best performing sub sectors in the period under review, were the building, office and home services sector, with 26 new franchises, followed closely by retail, with 22 new franchises and automotive and restaurant franchises at 14 and 12 new systems respectively. Real estate, the health, beauty and body culture sector, and education and training each gained 11 new franchises.
- Despite challenges facing the sector, such as limited support from financial and other government-funded support institutions, further growth is anticipated based on the sector's solid history of growth. Factors such as local innovation and sustainability provide a good outlook, and the 2010 Fifa Soccer World Cup is an additional stimulant that will present new opportunities for this sector.
- The franchise sector may be an unlikely beneficiary of the economic downturn and as jobs in the formal sector tighten, people are forced to look for alternative sources of income and employment
- As the chart below indicates, the franchising sector in South Africa is also varied in terms of the types of businesses represented. While the top two types of franchising businesses are Fast Food and Restaurants combined, Building, Office & Home Services is a close third.

### Franchising in South Africa, 2008



Franchising statistics for 2009 and 2010 are not available yet, but should be available after October 2010.

## Best Products/Services

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- While the South African economy has seen significant, consistent growth over the last several years, huge inequalities remain. Opportunities for high-end consumer brands that require several locations to be viable are limited. At the same time, there are a number of business types that can be successful in this market – as evidenced by the wide range of franchising business types already operating in South Africa.
- Examples of some franchising sectors that have recently seen particular growth:
  - Building, Office and Home Services
  - Retail
  - Automotive
  - Education and Training
  - Restaurant
  - Toys

## Opportunities

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- Research has shown that, in tough economic times or recession, small businesses sustain themselves and play an even more critical role in the economy. Franchising in South Africa has demonstrated phenomenal rate of survival and this will continue to encourage new players into the market.
- In the current climate, retailers are struggling, but there is potential for innovative and new service oriented concepts for this market.
- It is anticipated that the bigger players will get bigger and it will become even more critical for smaller companies to align themselves to companies with strong track records who have weathered such economic conditions before.
- While the franchising market has grown in South Africa, American brands are still under-represented. Only a small minority of American brands are represented here (although those that are here have reported successful expansion and several new entrants into the market). At the same time, respect for and awareness of many American brands is high.
- South African buyers are seeking brands and systems that will also be successful in regional markets such as Mozambique, Angola, Botswana and Namibia. Indeed, South Africa can become an effective regional hub for American companies' sub-Saharan operations.

## Trade Shows/ Events

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International Franchise & Entrepreneurs Show  
May 2011

Sandton Convention Center, Sandton, Johannesburg

The Franchise Association of South Africa can be contacted via e-mail at: [Nishi.Naicker@fasa.co.za](mailto:Nishi.Naicker@fasa.co.za); Phone +27-11-615 -0359; or visit website <http://www.ife.co.za>

## Resources

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

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

Small Enterprise Development Agency  
<http://www.seda.org.za>

### *For More Information*

The U.S. Commercial Service in Johannesburg, South Africa can be contacted via e-mail at: [Maretha.Malan@trade.gov](mailto:Maretha.Malan@trade.gov); Phone +27-11- 290-3025; Fax: +27-11- 884-0253, or visit our website: <http://www.buyusa.gov/southafrica/>

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## Green Technologies

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[Pollution Control](#)  
[Renewable Energy](#)  
[Green Building Technologies](#)

- As an economy dependent on coal for its energy input, South Africa has a relatively large carbon “footprint.” Although it was a signatory to the Copenhagen Accord, the South African Government framework for a concerted Green Technology policy is a long way off. However, with pressure on government, consumers and industry to address the mandate of Copenhagen, a variety of measures can be expected in the foreseeable future.
- These will all revolve around mandating energy efficiency that will add a new variable to the business equation. The early stages of a formal Green Technology policy are evidenced by voluntary energy efficiency programs that are being driven by industry; these will presumably be adapted 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. This guideline is expected to become mandatory in 2010. Please see: <http://sasfa.co.za/docs/4.1%20SANS%20204%20Energy%20Efficiency%20Standard1.pdf>
- A variety of South African Government Green Technology measures can be expected in the foreseeable future, including:
  - A progressive carbon tax due in FY 2011 on fuel-inefficient internal combustion motor vehicles, going hand-in-hand with mandating the latest technology fuels from South African oil refineries to power EURO 5-compliant internal combustion engines.
  - Increased focus on recycling, water efficiencies and treatment and waste management;
  - A sharply increasing electricity tariff regime (recently announced by the South African regulator to be 25 percent on average over the next three years).
  - Increasing the efficiencies of the ESKOM-dominated power grid. With the increased tariff regime, cost structures may become more interesting for Independent Power Providers (IPPs).
  - Long term, the development of a Smart Grid.
  - Reduction of South Africa's coal energy reliance (around 92 percent of all power generation) despite the country having abundant supplies for both domestic and export purposes;
  - The use of Clean Coal Technologies (CCT), which may alleviate some pressure to reduce reliance on fossil-fueled power generation.
  - Medium term, establishment of a nuclear power generation capacity, to supplement the only, problem-prone facility at Koeberg in the Western Cape. Commissioned in 1984, Koeberg has a capacity of 1,800MW to supply six percent of South Africa's electricity needs.
- The use of commercial-scale Carbon Capture and Storage (CCS) technologies as a factor in the future for both power generation and the Coal to Liquid (CTL) petrochemical industry – the latter has become a cornerstone of the South African economic landscape.
- The use of solar and to a lesser degree wind power generation as a long- term Green Technology options, given the country's natural endowment of abundant sunshine and a long coast line.
- Industry sector developments in this field overlap with these headings, as treated elsewhere in this CCG:
  - Pollution Control Equipment
  - Renewable Energy
  - Green Build Technology
  - Standards (in Chapter 5)

|                        | 2008 | 2009 | 2010<br>(projected) |
|------------------------|------|------|---------------------|
| Total Market Size      | 82   | 88   | 89                  |
| Total Local Production | 48   | 51   | 52                  |
| Total Exports          | 30   | 33   | 36                  |
| Total Imports          | 68   | 71   | 76                  |
| Imports from the U.S.  | 38   | 41   | 43                  |

**Note: All figures in US\$ millions**

*Above figures are unofficial estimates obtained from industry sources.*

*2008 Rand/Dollar exchange rate: US\$1 = R 8.00*

*2009 Rand/Dollar exchange rate: US\$1 = R 8.45*

- South African businesses are coming under increasing pressure to treat 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 updated and 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).
- Government officials have previously stated that South Africa will commit itself to reducing its greenhouse gas emissions by a very ambitious goal of 5.2 percent between 2008 and 2012 but this target is set to be modified in the wake of the Copenhagen Accord. The South African Government is expected to publish a draft green paper on climate change by early 2010, and a white paper is expected by the end of 2010. A full legislative, regulatory and fiscal package is expected in 2012.
- Industry sectors that are reportedly currently environmentally deficient include iron and steel, cement, pulp and paper, and oil refining. No prosecutions have yet resulted, but the authorities plan to reintroduce environmental courts in priority areas so that environmental crimes do not get lost in the criminal justice system. The courts will deal in large part with new legislation falling under the National Environmental Management Act, some of which came into effect in 2009.
- Municipalities are being given responsibility for monitoring ambient air quality and source emissions while emissions producers will have to apply for new permits, based on a set of standards established with input from business.
- Hazardous waste management is also very topical, and the South African Government proposed far-reaching legislation on the banning of asbestos products and by-products. Active consultations were also being held on rehabilitation of asbestos and other hazardous waste dumping sites, including gold mine dumps and hydrocarbon waste

cleanup. A process is under way to set standards for producer responsibility in terms of the Waste Management Act, which was published in March of 2009. It will result in standards for classifying and dealing with waste, and remediating contaminated land, among other things. In 2009 waste tire regulations also came into effect.

- Clean water supply is also a large concern. Significant demographic pressure on water resources has led to increased attention being paid to water management systems. Efforts by municipalities to address these matters are a cornerstone of meeting the basic needs of rural and peri-urban dwellers. At the same time, industrial water users are looking at the sustainable management of water. A cornerstone of the approach of authorities has been supply-side management, with reportedly a lack of demand-side management.

## **Best Products/Services**

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The key sub-sectors that are featured in this report and offer the most opportunities for U.S. companies are:

- Air Pollution Control and Monitoring,
- Waste Water Recycling and Treatment Plants,
- Hazardous Material Containment and Management, and
- Solid Waste Management Technology.

## **Opportunities**

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

- The Air Quality Act mandates large, South African industrial groups to implement emission management and monitoring equipment. There is a definite opportunity for extensive implementation of emission filters and cleaner production technology to assist the large air-polluting industries in South Africa to reach their emission limitation targets as set by the South African Government.
- There is demand for monitoring technology to measure emission levels in different industrial zones, as well as technologies and equipment to control and reduce emissions.

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

- Opportunities for U.S. companies exists in treatment of hazardous waste sites, containing chemical and hydrocarbon spills and cleaning and rehabilitating asbestos and gold mine dumping sites.
- The South African Government has proposed far-reaching legislation on the banning of asbestos products and by-products. Active consultations are currently being held on the rehabilitation of asbestos and other hazardous waste dumping sites.
- Assessment, management and remediation of contaminated land will also play an important role as a result of new waste legislation that is being considered.



- The South African Government is also looking at a road freight management system that will 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 of relevant products and services.
- In the short- and medium-term, areas of opportunity exist in the provision of residential solid waste technologies and rehabilitation equipment to assist local municipalities to manage their solid residential waste, including transformation into reusable by products, such as fertilizer.

### ***Water Management***

- Mine acid drainage is possibly the most pressing industrial remedial water management issue facing South Africa. Because of the peculiarities of the problem, many home-grown solutions are on offer, but a lack of effective regulatory pressure seems to be militating against an immediate solution.
- With regards to potable retail water management, the biggest issue facing the 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 budget and operate water purification systems.

## **Resources**

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### ***Exhibitions and Conferences***

#### [Water Institute of SA \(WISA\) 2010](#)

18 - 22 April

ICC – Durban

<http://www.wisa2010.org.za/>

### ***Key Contacts***

Department of Environmental Affairs and Tourism

Website: [www.environment.gov.za](http://www.environment.gov.za)

Department of Trade and Industry

Website: [www.dti.gov.za](http://www.dti.gov.za)

Department of Water Affairs and Forestry

Website: [www.dwaf.gov.za](http://www.dwaf.gov.za)

Water Research Commission

Website: [www.wrc.org.za](http://www.wrc.org.za)

### ***For More Information***

The U.S. Commercial Service Commercial Specialist in for the Pollution Control Equipment Sector in Johannesburg, South Africa can be contacted via e-mail at:

[Johan.vanRensburg@trade.gov](mailto:Johan.vanRensburg@trade.gov); Phone: +27-11-290-3208; Fax: +27-11-884-0253 or visit our website: <http://www.buyusa.gov/southafrica/>

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## **Renewable Energy**

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### **Overview**

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- A large percentage of South Africa's energy generation is produced from fossil fuel. Only about 9 percent of the total energy produced comes from renewable sources, comprising mostly of wood-fuel burning in individual households.
- In an attempt to integrate renewable energy into the country's conventional energy mix, the Department of Energy has set a target that the share of renewable energy in the country's final energy consumption should be 10,000 GWh (Gigawatt Hours) by 2013. This is approximately a 4 percent increase in the current renewable contribution to the projected total energy demand of 41,539 MW for 2013.
- Although energy generation contributes about 15% to South Africa's GDP, the only figures available show the % contribution of different technologies to the total national MW generated.

## **Best Prospects/Services**

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- Wind and solar thermal energy are currently heading the list in South Africa as having the most potential to be linked to the national grid; and, there is much potential for non-grid renewable power applications, which can be used to ensure access to power in remote rural areas.
- Wind energy, currently one of the fastest-growing renewable-energy sectors, is leading the way in the implementation of environment-friendly electricity generation capacity. According to a recent parliamentary announcement by the Minister of Energy, South Africa seeks to commission 400 MW of wind power through independent power producers (IPPs) within the next three years.
- South Africa's solar resources are among the highest in the world. The annual 24-hour global solar radiation average is about 220 W/m<sup>2</sup> for South Africa compared with about 150 W/m<sup>2</sup> for parts of the USA, and about 100 W/m<sup>2</sup> for Europe and the United Kingdom. Annual photovoltaic (PV) panel-assembly capacity totals 5MW, and a number of companies in South Africa manufacture solar water-heaters. In sum, Energy studies

identify solar energy as the most readily accessible renewable energy resource available in South Africa.

- Products and services with potential for renewable component include:
  - Construction of New Power Stations and Related Equipment,
  - New Plant Equipment and Related Systems, and
  - Systems Control Equipment.
- The renewable energy mix most likely to be added grid will be produced mainly from:
  - Biomass
  - Wind
  - Solar
  - Landfill gas, and
  - Small-scale hydro developments

## Opportunities

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- The State-owned Central Energy Fund has established the Energy Development Corporation, whose mandate is to investigate opportunities in the field of renewable energy and prepare business cases for viable initiatives.
- The Department of Minerals and Energy (DME) established the Renewable Energy Finance and Subsidy Office (REFSO), whose duty is includes:
  - The management of renewable energy subsidies; and
  - Offering advice to developers and other stakeholders on renewable energy finance and subsidies. This includes information on the size of awards, eligibility, procedural requirements, and opportunities for accessing finance from other sources.
- The Department of Energy (DoE) is formulating the Integrated Resource Plan 2010 (IRP2010) that will determine current and future energy requirements for South Africa for the next 20 years. The Minister of Energy recently indicated that the plan would emphasize renewable energy, electricity imports and demand-side management (DSM) schemes. She further said that it is likely to also include additional coal-fired power stations and the resurrection of the country's nuclear energy program.
- The expected publication of the plan in the Government Gazette is September 2010.
- The World Bank recently approved a \$3 billion loan to assist the State utility, Eskom, with its development of a coal-fired power station at Medupi in northern Limpopo. While the loan would fund the bulk of the construction of the six units, 4,788 MW coal-fired Medupi Power Station, the remainder of the funds would go toward the country's first large wind and concentrated solar power projects.

## Resources

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### **Key Contacts**

Central Energy Fund

Website: [www.cef.org.za](http://www.cef.org.za)

Department of Minerals & Energy

Website: [www.dme.gov.za](http://www.dme.gov.za)

Eskom Holdings Limited

Website: [www.eskom.co.za](http://www.eskom.co.za)

### ***For More Information***

The U.S. Commercial Service Commercial Specialist for the Energy Sector in Johannesburg, South Africa can be contacted via e-mail at: [bheki.ndimande@trade.gov](mailto:bheki.ndimande@trade.gov) or Tel: +27 (0)11 290 3356; Fax: +27 (0)11 884 0253; or visit our website: <http://www.buyusa.gov/southafrica/>

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## **Green Building Technologies**

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### **Overview**

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- South Africa presents lucrative opportunities for U.S. firms involved in Green Building Technologies (GBT). While South Africa lags behind developed economies in adoption of green building technologies, the trend towards green building is gathering momentum in South Africa with an array of projects currently in the pipeline. This, in turn, is making green building an increasingly feasible option with its advantages in terms of 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, and seeks green building technologies and practices from developed countries, such as the U.S.

### **Market Developments**

- South Africa is a member of the World Green Building Council (WGBC), and utilized the expertise and guidance of other WGBC nations in establishing the Green Building Council of South Africa (GBCSA) in November 2008.
- GBCSA is expected to be the entity that will ultimately lead the green revolution in South Africa. Current market trends indicate great potential in this growing market, which effects a positive indication of existence of such products, as well as the growing desire and ability to offer more environment-friendly products.
- GBCSA launched the **Green Star South Africa** rating tool for office developments, which can be found at the Council's website at [www.greenbuilding.co.za](http://www.greenbuilding.co.za). The Green Star is intended to set the benchmark against which sustainable building practices can be measured. While these rating tools draw from the original U.K. and U.S. systems, the

influence of the Australian and New Zealand systems are particularly prominent due to the similar climates in those countries. Although no Green Star buildings have been certified by GBCSA, the council is likely to play a prominent role in the building industry in the future.

- Although no formal statistics are currently recorded for green building products in South Africa, the current building and construction materials market is estimated to be about \$11.88 billion per year, with 60 percent sold directly to end-users, and 40 percent via the distribution/merchant network. Of the \$11.88 billion, \$2.12 billion (18 percent) of materials would be used in the additions, alterations and home improvement market (including unrecorded home improvement).

## Best Prospects

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The Green Technologies sector offers opportunities for U.S. companies in the following sectors:

- 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, Green roofs/Cool Roofs, Permeable Paving, Water-Efficient technologies, Structural Insulated Panels and Formaldehyde –free board

## Opportunities

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- South African built-environment professionals have set their sights on reducing the carbon footprint of their buildings and residences, especially by using design and technological innovation to decrease energy consumption and limit waste. Still, local suppliers and manufacturers are reluctant to commit funds towards expensive green stock and resources during the current global recession.
- GBCSA may well face a challenge in overcoming industry reluctance to understand and accept its role in green certifications. Another shortcoming will also be whether the design and material solutions are readily available as the GBCSA provides merely a rating tool and certification of buildings, but does not provide direct design advice.
- Given this situation, only a few green manufacturers are in the local market. Many complex green building products are outsourced from abroad (mainly from Australia and the EU). In the long run, South African companies should be able to devote sufficient 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. This is certainly an opportunity for U.S. companies in this sector.
- As a first step, U.S. companies seeking South African representation should contact the U.S. Commercial Service South Africa ([www.buyusa.gov/southafrica](http://www.buyusa.gov/southafrica))

## Resources

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### ***Exhibitions and Conferences***

Green Building Conference & Exhibition 2010  
September 20-22, 2010  
Venue: Cape Town International Convention Center  
Cape Town, South Africa

### ***Key Contacts***

Green Building Council of South Africa (GBCSA)  
[www.gbcsa.co.za](http://www.gbcsa.co.za)

World Green Building Council (WGBC)  
[www.worldgbc.org](http://www.worldgbc.org)

Environmental Goods and Services South Africa Forum  
[www.egsf.org.za](http://www.egsf.org.za)

South African Government, Department of Trade and Industry (DTI)  
[www.thedti.gov.za](http://www.thedti.gov.za)

### ***For More Information***

The U.S. Commercial Service Commercial Specialist for the Green Building Technologies Sector in Cape Town, South Africa can be contacted via e-mail at: [Jaisvir.Sewpaul@trade.gov](mailto:Jaisvir.Sewpaul@trade.gov); or Phone: 27-21-702-7379; Fax: 27-21-702 7402 or visit our website: <http://www.buyusa.gov/southafrica/>

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## Healthcare

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### Overview

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|                        | 2008  | 2009  | 2010 (estimated) |
|------------------------|-------|-------|------------------|
| Total Market Size      | \$860 | \$819 | \$876            |
| Total Local Production | \$86  | \$82  | \$88             |
| Total Exports          | \$99  | \$125 | \$156            |

|                       |       |       |       |
|-----------------------|-------|-------|-------|
| Total Imports         | \$774 | \$737 | \$788 |
| Imports from the U.S. | \$146 | \$156 | \$167 |

*Note: All figures in US\$ million.*

*2008 Rand/Dollar exchange rate: US\$1 = R8.00*

*2009 Rand/Dollar exchange rate: US\$1 = R8.45*

- South Africa has both a private and public health care system. 80 percent of the population of 48 million is dependent on the government funded public sector for healthcare. Healthcare sector spending amounts to \$23.4 billion (8.6 percent of GDP), more or less divided equally between the private and public health sector.
- Although spending is roughly the same between the two sectors, public sector spending covers roughly 4 times as many people as the private sector, reflecting a disparity in the quality of health care each system is able to provide patients.
- Currently there are 211 private hospitals, servicing 10 million people, while the government has around 415 hospitals to service the remaining 38 million people who cannot afford private care.
- The private system has traditionally had a high standard of care, with an adequate number of hospitals and clinics with modernized equipment. The Private sector, dominated by three medical groups (Netcare, Life and Medi-clinic), can provide healthcare which is equivalent to the best American and European standards.
- In contrast, the government funded system has suffered from lack of proper resources for the past 10-15 years, and therefore the public system has greatly deteriorated. Currently public hospitals suffer from lack of good management and staff shortages, and are commonly over-used and run down. The standard of care is often inadequate compared to the private sector.
- The government is currently looking at a national insurance scheme in hopes to change the situation of care delivery. (See healthcare issues below.) There is debate as to when or if this will be actually implemented, as some private sector groups and citizens are against it.
- South Africa's medical device market is dominated by foreign multinationals. About 90% of products in the market are imported. Local production consists of Chapter 30(HS) items such as bandages, etc. The market is expected to grow by 7% in the next 4 years.
- Unlike general medical devices, electro-medical devices are extremely well regulated in South Africa under the Hazardous Substances Act and the Medicines Act. The latter was recently amended to create a new regulatory body, South African Health Products Regulatory Authority (SAHPRA), which will replace the Medicines Control Council.
- The establishment of SAHPRA will most probably delay the passing of draft regulations that seek to regulate all medical devices. This delay take can be anything between one to two years. The medical device industry has been eager for changes to regulations as this will regulate general medical devices that are flooding the market, as well make a differentiation between new and refurbished electro-magnetic devices.

- Electro-medical devices are required to have EC (European Conformity) certification as FDA approval is no longer acceptable. The South African Medical Device Association explains as follows why FDA approval is not acceptable:

Why is FDA not acceptable?

“The SA licensing process is based on the submission of documentation (they do not test the products or perform inspections at manufacturing site), and therefore these documents must be reliable (trustworthy) and have sufficient info to verify safety and quality.

The FDA system was designed to protect U.S. citizens against unsafe medical devices (importation and manufactured in the U.S.), and therefore cannot guarantee the safety of a medical device if manufactured outside the U.S.

The EC system was designed to operate across borders (EC members) and therefore the requirements for EC compliance within or outside the EC are the same. Routine (annual) and full (every 3-5 years) audits are performed by Notified Body (private companies) (see attached 25-10-2005). Further, the GHTF has adopted the EC system (see attached doc EC and GHTF).”

#### **Healthcare issues:**

- The new administration under President Zuma is looking into National Health Insurance in order to close the gap between the public and private healthcare. The new Minister of Health Aaron Motsoaledi recently stated “proper healthcare is a constitutional right and the rich have to subsidize the poor”. He has announced a 25-member advisory committee on National Health Insurance (NHI), which will advise him on policy, legislation and implementation of the NHI.
  - Government is still working on the specifics of how the system will work within the below guidelines:
    - All citizens would be transferred to a unified healthcare system governed by a single authority outside the health department. No one would be able to opt out of the system and employers and employees would bear the costs.
    - Medical scheme members would pay 85% of their contributions to a general fund that would pay public and private sector providers, and the schemes would be allowed to provide only benefits not covered by the national health insurance. People who are not members of medical schemes would have to pay 5% of their income to the fund.
    - Medical scheme members would be obliged to use state facilities or pay for the use of private facilities from their own funds. Doctors would have to move into accredited practices and healthcare providers such as hospitals would be paid by the state to provide a service to every person treated.
  - It is very possible that while the current administration is focusing on the NHI, that it may never come into place due to high costs involved and the fear that a totally public system would mean lower levels of care for the nation.
- With 5.7 million (most recent UNAIDS Global AIDS report) people infected by the HIV/AIDS, it is by far the biggest threat South Africa faces. With the help of PEPFAR (President's Emergency Plan for AIDS Relief) and other government programs, about



10% of those affected are receiving ARV's. As a result of the number of treatment naïve patients, South Africa has a \$280 million clinical research industry dominated by multinationals.

## Best Prospects

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- Wound management devices - especially diabetic wounds as South Africa has a large number of diabetic patients especially in the African communities where proper diet education is lacking.
  - A recent study by the Wits Medical School puts the number of people living with diabetes at 6.9 million, half of which are living with HIV/AIDS as well.
- Advanced technology and equipment (especially niche products) for the private sector.
- Products that would improve efficiency in patient care delivery, especially if the products are simple to use by hospital and clinic staff.
- Cost effective high-tech equipment that can be sold to provincial government as they refurbish hospitals and build new ones.
  - This same equipment could also be placed into hospitals in surrounding countries such as Swaziland, Lesotho, and Namibia as they expand their health systems.
  - Equipment training and service are essential for high-tech products.
- Specialist equipment such as ophthalmology products.

## Opportunities

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- The biotechnology sector is a focus area for the Department of Science and Technology. The Minister plans to make the country a leader in the field within ten years, this means there will be investment in Biotech equipment/supplies.
- With eighteen percent of total government expenditure for 2010 allocated to healthcare, a sizable portion will go to upgrades to existing hospitals. The rest is budgeted to improve services.
- The trend towards creating the National Health Insurance is one of the factors forcing government to increase healthcare spending by 8% from 2009 as the aim is to move public sector hospitals to be under an improved NIH system. To accomplish this, the government must :
  - purchase equipment and devices for run-down hospitals across the country,
  - establish an effective procurement and supply chain system and
  - implement a proper IT system.
- A number (estimated to be 6) of new hospitals are being built in the private sector while the government is also looking to work with the private sector in building new facilities.

The government of the Western Cape is planning to build 6 new hospitals over the next few years.

## Resources

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### ***Exhibitions and Conferences***

Medifest South Africa

Vantage Trade Fairs

August 24 – 26, 2010

Venue: Cape Town International Convention Centre (CTICC), Cape Town, Western Cape, South Africa

Pan African Health Conference & Expo

Fair Consultants SA

September 16 - 18, 2010

Venue: Gallagher Convention Centre, Midrand, Johannesburg, South Africa

Africa Health

IIR Middle East

April 14-16, 2011

Venue: TBA, Johannesburg, South Africa

Sustainable and Cost Effective Healthcare Services in South Africa

South African Federation of Hospital Engineering (SAFHE)

Dates: TBD

Cape Town International Convention Center

Cape Town, South Africa

### ***Key Contacts***

South African Medical Device Industry Association (SAMEDI)

Website: [www.samed.co.za](http://www.samed.co.za)

Department of Health

Website: [www.health.gov.za](http://www.health.gov.za)

### ***For More Information***

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## Information Technologies

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### Overview

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**Table: South Africa's IT Industry -- Historical Data And Forecasts 2006-2013**  
(US\$ Million unless otherwise stated)

|                                  | 2006e | 2007e | 2008e | 2009f | 2010f | 2011f  | 2012f  | 2013f  |
|----------------------------------|-------|-------|-------|-------|-------|--------|--------|--------|
| IT Market                        | 7,368 | 7,957 | 8,514 | 8,685 | 9,293 | 10,408 | 11,449 | 12,593 |
| IT Market as % GDP               | 2.9%  | 2.8%  | 3.1%  | 3.3%  | 3.0%  | 2.7%   | 2.7%   | 2.7%   |
| Hardware (Computer market sales) | 3,463 | 3,660 | 3,832 | 3,821 | 4,089 | 4,579  | 5,037  | 5,516  |
| Services                         | 2,579 | 2,865 | 3,065 | 3,213 | 3,438 | 3,851  | 4,236  | 4,660  |
| Software                         | 1,326 | 1,432 | 1,618 | 1,650 | 1,766 | 1,977  | 2,175  | 2,418  |
| PCs (including notebooks)        | 2,770 | 2,892 | 3,065 | 3,095 | 3,312 | 3,719  | 4,131  | 4,567  |
| Servers                          | 312   | 329   | 345   | 344   | 368   | 412    | 453    | 496    |

*e/f = estimate/forecast. Source: BMI. ITU (Internet and broadband penetration).*

- 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. The government accounts for most of the demand with little demand from the consumer segment. Most of the spending is centralized in the Gauteng province as it is the most prosperous province.
- According to Business Monitor International (BMI) the IT market is constrained by:
  - high communication costs and uneven infrastructure development
  - ongoing uncertainty concerning the Black Economic Empowerment protocol. Because government is the largest buyer, it is in US companies' interest to find a compliant local partner.
- Overall, the hardware market is predicted to grow from \$3.8 billion in 2009 to \$5.5 billion in 2013, with computer sales including accessories rising from \$3.1 billion to \$4.6 billion over the same period. Software spending will rise from \$1.7 billion to \$2.4 billion, and IT services from \$3.2 billion to \$4.7 billion. Internet penetration is growing, currently it is at 10, 8 percent of the population, and is expected to fuel demand for PC's.
- Because of the recent economic slowdown most businesses have put projects on hold rather than outright cancellation.

## **Hardware**

- Netbooks continue to be a market growth area in 2010, due largely to ever lower prices. Netbooks that retail at around \$420, which is half the price of a low-end laptop, are extending the market to lower income segments.
- The South African PC market is very sensitive and dependent on government spending, as the purchase of a computer much expensive for the majority of the population, despite the introduction of a number of cheap PC programs.
- According to BMI sales of both desktops and notebooks should benefit from initiatives to drive broadband and internet penetration, including the Johannesburg public broadband network program.

## **Software**

- The software market is forecast at around US\$1.8 million in 2010. Enterprise Resource Planning (ERP) remains the most popular business software application, with a large number of South African companies using this tool.
- According to BMI the higher end of the software market is maturing to the point where a new concern for integrated platforms is likely to be a driver of spending over the next few years. However, companies remain price sensitive and cautious about investing significant capital in new technologies. There is a trend towards greater innovation around applications like HR and payroll as enterprises attempt to realize operational efficiencies through IT.
- Business intelligence is set to be one growth area as organizations look to improve information visibility and utilization. Vendors have reported that spending is increasing in organizations where business intelligence platforms are already entrenched, whereas new implementations are being put on hold. Retail is another vertical with opportunity in this area.
- South Africa's software market faces the problem of software piracy, which still accounts for around 36% of software.
- There is a growing interest in SaaS (Software as a Service) with a number of companies promoting on-demand software to SMEs. The progress of SaaS in South Africa should receive a boost from projected improvements in South Africa's broadband infrastructure. With the introduction of increased fiber capacity for last mile access and undersea cables from SEACOM and EASSy, South Africa has seen a substantial increase in bandwidth.
- Despite the global financial crisis, a number of sectors, including telecoms and financial services, should deliver opportunities. Regulatory compliance will continue to necessitate spending by banks, which are moving to integrate their IT systems and look to enhance their ability to launch new products and services rapidly. There is also more awareness about the need to ensure good recovery plans, and security systems are in place. Priorities include the ability to keep systems running, having a good response time, ensuring good recovery plans and ensuring security and compliance with regulations, all the while keeping costs down.

## **Services**

- The IT Services market is projected at around \$3.4billion in 2010 and is expected to grow to around \$5.1billion in 2014.
- Cloud computing is a major growth area for South Africa in 2010, bringing “enterprise-grade” cloud services to support the more demanding security and manageability needs of traditional IT. Gartner, a US based research institution, says cloud computing will be the number one technology in South Africa 2010.
- The 2010 World Cup and other major infrastructure and transport projects provide a framework for faster spending growth during the forecast period. Despite the current economic crisis, work will continue on most of the major infrastructure and IT projects associated with that event.
- Government program still are driving IT spending followed by financial services and telecoms. Underlined by the government's recent stated intention to develop South Africa's capabilities in the business process outsourcing (BPO) area, outsourcing will continue as one of the most significant revenue generators over the next few years. With Amazon being the latest to recently open up a call centre office in the Western Cape. However, traditional services such as desktop support are still the mainstay of the market, while applications services support are less developed.

## Best Prospects

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- Cloud computing technologies
- Security products
- Netbooks
- Enterprise Resource Planning (ERP) software
- SaaS web based software solutions

## Opportunities

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- Reduction or scrapping of import duties on many classes of computer products.
- Improved capital expenditure on IT and infrastructure, mostly by government (op)
- Government IT projects especially Home Affairs Department IT overhaul. The Department has allocated \$2.5 million for business intelligence projects in 2009-2010, while e-document management systems were allocated \$400,000.
- Increased capital spending by SMEs, with particular focus on enterprise risk management (ERM) and customer relationship management (CRM) applications.(op)
- The South Africa Police Service (SAPS) is looking for IT technologies to support a variety of their priority activities, such as forensic data support, e-learning, and criminal records. See:  
[http://www.saps.gov.za/saps\\_profile/strategic\\_framework/strategic\\_plan/2010\\_2014/strategic\\_plan\\_2010\\_2014.pdf](http://www.saps.gov.za/saps_profile/strategic_framework/strategic_plan/2010_2014/strategic_plan_2010_2014.pdf)
- The Department of Defense is expected to spend \$74 million to acquire a recently approved defense enterprise information system master plan. This project will involve SITA (State Information Technology Agency) and will upgrade both infrastructure and application software and data.

***Exhibitions and Conferences******Africa Com 2010***

Date: November 10-11, 2010

Venue: Cape Town International Convention Centre (CTICC), Cape Town, South Africa

Website: <http://africa.comworldseries.com/>

***Key Contacts***

The Department of Communications South Africa

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

The State Information Technology Agency

<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](http://www.ispa.org.za)

The Electronic Industries Federation (EIF)

Website: [www.eif.org.za](http://www.eif.org.za).

Information Technology Association (ITA)

Website: [www.ita.org.za](http://www.ita.org.za)

The South African Communications Forum (SACF)

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

***For More Information***

The U.S. Commercial Service Commercial Specialist for IT Technologies in Cape Town, South Africa can be contacted via e-mail at: [nolubabalo.ndevu@trade.gov](mailto:nolubabalo.ndevu@trade.gov) or phone: +27 (0) 21-702-7345; Fax: +27 (0) 21-702-7402 or visit our website: <http://www.buyusa.gov/southafrica/>

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| <b>Mining Equipment</b> | 2008 | 2009 | 2010<br>(estimated) |
|-------------------------|------|------|---------------------|
| Total Market Size       | 93   | 91   | 94                  |
| Total Local Production  | 65   | 68   | 69                  |
| Total Exports           | 14   | 16   | 16                  |
| Total Imports           | 39   | 40   | 41                  |
| Imports from the U.S.   | 12   | 11   | 12                  |

Note:

All figures in US\$ millions.

Above figures are unofficial estimates obtained from industry sources.

Figures include exploration and extraction equipment, but exclude beneficiation and transportation equipment.

2008 Rand/Dollar exchange rate: US\$1 = R 8.00

2009 Rand/Dollar exchange rate: US\$1 = R 8.45

- Between 2004 and 2008, South Africa saw an unprecedented increase in international and domestic demand and prices for its mineral commodities, driven principally by demand from China and supported by growth in India. Raw and processed mineral-based products account for more than half the country's export revenues and about 54 percent of rail freight.
- Nonetheless, production has largely not kept pace with physical demand. An electricity rationing system implemented in 2008 forced some mining companies and several mills to close operations for several weeks or limit the hours of operation. Further, mainly due to the uncertainties surrounding the new mining and BEE (Black Economic Empowerment) regulations, investment in exploration and production lagged behind that of competitors, and this has delayed an increase in output.
- Between 2003 and 2008 South African exploration expenditures increased by 80 percent (mainly for platinum) while the global average increase was 120 percent, and capital investment actually decreased by 33 percent while that in other mineral producing countries increased.
- Before the 2008 meltdown in commodity prices, South Africa was the world's largest producer of PGM's (Platinum Group Metals) - chromium, ferrochrome, vanadium, manganese and vermiculite). Recent reports indicate that South Africa has fallen behind China and Australia in world gold production.
- The industry was also a major supplier of aluminum (world rank eighth), antimony (third), coal (sixth), ferromanganese (third), fluorspar (third), iron ore (ninth), nickel (11th), silicon (seventh), titanium minerals (second), uranium (ninth), zirconium (second) and alumina silicates (second) as well as approximately 50 other minerals.

- The total value of approved mining industry capital projects between 2004 and 2008 was \$14.12 billion. Much of this investment was aimed not only at increasing extractive capacities and beneficiation, but also at bulk material handling.
- Since 2008, there has been a severe cutback in investment, project planning and employment in the South African mining sector. The short-term prospects for any significant redress remain subdued. The early plans of the mining industry to commit in the short term some \$20 billion to increase outputs of gold, platinum, coal, iron ore, uranium, nickel, ferro-alloys, titanium and diamonds, among others have largely not materialized. The nationwide electrical supply limitations have also reduced the likely investments in large projects such as aluminum smelters.
- The increase in the gold and platinum price has been the highlight of the South African mining environment over the past year. While there are signs of increasing investments in other mining areas too, these are mostly aimed at the recapitalization of the industry and remain predicated on a seemingly tentative recovery in Asia. In recognition of the challenges posed by the global crisis, the Department of Finance deferred the Royalty Bill from its original implementation date of 1 May 2009 to 1 March 2010.
- The South African mining industry also faces a number of domestic hurdles, including infrastructural constraints, red tape constraints and human capital challenges.

## Best Products/Services

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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
  - GPS mapping
  - Communications systems, and
  - Materials handling technology
- Mining safety remains a controversial issue and mining executives have pushed this issue to the forefront of operational considerations. Technology and training systems to increase safety in this sector are seen by all stakeholders as being imperative.

## 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 also a top priority for exporters of ores and minerals.
- Significant ongoing infrastructure investments include:
  - Saldanha Bay iron and steel ore bulk export hub;
  - Coega Port infrastructure development focused on the creation of a dedicated rail line for the export of manganese from the Northern Cape and the creation of a chlorine plant;
  - a planned 65-mile slurry pipeline to the Majuba coal station,
  - as a 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.
- The Export-Import Bank of the United States and U.S. Trade Development Agency have added considerable value to numerous African mining operations and enhanced opportunities for U.S. businesses. (See Chapter 7: Trade and Project Financing, for additional information on these agencies.)

## Resources

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### ***Exhibitions and Conferences***

[Electra Mining Africa - Mining, Industrial & Construction Transport Expo - Transport for the mining industry](#)  
Date: 4 - 8 October, 2010  
Venue: MTN Expo Centre,  
Nasrec, Johannesburg  
Website: <http://www.electramining.co.za>

### ***Key Contacts***

GeoAfrica  
Website: [www.geoafrica.co.za](http://www.geoafrica.co.za)

Mining Weekly Publication  
Website: [www.miningweekly.co.za](http://www.miningweekly.co.za)

South African Chamber of Mines  
Website: [www.bullion.org.za](http://www.bullion.org.za)

Council for Geoscience  
Tel: + 27 (0)12-841-1193  
Fax: +27 (0)12-841-1424  
[www.geoscience.org.za](http://www.geoscience.org.za)

Mintek  
Website: [www.mintek.co.za](http://www.mintek.co.za)

Safety in Mines Research Advisory Committee (SIMRAC)  
Website: [www.simrac.co.za](http://www.simrac.co.za)

### **For More Information**

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

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## **Telecommunications Equipment & Services**

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### **Overview**

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### **Telecom performance indicators**

| <b>Indicator</b>            | <b>2008</b> | <b>2009<br/>(estimated)</b> | <b>2010<br/>(projected)</b> |
|-----------------------------|-------------|-----------------------------|-----------------------------|
| <b>Fixed Line Network</b>   |             |                             |                             |
| Lines connected (Telkom)    | 4,450,000   | 4,300,000                   | 4,150,000                   |
| Equipped Capacity           | 5,000,000   | 5,000,000                   | 5,000,000                   |
| Teledensity                 | 9.14        | 8.83                        | 8.52                        |
| Digitilization switching    | 99%         | 100%                        | 100                         |
| <b>Mobile Networks</b>      |             |                             |                             |
| Mobile Operators            | 3           | 3                           | 3                           |
| Mobile subscribers          | 48,500,000  | 53,640,000                  | 58,780,000                  |
| Teledensity                 | 99.62       | 110.17                      | 120.72                      |
| Number of public phones     | 140,000     | 137,000                     | 130,000                     |
| Number of internet accounts | 1,380,000   | 1,420,000                   | 1,470,000                   |

Source: BMI-T, 2009

### **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                |
| 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               |

Source: Industry Sources, BMI-T, 2009

- South Africa's Telecommunications industry is the continent's most advanced, in terms of technology deployed and services provided. However, in terms of size, it slipped to second place after Nigeria in mid 2008.
- The telecommunications market in South Africa is expected to continue growing, although at a slower rate compared to previous years. By the end of 2009, the number of mobile subscribers was estimated at over 53 million, while the number of fixed lines fell to 4.3 million.
- Opportunities are emerging in both the fixed and mobile space through the new service based licensing regime brought about by the convergence of technologies and services.
- A significant change in legislation – the Electronic Communications Act (ECA) – replaced the earlier telecommunication legislation, namely, the Telecommunications Act of 1996. A main objective of the ECA is to introduce a technology-neutral converged services layer, designed to encourage competition.
- In the 2007/8 financial year, the country's regulator, ICASA, granted 150 value-added network services licenses from 163 applications and 36 private telecommunications network services licenses from 38 applications.
- In 2007, Neotel launched its wholesale, corporate and residential services, but Telkom SA remains the leading telephone operator with 4.3 million (fixed line).
- Telkom also dominates the country's fixed line broadband market in the ADSL segment with the number of subscribers in 2008 at about 412,000, and a projected increase to 590,000 by end of 2009. It's also interesting to note that Telkom has announced that it is entering the mobile market and has recently developed a fixed-mobile capability by deploying Wideband Code Division Multiple Access (W-CDMA) - a 3G mobile technology that supports high speed Internet access, video and voice services.
- The impending rollout of the EASSy (East Africa Submarine cable System) and the recently commissioned SEACOM cable connecting the southern parts of Africa with the East African states will offer alternative routing to international gateways.
- In addition, the South African Government has created InfraCo, a national infrastructure company to provide affordable backbone network capacity to service providers. Mobile operators are also rolling out their own national fiber-optic backbone networks. Despite this significant increased competition on the infrastructure level, many municipalities are implementing their own fiber and wireless broadband networks.

- Most high-tech telecommunications equipment is imported, and the major international manufacturers are well represented, including: Siemens, Alcatel, Nortel, Avaya, and Motorola. The notable exception is Tellumat, a local manufacturer who is a world leader in the development of private branch exchanges (PBX/PABX) and wireless radio equipment.
- Most players in this industry distribute imported equipment, and many are now re-exporting to the SADC countries (Angola, Botswana, Lesotho, Namibia, Mozambique, Malawi, Mauritius, Democratic Republic of Congo, Tanzania, Swaziland, Seychelles, and Zimbabwe).

## Best Products/Services

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- MPLS (Multiprotocol Label Switching)
- IPv6 (Version 6 of the IP)
- Broadband Demand Digital Terrestrial Television (DTT)
- Wireless Broadband Services
- Advanced Cellular Services
- Converged IP Services

## Opportunities

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- Power over the Ethernet (PoE) is a growing requirement for corporate networks
- Multiprotocol Label Switching (MPLS)
- IPv6 will be considered in every equipment purchase, even though its impact will not be felt in the next couple of years
- Advanced services marketing in the cellular industry. Network operators have already deployed a further 3G solution to help expand the existing NGN network and roll out HSDPA

## Resources

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### ***Exhibitions and Conferences***

2010 IEEE International Conference on Communications (ICC 2010)

Description:

Venue: Cape Town International Conference Center (CITCC)

Date: May 23-27, 2010

Website: <http://www.ieee-icc.org/2010/>

#### Wireless Broadband World Africa 2010

Description: Innovation, Strategy and Investment for Telcos, ISPs & Government

Venue: Sandton Convention Center – Johannesburg

Date: July 15, 2010

Website: <http://www.terrapinn.com/2010/wirelessza/>

#### Internet Show Africa

Description: Internet technology & Services

Venue: Sandton Convention Center - Johannesburg

Date: August 3-4, 2010

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

#### IT Service Management World Africa

Description: ICT

Venue: Sandton Convention Center - Johannesburg

Date: August 23-25, 2010

Website: <http://www.terrapinn.com/2010/itza/>

Concurrent with:

#### Contact Centers World Africa

Description: Contact Centers

Venue: Sandton Convention Center - Johannesburg

Date: August 23-25, 2010

Website: <http://www.terrapinn.com/2010/ccwza/>

#### Telecoms World Africa 2010

Description: Mixed and Mobile technology

Venue: BMW Pavilion Conference Center, Cape Town

Date: September 13-16, 2010

Website: <http://www.terrapinn.com/2010/telecomza/>

#### Management World Africa

Description: This show promises to bring together industry experts from the mobile, fixed line, cable, internet, media and entertainment industries to explore new strategies in the future.

Venue: Hilton Hotel, Sandton - Johannesburg

Date: July 20-21, 2011

Website: [www.tmforum.org](http://www.tmforum.org)

#### Mediatech Africa 2011

Description: Advanced technology for the broadcast, audiovisual communication, media and staging industry.

Venue: Coca-Cola Dome, Northgate - Johannesburg

Date: July 23-25, 2011

Website: [www.mediatech.co.za](http://www.mediatech.co.za)

#### Mediatech Africa 2011

Description: Advanced technology for the broadcast, audiovisual communication, media and staging industry.

Venue: Coca-Cola Dome, Northgate, Johannesburg

Date: July (dates not available)

Website: [www.mediatech.co.za](http://www.mediatech.co.za)

## ***Key Contacts***

South African Department of Communications (DoC)

Website: [www.doc.gov.za](http://www.doc.gov.za)

Independent Communications Authority of South Africa (ICASA)

Website: [www.icasa.org.za](http://www.icasa.org.za)

Telkom South Africa

Website: [www.telkom.co.za](http://www.telkom.co.za)

Neotel

Website: [www.neotel.co.za](http://www.neotel.co.za)

Seacom

Website: [www.seaconint.com](http://www.seaconint.com)

EASSy Cable

[www.eassy.org](http://www.eassy.org)

Sentech

Website: [www.sentech.co.za](http://www.sentech.co.za)

Transtel (Neotel Partner)

Website: [www.transtel.co.za](http://www.transtel.co.za)

Eskom Enterprises (Neotel Partner)

Website: [www.eskom.co.za](http://www.eskom.co.za)

Vodacom (Cellular Operator)

Website: [www.vodacom.co.za](http://www.vodacom.co.za)

MTN Networks (cellular Operator)

Website: [www.mtn.co.za](http://www.mtn.co.za)

Cell C (Cellular Operator)

Website: [www.cellc.co.za](http://www.cellc.co.za)

Virgin Mobile

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

## ***Publications***

Communication Technologies Handbook

BMI-Technowledge

Contact: Anita Mathews

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Email: [ammmm@telkomsa.net](mailto:ammmm@telkomsa.net)

Website: [www.bmi-t.co.za](http://www.bmi-t.co.za)

Quantum  
Publisher: Crown Publications CC  
Contact: Jenny Warwick  
Tel: +27-11-622-4770; Fax: +27-11-615-6108  
Email: [quantum@crowm.co.za](mailto:quantum@crowm.co.za)  
Website: [www.crown.co.za](http://www.crown.co.za)

### ***For More Information***

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## ***Chapter 5: Trade Regulations and Standards***

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- [Trade Barriers](#)
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- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#) (also see Standards section)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
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### **Import Tariffs**

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As a result of the Uruguay Round in 1994, South Africa reformed and simplified its tariff structure. Tariff rates have been reduced from a simple average of more than 20 percent to 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 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 Country Commercial Guide for South Africa 2009 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 that most office machinery, as well as motorcycles, that have a 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](http://www.itac.org.za)

## **Trade Barriers**

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

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



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

## Import Requirements and Documentation

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

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

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

The following is required for shipments to South Africa:

- For customs purposes in South Africa, one negotiable and two non-negotiable copies of the Bill of Lading are required. The Bill of Lading may be made out either "straight" or "to order".
- A Declaration of Origin Form, DA59, is to be used in cases where a rate of duty lower than the general rate is claimed as well as for goods subject to antidumping or countervailing duty. DA59 is a prescribed form with stipulated format, size and content. This form does not require Chamber of Commerce certification. One original signed copy of the form must be attached to the original commercial invoice covering goods, which require such a declaration.
- Four copies and one original Commercial Invoice are required. Suppliers must give, in their invoices, all data necessary for the importer to make a valid entry and for the South African Customs to determine value for duty purposes.
- Invoices from suppliers will not be accepted as satisfying the requirements of the customs regulations unless they state, in addition to any proprietary or trade name of the goods, a full description of their nature and characteristics together with such particulars as are required to assess the import duty and to compile statistics.
- One copy of the insurance certificate is required for sea freight. Follow the importer's and/or insurance company's instructions in other matters.

- Three copies of the Packing List are required. Data contained in this document should agree with that in other documents.

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

“Sample: Of no commercial value / Value for customs purposes is USD xxx.” Zero-value invoices are not accepted by South African customs authorities; the correct value must be stated of the shipment in question.

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

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

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

An exhaustive SARS import manual can be found at:

[http://www.sars.gov.za/uploads/images/4799\\_SC-CF-08\\_-\\_MANUAL\\_FOR\\_COMPLETION\\_OF\\_SAD\\_DECL\\_IMPORTATION\\_-\\_EXTERNAL\\_-\\_REV\\_\\_3\\_-\\_2008\[1\].11.13.pdf](http://www.sars.gov.za/uploads/images/4799_SC-CF-08_-_MANUAL_FOR_COMPLETION_OF_SAD_DECL_IMPORTATION_-_EXTERNAL_-_REV__3_-_2008[1].11.13.pdf)

## 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 on the following U.S. Department of Commerce's Bureau of Industry and Security website: [www.gpo.gov/bis/ear/ear\\_data.html](http://www.gpo.gov/bis/ear/ear_data.html)

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.

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/atacarnet-info.htm>).

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:

- 1. 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.
- 2. 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:

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

In South Africa, the South African Chamber of Business is the correspondent agent for ATA Carnet matters:

SACOB  
P.O. Box 213  
Saxonwold, 2132  
Tel: (27-11) 446-3800 or 446-3817 or 446-3863  
Fax: (27-11) 446-3807  
Email: [glennalee@sacob.co.za](mailto:glennalee@sacob.co.za)  
WWW: [www.sacob.co.za](http://www.sacob.co.za)

SACOB 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.

It is extremely important to note that the new South African Consumers Act that will come into effect October 2010 will give 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 Consumers Act are especially important when it comes to labeling, U.S. manufactures 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 become liable.

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

## Prohibited and Restricted Imports

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

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

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

The main categories of controlled imports are as follows:

- Used goods: ITAC may grant import permits on used goods or substitutes if not manufactured domestically, thus creating a *de facto* ban on most used goods.
- While designed to protect the domestic manufacture of clothing, motor vehicles, machinery, and plastics, these restrictions limit imports of a variety of low-cost used goods from the United States and Europe;
- Waste, scrap, ashes, and residues: The objective of import controls on these goods is to protect human health and the environment under the Basel Convention;
- Other harmful substances: Imports of substances such as ozone-depleting chemicals under the Montreal Convention and chemicals used in illegal drug manufacturing under the 1988 United Nations Convention are controlled for environmental, health, and social reasons; and
- Goods subject to quality specifications: This restriction permits the monitoring of manufacturing specifications that enhance vehicle safety (such as in the case of tires) or protect human life.

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

## Customs Regulations and Contact Information

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

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

## Standards

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## Standards 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 are in the process of being renamed as South African National Standards (SANS). 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.

U.S. standards are not incorporated as standard in South Africa and are hence reviewed on a case-by-case basis by the South African Standards Authorities. 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 29 of 1993 gave SABS the power to be involved in the regulations governing consumer protection. There are voluntary and compulsory standards. At the end of 2007, only 53 of SABS's approximately 5,000 standards were 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 September 2008 that once into effect in October 2010 will change 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.



#### List of South African Standards Organizations:

- South African Bureau of Standards (SABS) – the South African government agency responsible for standards.  
Website: <http://www.sabs.co.za>
- Council for Scientific and Industrial Research (CSIR) – research organization aiming to promote economic growth in southern Africa.  
Website: <http://www.csir.co.za>
- Engineering Council of South Africa (ECSA) – statutory body focused on promoting high standards of engineering work.  
Website: <http://www.ecsa.co.za>
- National Department of Agriculture (NDA) – government agency responsible for setting standards for certain agricultural and agricultural-related products. Website: <http://www.nda.agric.za>
- Department of Health – government organization that aims at increasing the quality of medical care in South Africa.  
Website: <http://www.doh.gov.za>
- SADC Stan – SADC Cooperation in Standardization. The Southern African Development Community (SADC) constitutes fourteen member states, and has the goal of harmonizing member countries' standards and technical regulations. It is reliant on the capacity of primarily the SABS for its operations.  
Website: <http://www.sadcstan.co.za>

#### 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/>

#### Standards - Conformity Assessment

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

- SABS – South African Bureau of Standards, a 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>
- Medicines Control Council (MCC) – the organization that regulates medicine in South Africa.  
Website: <http://www.mccza.com>

## Standards - 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/index.html>

## Standards - 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>

## Standards - Publication of Technical Regulations

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

[https://www.sabs.co.za/Business\\_Units/Standards\\_SA/index.aspx?Services\\_LeftLinks\\_StandardsS A1:MenuLink1=6](https://www.sabs.co.za/Business_Units/Standards_SA/index.aspx?Services_LeftLinks_StandardsS A1:MenuLink1=6)

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

The Government Printing Works  
E-mail: [jpe@print.pwv.gov.za](mailto:jpe@print.pwv.gov.za)  
Tel: +27 (0)12 334 4737/4734; Fax: +27 (0)12 323 0009

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

## Standards - Labeling and Marking

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Important points on labeling/marketing:

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

For more information, see:

<http://www.doh.gov.za/department/foodcontrol/docs/explain.html>

Please also refer to the Labeling and Marking Section above in the main body of Chapter 5.

## Standards - Contacts

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The South African Bureau of Standards

Head Office

Pretoria

Postal Address: Private Bag X191,  
Pretoria 0001

Street Address: 1 Dr Lategan Rd., Groenkloof

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

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

Department of Agriculture

National Department of Agriculture (NDA)

Postal Address: Private Bag X250, Pretoria 0001

Street Address: Agricultural Building, 20 Beatrix Street,  
Arcadia, Pretoria

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 should allow duty-free trade among the 14 countries of the region when it comes into full effect.
- The European Union-South African Trade and Development Cooperation Agreement that came into effect in 2000, has as a progressive Free Trade Agreement (FTA) become a corner stone of the regional trading landscape and has in some cases been the model that some trading partners (including the US and PR China) wish to replicate 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/ata-carnet-info.htm>

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

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

Codex Alimentarius Commission (Codex)

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

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](http://www.thedti.gov.za)

Directorate of Plant Health and Quality/National Department of Agriculture

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

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

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

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

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

International Trade Administration Commission of South Africa  
Website: [www.itac.org.za](http://www.itac.org.za)

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

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

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

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

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

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

The South African Bureau of Standards  
Website: <http://www.sabs.co.za>

U.S. Commercial Service South Africa  
Website: <http://buyusa.gov/southafrica/en>

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## ***Chapter 6: Investment Climate***

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## Openness to Foreign Investment

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The government of South Africa is open to foreign investment, which it views as a means to drive growth, improve international competitiveness, and obtain access to foreign markets. Virtually all business sectors are open to foreign investors. No government approval is required to invest, and there are almost no 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 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: <http://www.thedti.gov.za/> (see "publications").

Macroeconomic management was strong over the past decade, with reduced levels of public debt, generally low inflation, a progression from a fiscal deficit to a fiscal surplus, and a positive rate of economic growth until the global slowdown in 2009.

The post-apartheid government has sought to liberalize trade and enhance international competitiveness by lowering tariffs, abolishing most import controls, undertaking some privatization, and reforming the regulatory environment. While this has 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. However, in the wake of the recent global financial turmoil, Standard & Poor's (S&P) and Fitch downgraded their outlook on South Africa's sovereign credit from "stable" to "negative" in late 2008, reflecting concerns that capital outflows could depress the rand and make it

difficult for South Africa to finance its growing current account deficit. As of December 2009, S&P maintained the negative outlook for South Africa's creditworthiness.

A recent article in the Business Report indicates that although the SA Revenue Service reported that revenue collection in the 2009/10 fiscal year had come in R8.1 billion higher than expected, reducing the budget deficit to 6.8 percent of GDP from the projected 7.3 percent, in February 2010 Finance Minister Pravin Gordhan committed to reducing the deficit to 4.7 percent by 2012/13. S&P said it was not possible to give a "fresh view until such time as an updated report on the rating is released".

In August 2007, the DTI launched its National Industrial Policy Framework, and accompanying Industrial Policy Action Plan, to promote a more labor-absorbing and broader-based industrialization path in four lead sectors: capital or transport equipment; automotive; chemical, plastic fabrication and pharmaceuticals; and forestry, paper and furniture. Business-process outsourcing, clothing and textiles, tourism, and biofuels were also identified for attention. The Policy Framework anticipated initiatives in the form of tariff reductions, increased industrial financing, and additional incentives for investors.

The Black Economic Empowerment (BEE) strategy is a government program to increase the participation in the economy of historically disadvantaged South Africans. BEE requirements are specified in the Codes of Good Practice, which were published in the Government Gazette in February 2007. The codes set forth best practices for employment equity, skills development, enterprise development, preferential procurement, equity ownership, and small and medium-sized enterprises. They also permit multinational corporations to score equity ownership "points" through the use of mechanisms not involving the transfer of equity if these mechanisms are approved by DTI and the multinationals have a global corporate policy of owning 100 percent of the equity in their subsidiaries.

The American Chamber of Commerce and many individual U.S. companies had pressed for the right to use such "equity equivalent" mechanisms. To date approvals of "equity equivalent" proposals have been slow.

A firm's BEE "score" will be considered by government departments when awarding contracts; and, in some cases is a requirement for tendering. While firms are not legally required to meet BEE criteria, they are less competitive for government tenders if they fail to meet the criteria. The BEE Codes of Good Practice and other pertinent BEE legislation may be found on DTI's website: <http://www.thedti.gov.za/>.

Some state-owned enterprises were privatized in the 1995-2004 period. Since 2004, the government has been restructuring most of the remaining state-owned enterprises rather than proceeding with plans for further privatization.

Transnet (transportation) is focusing on core sectors that support its freight transport and logistics business. Assets or businesses that are not part of this strategy are in the process of being sold to the private sector or are being transferred back to the government. Transnet transferred SA Express to the Department of Public Enterprises in 2008 and Transtel Telecom was sold to Neotel.

The Department of Minerals and Energy (DME) contracted with US power producer AES for a 1000 MW power project, but canceled the agreement when AES was unable to fulfill its contractual obligations. Other opportunities for private investment in the power sector are likely to follow DME's policy to grant up to 30 percent of new energy projects to the private sector.

The planned privatization of smaller parastatals, like Safcol, in the forestry sector and Denel in the defense sector, with partial buy-ins by foreign suitors also present opportunities for foreign



investment. In late 2009 the electricity utility Eskom announced that it would seek private participation in at least one power plant project.

## 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, that is received by South African residents or companies. Generally, there are only limited delays in the conversion and transfer of funds.

While non-residents may freely transfer capital into 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 make sure that an authorized dealer endorses their share certificates as "non-resident". Foreign investors should also be sure to maintain an accurate record of investment.

South African subsidiaries and branches of foreign companies are considered to be South African residents, and as such, 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 are permitted to invest in other countries without restriction, 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. South African banks are permitted to commit up to 40 percent of their domestic capital in other countries, but only 20 percent outside Africa. In addition, mutual and other investment funds may now 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 also 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/>

## Expropriation and Compensation

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The Expropriation Act of 1975 (Act) and the Expropriation Act Amendment of 1992 entitle 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. 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 disproportionate patterns of land ownership in South Africa. As a result, the post-apartheid government has committed to redistributing 30 percent of the country's farm land to black South Africans by 2014.

In several restitution cases, the government has initiated proceedings to expropriate white-owned farms after courts ruled that the land had been seized from blacks during apartheid and that the owners subsequently refused 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. It took possession of farms in Northern Cape Province and Limpopo in March 2007 and December 2007 after negotiations with owners collapsed. The government paid the owners the fair market value for the land in both cases.

South Africa's Cabinet approved for submission to Parliament a new piece of legislation called the Expropriation Bill in March 2008. The Expropriation Bill sought resolve differences between the Act and the South African Constitution, which allows the government to expropriate land not just for reasons of public necessity but also for reasons that are "in the public interest." The bill is viewed as a government strategy to speed land redistribution; as of 2009, only 5 percent of total farm land had been redistributed under the government's land reform program. In August 2008, the bill was withdrawn - and ultimately scrapped - in the face of criticism from farmers and private sector groups that questioned its constitutionality. In October 2009, senior land reform officials were considering input from a government task team set up to amend the bill and resubmit it to Parliament.

Mineral rights have also been the subject of expropriation claims. The Mineral and Petroleum Resources Development Act 28 of 2002 ("MPRDA") replaced private ownership of mineral rights with a system of licenses offered by the South African government. Under the MPRDA, investors who held pre-existing mineral rights were granted the opportunity to apply for licenses provided they met certain criteria, including the achievement of certain Broad Based Black Economic Empowerment objectives. A group of European investors who hold interests in granite quarrying companies in South Africa filed an international arbitration complaint against the South African government, claiming that their mineral rights had been extinguished without adequate compensation. The World Bank's International Centre for the Settlement of Investment Disputes scheduled to hear the case in April 2010, final results are still pending.

## 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 disputes. South Africa applies its commercial and bankruptcy laws with consistency and has an independent, objective court system for enforcing property and contractual rights.

## Performance Requirements and Incentives

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Department of Industry and Trade (DTI) offers six investment incentives for manufacturing:

- Foreign Investment Grants may provide up to 15 percent of the value of new machinery and equipment to a maximum of R3 million per entity for relocation to South Africa.
- Industrial Development Zones (IDZ) provide duty-free import of production-related materials and zero VAT on materials sourced from South Africa, along with the right to sell into South Africa upon payment of normal import duties on finished goods.
- The Skills Support Program provides up to 50 percent of training costs and 30 percent of worker salaries for a maximum of three years to encourage the development of advanced skills.
- The Strategic Investment Project program offers a tax allowance of up to 100 percent (a maximum allowance of R600 million per project) on the cost of buildings, plant and machinery for strategic investments of at least R500 million.
- The Critical Infrastructure Facility supplements funds up to 30 percent of the development costs of qualifying infrastructure projects.
- The Small and Medium Enterprise Development Program offers a tax free grant of up to R3.05 million to manufacturers with assets of less than R100 million for a maximum of three years. The first two years of the grant is based on the investment in operating assets and the third year on the level of employment generated.

DTI established the Film and Television Production Rebate Scheme to encourage 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. Film projects must have begun after April 1, 2004 and must reach a threshold of R25 million to qualify for the rebate. Other requirements include 50 percent completion of the principal photography in South Africa and a minimum of four weeks photography time. Eligible productions include movies, tele-movies, television series, and documentaries. The maximum rebate for any project will be R10 million. Details on the entire program are available at the DTI website at <http://www.dti.gov.za/>.

South Africa's various provinces have development agencies that offer incentives to encourage investors to establish or relocate industry to areas throughout South Africa. 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, railage and other transport rebates, and assistance in the provision of housing.

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.

Several government-supported bodies provide technical assistance to industry:

- The Council for Scientific and Industrial Research provides multi-disciplinary research and development for industrial application.
- Technifin is a government-owned corporation which finances the commercialization of new technology and products.
- MINTEK develops mining and mineral processing technology for company application.
- The Council for Geoscience undertakes geological surveys and services related to minerals exploration.

Under the National Industrial Participation Program (NIPP), foreign companies winning large government tenders exceeding \$10 million must invest at least 30 percent of the value of the imported content of the tender in South Africa.

The government initiated the Motor Industry Development Program in 1995 to restructure the South African automotive industry. The program was designed to encourage local manufacturing by means of a duty rebate scheme on imported vehicles and component parts, to be phased out over the life of the program. In 2002, the Minister of Trade and Industry extended the program to 2012. Import duties and duty rebates will continue to decline over this extended period. The import duty on built-up light vehicles will fall to 25 percent and the import duty on original equipment components will fall to 20 percent by 2012.

The Automotive Production and Development Program (APDP) will replace the long-standing Motor Industry Development Plan (MIDP) beginning in 2013 and will be in place until 2020. The APDP framework and provisions covering import duties, local assembly allowances, production incentives and investment allowances are to “provide the South African automotive industry with a solid basis to rise to the challenge of becoming more internationally competitive and to expand the production of new cars and light commercial vehicles in South Africa.” The APDP sets ambitious targets for the domestic motor industry, including the annual vehicle production of 1.2 million units by 2020.

The APDP includes four main components:

- Stable and moderate import tariffs from 2012 of 25 per cent for completely built-up vehicles and 20 per cent for components used in vehicle assembly
- A local assembly allowance enabling vehicle manufacturers producing more than 50,000 vehicles a year to import 20 per cent of its components duty free, reducing to 18 per cent over three years
- A production incentive in the form of a tradable duty credit of 55 per cent on the value-added element of a component, measured from the selling price less the raw-material input. This would reduce to 50 per cent over five years. However, an additional five per cent would be available for vulnerable sub-sectors
- An automotive investment allowance, which would take the form of a direct grant to the value of 20 per cent of the project over three years. This would be used to support investment into new plant and machinery.

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 that an offer to minority shareholders be made when 30 percent shareholding has been acquired in a public company that has 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 provide finance for the purchase of property by registering the mortgage as security.

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 and thereafter are 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 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. Amendments to the Patents Act of 1978 were also intended to bring South Africa into line with TRIPS, to which South Africa became a party in 1999, and provides for the implementation of the Patent Cooperation Treaty.

## **Transparency of the Regulatory System**

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The Companies Act of 2008 is in the process of being implemented. It will reform and replace the Companies Act of 1973. The 1973 Act provided for transparent regulations concerning the establishment and operation of businesses. Major reforms in the 2008 Act include the alignment of corporate governance regulations with international best practices, allotment of greater powers to minority shareholders, the codification of common law duties and liabilities of directors, and the introduction of flexibility in the design and organization of companies. The Companies Act 2008 will be brought into operation in the third quarter of 2010. (See website: <http://www.dti.gov.za/> )

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

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South Africa's banks are well capitalized and comply with international banking standards. Six of the 35 banks in South Africa are foreign-owned and 15 are branches of foreign banks. The "Big Four" (Standard, ABSA, First Rand, and Nedcor) dominate the sector, accounting for almost 85 percent of the country's banking assets, which total over \$240 billion.

Barclays' acquisition of ABSA received government approval in 2005. The International Commercial Bank of China purchased a 20% stake in Standard Bank in late 2007 and the government approved the sale in early 2008.

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. These include the establishment of: 1) a separate company; 2) a branch; or 3) a 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: <http://www.banking.org.za/>

The Financial Services Board (FSB) governs South Africa's non-bank financial services industry (see website: <http://www.fsb.co.za/>). The FSB regulates insurance companies, pension funds, unit trusts (i.e., mutual funds), participation bond schemes, portfolio management, and the financial markets. The JSE Securities Exchange SA (JSE) is the fourteenth largest exchange measured by market capitalization in the world. Market capitalization stood at US\$675,849 (million) in May 2010 with over 406 firms listed in June 2010. 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 June 2009. More information on financial markets may be obtained from the JSE (website: [www.jse.co.za](http://www.jse.co.za)).

Non-residents are allowed to finance 100 percent of their investment through local borrowing (previously, they were required to invest R1 for every R3 borrowed locally). However, a finance ratio of 1:1 still applies to emigrants, the acquisition of residential properties by non-residents as well as 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 and private enterprises in South Africa do not necessarily compete on the same terms and conditions with respect to access to markets, credit, and other business operations. State-owned enterprises dominate a number of key sectors in South Africa:

- Eskom supplies 94 percent of South Africa's electricity.
- Transnet operates the bulk of the nation's railways and ports.
- The South African Post Office is a legislated monopoly.
- Telkom is the dominant fixed-line telephone operator and is 37 percent government-owned.
- Neotel is a second national operator that began limited business-only operations in October 2006 and is 30 percent government-owned. Neotel entered the business-to-business market in 2007 and has entered the residential market in selected areas.
- InfraCo, a 100 percent government-owned broadband provider, was formed using the fiber-optic networks of Eskom and Transnet in December 2006, approved for operations

by Parliament in October 2007, and awarded an electronic communications network services license in October 2009.

The Competition Act of 1998 and subsequent amendments address anticompetitive practices in both the private and public sectors. The Competition Commission has demonstrated increasing capacity to implement competition policy. There have been more frequent challenges in recent years against state-owned enterprises that compete unfairly or otherwise abuse their dominant position.

The South African government is usually the sole shareholder in state-owned enterprises. The shareholder representative is the relevant minister.

## **Corporate Social Responsibility**

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Corporations operating in South Africa have well-developed corporate social responsibility programs. The programs are one way to obtain credits under the Black Economic Empowerment (BEE) initiative (see "Openness to Foreign Investment," above).

## **Political Violence**

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South Africa's national election in April 2009 was free, fair, and peaceful, though there had been isolated incidents of violence in the run up to the vote. This was the fourth national election since the transition to democracy in 1994. Criminal violence remains high. National and provincial governments have pursued a number of programs in an attempt to control or stabilize the level of criminal violence. Some forms of crime, including murders, armored vehicle and mall robberies, have declined, while burglaries, small business robberies, and sexual assaults have increased.

## **Corruption**

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The 2000 Promotion of Access to Information Act and the 2000 Public Finance Management Act helped to increase transparency in government. The 2004 Prevention and Combating of Corrupt Activities Act (PCCAA) defines graft, bars the payment of bribes by South African citizens and firms to foreign public officials, and obliges public officials to report corrupt activities. One shortcoming of the PCCAA has been its failure to protect whistleblowers against recrimination or defamation claims. South African law also provides for the prosecution of government officials who solicit or accept bribes. Penalties for offering or accepting a bribe may include criminal prosecution, monetary fines, dismissal from government employment, or deportation (for foreign citizens).

South Africa has no fewer than 10 agencies engaged in anti-corruption activities. Some, like the Public Service Commission, the Office of the Public Protector, and the Office of the Auditor-General, are constitutionally mandated to address corruption as only part of their responsibilities. High rates of violent crime are a strain on capacity and make it difficult for South African criminal and judicial entities to dedicate adequate resources to anti-corruption efforts.

Parliament voted to disband the South African Police Anti-Corruption Unit and the Directorate for Special Operations (more popularly known as the "Scorpions") and fold its jurisdiction into the National Police in October 2008. A new high priority crimes unit, known as the Hawks, has been



formed under the South African Police Service and has claimed credit for several high-priority drug busts.

Transparency International's 2009 Corruption Perceptions Index reports that corruption in South Africa is perceived to be at the same level it was in 2008. South Africa was ranked 54<sup>th</sup> out of 180 countries (where 1 is the country where corruption is perceived to be the lowest, and 180 is the country where corruption is perceived to be the greatest) in 2008 and to 55<sup>th</sup> out of 180 countries in 2009. South Africa was again deemed the fourth least corrupt country in Africa in 2009.

Transparency International maintains an office in South Africa. More information about the Corruption Perceptions Index is available at the following website:

[http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009/cpi\\_2009\\_table](http://www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table)

Public perception of widespread official corruption, particularly in the police and the Department of Home Affairs, continued. South Africa is not a signatory of the OECD Convention on Combating Bribery, but is a signatory of the UN Convention against Corruption.

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/docs/dojdocb.html>.

**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 December 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. Although South Africa has adopted the OECD convention it is a non member country of the OECD convention.

**UN Convention:** The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (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 party to the UN Convention and added its signature to the 140 country signature in 9 Dec 2003 and 22 Nov 2004.

**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, 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 33 parties. (See <http://www.oas.org/juridico/english/Sigs/b-58.html>) South Africa is not party to the OAS convention.

**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 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see [www.coe.int/greco](http://www.coe.int/greco).) South Africa is not party to the Council of Europe Conventions.

**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>. South Africa does not have a Free Trade Agreement with the United States.

**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](http://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](http://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 antibribery 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](http://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](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.

## Anti Corruption Web Resources

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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](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](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://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009](http://www.transparency.org/policy_research/surveys_indices/cpi/2009). 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://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 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/sc\\_country.asp](http://info.worldbank.org/governance/wgi/sc_country.asp). The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://go.worldbank.org/RQQXYJ6210>.
- 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/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm>.
- 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/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 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

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South Africa has bilateral investment treaties (BITs) with Argentina, Austria, Belgium, Canada, Chile, the Czech Republic, Finland, France, Germany, Greece, Mauritius, the Netherlands, the Republic of Korea, Spain, Sweden, Switzerland, Turkey, and the United Kingdom. A Trade, Development, and Cooperation Agreement that came into force between South Africa and the European Union on January 1, 2000 does not contain an investment chapter.

South Africa, as a member of the Southern African Customs Union (SACU), is currently in negotiations for free trade agreements with Mercosur and India. The Department of Trade and Industry is reviewing South Africa's BITs to determine whether they are consistent with the country's developmental and transformational agenda.

The United States began free trade agreement (FTA) negotiations with the five SACU countries (South Africa, Botswana, Lesotho, Namibia, and Swaziland) in June 2003, but active negotiations were suspended in April 2006. In lieu of a U.S.-SACU FTA, the United States and SACU negotiated a Trade, Investment and Development Cooperation Agreement (TIDCA), which was signed in July 2008. The four areas identified for special attention under the TIDCA are customs cooperation, technical barriers to trade, sanitary/phytosanitary (SPS) issues, and trade and investment promotion.

Agreements regarding mutual assistance between the customs administrations of the United States and South Africa became effective on August 1, 2001. The U.S.-South Africa bilateral tax treaty eliminating double taxation became effective on January 1, 1998.

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

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South Africa and the United States signed an agreement to facilitate Overseas Private Investment Corporation (OPIC) programs in 1993.

- OPIC has since invested in a number of funds supporting sub-Saharan Africa development, including the Africa Growth Fund (\$25 million), the Modern Africa Growth and Investment Fund (\$105 million), and the ZM Investment Fund (\$120 million).
- OPIC also established the \$350 million Sub-Saharan Africa Infrastructure Fund (SAIF), which intends to fund infrastructure projects in sub-Saharan Africa.
- OPIC helped the National Urban Reconstruction and Housing Agency (NURCHA) establish a \$31 million scheme to lend to small contractors for the construction of affordable houses.
- OPIC entered into an agreement with the Homeloan Guarantee Company (HLGC) to fund low-income home loans for HIV-positive South Africans in 2004.
  - The pilot program for this project was initiated in 2005.
  - Net proceeds from a \$300 million investment pool will be used to purchase medication for HIV-positive South African homeowners holding HLGC-guaranteed mortgages.
- OPIC announced in June 2008 that it will provide up to \$250 million to banks and financial institutions to expand their lending to small businesses.

Additional information on OPIC programs that involve South Africa may be found on OPIC's website: <http://www.opic.gov/>.

South Africa is also a member of the World Bank's Multilateral Investment Guarantee Agency.

## **Labor**

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The South African government has worked to remove all vestiges of apartheid-era labor legislation over the last 16 years. In its place, the government created a labor market characterized by

employment security, reasonable wages, and decent working conditions. Under the aegis of the National Economic Development and Labor Council (NEDLAC), government, business, and organized labor negotiated all labor laws, with the exception of laws pertaining to occupational health and safety. NEDLAC negotiations placed a high value on worker rights and collective bargaining.

The law allows almost all workers to form or join trade unions of their choice without previous authorization or excessive requirements. Total trade union membership figures are imprecise but membership is estimated at three and one half million persons or 31 percent of the economically active population employed in the formal sector. Most union members belong to affiliates of the Congress of South African Trade Unions (COSATU). Other unions are affiliated to the Federation of Unions of South Africa (FEDUSA) or the National Council of Trade Unions (NACTU). COSATU, the largest of the federations, is part of the ruling alliance with the African National Congress (ANC) and the South African Communist Party and vigorously lobbies the ruling party to implement its policy positions.

The right to strike is protected under South African labor law. A Department of Labor bulletin reported 59 strikes in the 2007-2008 year ending March 2008, with 497,436 working days lost. Data for 2008-2009 has not yet been released but the 2009 "Strike Season" was more robust than in recent years. Sectors most affected have historically been community services, manufacturing, mining, and retail.

South African business argues that the labor market is rigid and over-regulation has constrained employment. Trade unions argue that employers evade labor legislation through the use of labor brokers who supply casual workers. COSATU has lobbied for and welcomed a pledge by the Minister of Labor that the Zuma government will heavily regulate or outlaw all labor brokers (third-party contracted labor) during 2010. The Department of Labor Director General has also pledged changes to employment equity law (affirmative action) to include harsher penalties on businesses found in non-compliance. Other areas of contention between government, business and trade unions revolve around workplace safety, the application of wage structures to all firms in an industry whether or not firms participated in wage negotiations, wage increases, and complex requirements and appeal procedures for the dismissal of workers.

Major labor legislation includes:

- The Labor Relations Act, in effect since November 1996, provides retrenchment guidelines, stating that 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 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 enjoys substantial popularity among workers and has a caseload that exceeds what was anticipated.
- The Basic Conditions of Employment Act, implemented in December 1998, establishes a 45-hour workweek as well as minimum standards for overtime pay, annual leave, and notice of termination. It outlaws child labor. 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 unfair 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 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 a 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). Employers who provide job skills training can claim back much of their contribution from government.

The most recent Quarterly Labor Force Survey (LFS) published on October 29, 2009 listed the official unemployment rate at 24.5 percent. This rate uses a definition of unemployment that excludes persons who have not actively sought employment during the previous four weeks. The unemployment rate increases if 1.6 million discouraged job seekers are included in the figure. Many of those unemployed have never worked. Despite the high unemployment rate, South Africa has a shortage of skilled workers across many sectors. Businesses allege that their statutory contributions to government-sponsored training authorities are wasted or misused, and that those authorities have done little to increase the skills base.

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, taxi-drivers, and retail employees. In addition, the Minister can apply collective bargaining agreements to firms that did not participate in negotiations.

Companies have criticized the introduction, through a regulation in early 2003, of a two-percent training levy on the salaries of expatriates who wish to enter the country under an expedited visa procedure. This money goes directly to industry-specific training authorities (SETAs). The levy does not apply to expatriates already resident in the country or to inter-company transfers. While expatriates who enter the country under the normal visa procedure are exempt from the levy, that process is complex and time-consuming. The government's decision to implement the levy-based system through regulation rather than legislation has also been controversial. A legal challenge to the regulations further delayed the implementation of new immigration legislation and this created more uncertainty about the effective handling of applications for visas.

## 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 into 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.
- 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, Richards Bay, Mafikeng, and at OR Tambo International Airport near Johannesburg.

## Foreign Direct Investment Statistics

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Foreign direct investment (FDI) data is readily available in South Africa. The U.S. Embassy in South Africa relies primarily on the SARB for foreign investment data. SARB statistics conform to the IMF definition of FDI (i.e., FDI is generally defined as 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, excluding announced but not completed "intended" investment.

The SARB does not provide country-specific figures that distinguish between actual investment flows and changes in investment stocks caused by asset swaps, exchange rate adjustments, and mergers and acquisitions. This makes it difficult to track the United States' and other countries' FDI position in South Africa on an annual basis.

Because SARB statistics only provide an annual total for all the countries' flows combined, observers also often consult more updated information obtained from the South Africa-based firm "Business Map" (BM). The latter offers fee-based services for a wide range of investor-related data and analysis (website: <http://www.businessmap.co.za/>).

The following FDI statistics were drawn from the SARB's December 2009 Quarterly Bulletin. The conversion exchange rate used was the average exchange rate for each year cited.

**Table A: Average Exchange Rates**

|           | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-----------|------|------|------|------|------|------|
| Rand/US\$ | 7.56 | 6.45 | 6.36 | 6.77 | 7.05 | 8.25 |

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

|                | 2003   | 2004   | 2005   | 2006   | 2007   | 2008   |
|----------------|--------|--------|--------|--------|--------|--------|
| Rand(billion)  | 303.55 | 355.09 | 489.32 | 611.72 | 751.92 | 632.61 |
| US\$ (billion) | 40.14  | 55.05  | 76.94  | 90.36  | 106.65 | 76.68  |

**Table C: Year-end Stock of South African Direct Investment Abroad**

|                | 2003   | 2004   | 2005   | 2006   | 2007   | 2008   |
|----------------|--------|--------|--------|--------|--------|--------|
| Rand(billion)  | 180.51 | 216.66 | 232.93 | 354.25 | 448.62 | 463.14 |
| US\$ (billion) | 23.87  | 33.59  | 36.62  | 52.33  | 63.63  | 56.14  |

**Table D: GDP (in billion rand at current prices) and year-end FDI Stock as a percentage of GDP**

|         | 2003     | 2004     | 2005     | 2006     | 2007     | 2008     |
|---------|----------|----------|----------|----------|----------|----------|
| GDP     | 1,272.53 | 1,415.27 | 1,571.08 | 1,767.42 | 2,017.10 | 2,283.82 |
| FDI (%) | 23.8     | 25.1     | 31.1     | 34.6     | 37.2     | 27.6     |

**Table E: Year-end stock of FDI in South Africa by region/country (billions)**

| REGION/COUNTRY | 2007  | 2008  | 2007 | 2008 |
|----------------|-------|-------|------|------|
|                | RAND  | RAND  | US\$ | US\$ |
| EUROPE – Total | 656.1 | 492.3 | 93.1 | 59.6 |
| UNITED KINGDOM | 524.2 | 342.4 | 76.9 | 41.5 |

|                     |       |       |       |      |
|---------------------|-------|-------|-------|------|
| GERMANY             | 41.3  | 46.9  | 5.9   | 5.6  |
| NETHERLANDS         | 28.9  | 32.2  | 4.1   | 3.9  |
| SWITZERLAND         | 21.3  | 29.2  | 3.0   | 3.5  |
| FRANCE              | 12.3  | 9.2   | 1.7   | 1.1  |
| ITALY               | 3.5   | 4.6   | 0.5   | 0.5  |
| N&S AMERICA (total) | 64.1  | 65.1  | 9.1   | 7.8  |
| USA                 | 46.3  | 47.1  | 6.6   | 5.7  |
| AFRICA (total)      | 5.7   | 52.2  | 0.8   | 6.3  |
| ASIA (total)        | 24.7  | 68.1  | 3.5   | 8.2  |
| MALAYSIA            | 2.3   | 12.7  | 0.3   | 1.5  |
| JAPAN               | 12.9  | 17.0  | 1.8   | 2.0  |
| OCEANIA (total)     | 1.2   | 1.6   | 0.2   | 0.1  |
| TOTAL               | 751.9 | 632.6 | 106.6 | 76.6 |

**Table F: Year-end Stock of South African Direct Investment Abroad by Region/Country (billions)**

| REGION/COUNTRY      | 2007  | 2008  | 2007 | 2008 |
|---------------------|-------|-------|------|------|
|                     | RAND  | RAND  | US\$ | US\$ |
| EUROPE - Total      | 276.4 | 253.6 | 39.2 | 30.7 |
| LUXEMBURG           | 122.1 | 54.0  | 17.3 | 6.5  |
| UNITED KINGDOM      | 92.7  | 115.0 | 13.1 | 13.9 |
| AUSTRIA             | 22.7  | 28.4  | 3.2  | 3.4  |
| OTHER               | 4.0   | 3.0   | 4.8  | 3.6  |
| N&S AMERICA (total) | 26.8  | 34.0  | 3.8  | 4.1  |
| USA                 | 23.8  | 27.4  | 3.3  | 3.3  |
| AFRICA (total)      | 84.4  | 44.2  | 11.9 | 5.3  |
| ASIA (total)        | 44.3  | 52.9  | 6.2  | 6.4  |
| OCEANIA (total)     | 16.6  | 21.3  | 2.3  | 2.5  |
| TOTAL               | 448.6 | 463.1 | 63.6 | 56.1 |

**Table G: Year-end Stock of FDI in South Africa by Industry Sector (billions)**

| INDUSTRY  | 2007  | 2008  | 2007  | 2008 |
|---|-------|-------|-------|------|
|   | RAND  | RAND  | US\$  | US\$ |
| Agriculture, Forestry & Fishing                     | 0.8   | 0.9   | 0.2   | 0.1  |
| Mining  | 332.2 | 195.3 | 47.1  | 23.6 |
| Manufacturing                                       | 197.1 | 204.7 | 27.9  | 24.8 |
| Construction  | 1.9   | 2.0   | 0.2   | 2.4  |
| Trade, Catering, & Accommodation                    | 27.7  | 30.9  | 3.9   | 3.7  |
| Transport, Storage, & Communication                 | 12.8  | 15.5  | 1.8   | 1.8  |
| Finance, Insurance, Real Estate & Business Services | 178.6 | 182.4 | 25.3  | 22.1 |
| Social Services                                     | 0.5   | 0.5   | 0.1   | 0.1  |
| TOTAL   | 751.9 | 632.6 | 106.6 | 76.6 |

**Table H: FDI Flows into South Africa:**

Investment by foreigners in undertakings in South Africa in which they have at least ten percent of the voting rights (R billion):

|       |      |
|-------|------|
| 2001* | 58.4 |
| 2002  | 16.5 |
| 2003  | 5.6  |
| 2004  | 5.2  |
| 2005* | 42.3 |
| 2006  | -3.6 |
| 2007  | 40.1 |
| 2008  | 74.4 |

\*The high inflow in 2001 was due to the DeBeers/Anglo American transaction.

\*The inflow in 2005 was due to the Barclays/ABSA and Vodafone/Vodacom transactions.

\*The inflow in 2007 was due to ICBC's purchase of Standard Bank.

#### **Table I: FDI Flows out of South Africa:**

Investment by South Africans in undertakings abroad in which they have at least ten percent of the voting rights (R billion):

|       |       |
|-------|-------|
| 2001* | 27.4  |
| 2002  | 4.2   |
| 2003  | -4.3  |
| 2004  | -8.7  |
| 2005  | -5.9  |
| 2006  | -41.0 |
| 2007  | -20.9 |
| 2008  | 25.8  |

\*2001 De Beers/Anglo American transaction resulted in the return of capital, previously invested abroad, to South Africa.

Since 1994 many foreign firms have opened or re-opened offices in South Africa. There are an estimated 600 American companies (including subsidiaries, joint ventures, local partners, agents, franchises, and representative offices) doing business in South Africa.

#### Key Investment Industries in South Africa:

- South Africa is largely a food self-sufficient country, with imports of wheat, oilseeds, poultry and pork largely offset by exports of fresh fruits, vegetables, fruit juice, and wine. The bulk of the population's food needs are supplied locally.
  - In certain instances, South African food and beverage companies have become global players, such as beer producer SAB Miller.
  - Major international agro-processing companies with a presence in South Africa include Unilever, Nestle, Coca-Cola, Groupe Danone, Parmalat, Kellogg, HJ Heinz, Cadbury-Schweppes, Virgin Cola, McCain Foods of Canada, and Pillsbury.
- The chemical industry is the largest manufacturing sector in the South African economy, accounting for five percent of GDP.
  - The country is a world leader in the manufacture of synthetic fuel from coal. In addition to Sasol and PetroSA Fischer-Tropsch-based synthetic fuel operations, four oil refineries dominate the petroleum and petrochemical industry.



- The rest of the chemical manufacturing sector consists mainly of AECL, Sentrachem, and fertilizer plants.
- The Standard, ABSA, First Rand, and Nedcor commercial banking groups provide retail and investment banking services and dominate the South African banking industry.
  - The European, Malaysian, and U.S. banks with banking licenses have so far concentrated on corporate rather than retail banking.
  - Foreign banks have gained market share through acquisition, as in the case of ABSA, by offering competitive lending rates.
- The South African automotive and components industry includes Ford, General Motors, Volkswagen, Bavarian Motor Works, Daimler, Chrysler, Nissan, and Toyota, all of which benefit from the APDP and have production plants in South Africa.

**Table J: Top Foreign Companies Invested In South Africa**

|              |  |
|--------------|--|
| Australia    | BHP Billiton   |
| Canada       | Placer Dome  |
| Denmark      | AP Moller  |
| France       | Lafarge  |
| Germany      | BMW, Volkswagen  |
| India        | Neotel, Tata   |
| Italy        | Cirio (Del Monte)  |
| Switzerland  | Movenpick Hotels   |
| U.K.         | Anglo American, Barclays, British Petroleum, Lonrho Plc, Old Mutual, SA Breweries, Virgin, Vodafone,         |
| U.S.         | Caltex, Coca Cola, CSX, Dow Chemical, Ford, Forest Oil, General Motors, Pioneer Energy, Timkin, Westinghouse |
| Saudi Arabia | Oger   |
| UAE          | Victoria and Alfred Waterfront   |

This is an illustrative listing of companies that have invested in excess of R1 billion in South Africa since 1994.

Other significant U.S. investors include: Caterpillar, Cisco, CitiGroup, Dell, Eli Lilly, Fluor, General Electric, Goodyear, HP, IBM, Levi Strauss, Johnson & Johnson, McDonald's, Microsoft, Nike, Proctor & Gamble, Sara Lee, and Silicon Graphics.

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## ***Chapter 7: Trade and Project Financing***

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

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

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.

Payment can be made via transmission or airmail, depending on the reimbursement clauses. The advising bank should, if possible, be the same bank as the exporter's bank. If the exporter's bank is unknown, the South African bank will advise the credit through a correspondent bank known to it in the United States and, if possible, in the exporter's city. (Low Risk)

- 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. (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)
- International Money Transfers: used to transfer cash between the different countries' banks in different currencies. Two methods are used: Teletransmission or Telegraphic Transfers (TT's) or S.W.I.F.T. (Society for Worldwide Interbank Financial Telecommunication). (Low Risk)

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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South Africa's well-developed banking system 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 continent of Africa.

Four large banks dominate the South African banking landscape. Standard Bank of South Africa, Nedcor, ABSA (Amalgamated Bank of South Africa, now owned by Barclays PLC), and FirstRand Bank collectively account for around 85 percent of banking services throughout South Africa. In total, there are approximately 70 foreign banks operating in South Africa, either via representative offices, branches, subsidiaries or joint ventures with local companies. 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 and 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. E-commerce financial services (i.e., banking and share dealing online) are doing well in the local market, and it is projected that this segment will continue to rise.

Although the services sector has, in the past, focused on the mid- to high-income population, government pressure, through the Financial Services Charter, as well as demand from the lower-income population, has pushed the banks to join the smaller micro-lenders. As a result, the banks are incorporating the lower end of the market into their strategies, as well as developing BEE strategies into their business development plans.

Despite the global turmoil in the banking sector, the South African banking system remained relatively stable and the South African Reserve Bank reported that banks were adequately

capitalized. According to the Bank Supervision Annual Report 2008, the Central Bank said the country's banking sector's capital-adequacy ratio increased from 11.8 percent in January 2008 to 13 percent at the end of December 2009. The report stated that the total banking-sector assets increased from \$355 (R2 663) billion in January 2008 to \$423 (R3 170) billion at the end of 2009.

According to the report, total assets of the four largest banks, amounting to \$357 (R2,676) billion, accounted for 84.4 percent of total banking sector assets.

South African banks are currently well capitalized, particularly compared to their international counterparts. This is due, in part, to the Government's prudent measures and retention of exchange control. Overall, local banks are viewed to be relatively stable and are unlikely to default any time soon. If any South African bank was to default, it is likely that the government would intervene to help protect depositors.

### Credit Ratings for the four major banks, as of August 2008 (Source: Moneyweb)

DIDN'T COPY right, we will need to work on this part!!!

#### Absa Standard Bank Nedbank FirstRand Moody's Fitch Moody's Fitch Moody's Fitch Moody's Fitch

##### National

Short-term Prime-1.za F1+ (zaf) - F+1 (zaf) Prime-1.za F+1 (zaf) Prime-1.za F+1 (zaf)  
Long-term Aaa.za AAA (zaf) - AA+ (zaf) Aa1.za AA (zaf) Aa1.za AA+ (zaf)  
Outlook Stable Stable - Negative Stable Stable Stable

##### Local Currency

Short-term Prime-1 - - - Prime-1 - Prime-1 -  
Long-term Aa2 A - A- Aa3 BBB+ A1 A  
Outlook Stable Stable - Negative Stable Stable - Stable

##### Foreign Currency -

##### Country Commercial Guide for South Africa 2009

Short-term Prime-2 F1 - F2 Prime-2 F2 Prime-1 F2  
Long-term Baa1 A - A- Baa1 BBB+ Baa1 A  
Outlook Positive Stable - Negative Stable - Stable Stable

##### Bank Financial

Strength C B/C C+ - C B/C C B/C

Outlook Stable 1 Stable - Stable 2 Stable 2

Source: Moneyweb : How Healthy Are SA Banks -

<http://www.moneyweb.co.za/mw/view/mw/en/page38?oid=221911&sn=Detail>

### Credit Ratings for the four major banks, as of August 2008 (Source: Moneyweb)

|                       | Absa       |           | Standard Bank |           | Nedbank    |           | FirstRand  |           |
|-----------------------|------------|-----------|---------------|-----------|------------|-----------|------------|-----------|
|                       | Moody's    | Fitch     | Moody's       | Fitch     | Moody's    | Fitch     | Moody's    | Fitch     |
| <b>National</b>       |            |           |               |           |            |           |            |           |
| Short-term            | Prime-1.za | F1+ (zaf) | -             | F+1 (zaf) | Prime-1.za | F+1 (zaf) | Prime-1.za | F+1 (zaf) |
| Long-term             | Aaa.za     | AAA (zaf) | -             | AA+ (zaf) | Aa1.za     | AA (zaf)  | Aa1.za     | AA+ (zaf) |
| Outlook               | Stable     | Stable    | -             | Negative  | Stable     | Stable    | Stable     | Stable    |
| <b>Local Currency</b> |            |           |               |           |            |           |            |           |
| Short-term            | Prime-1    | -         | -             | -         | Prime-1    | -         | Prime-1    | -         |
| Long-term             | Aa2        | A         | -             | A-        | Aa3        | BBB+      | A1         | A-        |

The Exchange Control Department at the South African Reserve Bank (SARB) administers foreign exchange policy. 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. As a rule, there are only limited delays in the conversion and transfer of funds.

All inquiries of an exchange control nature should be directed at 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 [www.reservebank.co.za](http://www.reservebank.co.za).

South African Reserve Bank (SARB)  
Mr. Daniel Mminele  
Acting Head, Exchange Control Department  
P.O. Box 3125  
Pretoria, 0001  
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 currency payments for imports may only be made against the following documents of title:

- Marine/Ocean Bill of Lading – covering multimodal transport or port-to-port shipment
- Multimodal Transport Document
- Air Waybill/Air Transport Document
- FIATA Forwarder's Certificate of Receipt
- Post receipt
- Certificate of Posting
- Courier's Dispatch Note or Air Waybill
- House Air Waybill
- House Bill of Lading
- Arrival notifications issued by Ellerman and Bucknall (Pty) Limited, Safmarine Limited, the Transatlantic Shipping Agency (Pty) Limited, and Nedloyd Agency Cies SA (Pty) Limited.

Foreign exchange may be provided for advance payments not exceeding 33 1/3 percent of the ex-factory cost of capital goods to be imported provided that:

- the South African banker is satisfied from the production of documentary evidence supplied by the overseas manufacturer that the order would otherwise be refused, and
- that such payment is normal in the trade concerned.

For advance payments exceeding 33 1/3 percent, the importer has to obtain specific approval from the Exchange Control Department of the South African Reserve Bank. The first shipment from a

new supplier, the lack of availability of the imported equipment, or its superior quality to what is available in South Africa, are all examples of conditions for proper justification.

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. \$6,650), 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 Republic. Prior Exchange Control approval is required for amounts exceeding R50,000.

Authorized dealers must in due course insist upon the presentation to them of original bills of entry import or local parcel post receipts as evidence that goods, for which transfers have been affected in terms of the above rules, have been received in South Africa. Such documents will also be boldly stamped "Exchange Provided." The date of the exchange transaction should be inserted under the stamp; and, in the event of a partial payment, the amount concerned should be stated. Customers are advised to retain the stamped documents for at least two years for inspection purposes.

South African importers are allowed to obtain foreign exchange to meet import payments for goods consigned by air on a cash-on-delivery basis before the goods are cleared through customs. The documentation required for this transaction is a copy of the respective air waybill bearing an original stamp with the words "For Exchange Control Purposes Only", and is dated and signed by a member of the South African Association of Freight Forwarders ([www.saaaff.org.za](http://www.saaaff.org.za)).

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

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

American Express Bank Ltd.  
Bank of New York Mellon  
Merrill Lynch

### **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  
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 an up-to-date and comprehensive listing of all South African Reserve Bank registered banks, see: <http://www.resbank.co.za/banks/banks.htm>.

Much of the well-publicized R400 billion (~\$53 billion) infrastructure drive is being financed by the Government and the larger state-owned enterprises (Transnet, Eskom, ACSA, TCTA), although a sizeable portion will also be 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.

National or provincial governments will generally publish tenders, requiring consortia to respond to typical PPP 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 government accommodation, such as new head offices for the City of Tshwane and for the Departments of Land Affairs and Correctional Services. Other significant projects include several new private prisons and the building of the new Gautrain rail system between Johannesburg and Pretoria.

The Government has a dedicated PPP unit in National Treasury, whose task it is to oversee new and existing projects. Their website, <http://www.ppp.gov.za>, includes a publication called "PPP Quarterly", which lists all PPPs currently under consideration and the relevant details involved.

### **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:

U.S. Trade and Development Agency  
Mr. Jason Nagy, Country Manager  
15 Chaplin Road (corner Oxford Road);  
Illovo  
Tel: +27 (0)11 778 4804; Fax: +27 (0)11 268 6104  
Email: [jnagy@ustda.gov](mailto:jnagy@ustda.gov)  
Website: <http://www.tda.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. Contact:

Mr. Paul Baloyi, CEO  
Development Bank of Southern Africa  
PO Box 1234  
Halfway House 1685  
Midrand  
Tel: +27 (0)1- 313-3911; Direct: +27 (0)11-313-3059; Fax: +27 (0)11-206-3516  
Email: Paulb@dbsa.org  
Website: [www.dbsa.org](http://www.dbsa.org)

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

The IDC is a state-owned financial institution offering an extensive range of financing facilities to private sector entrepreneurs engaged in manufacturing industries in South Africa. Its mission is to assist in the financing of new and existing private sector enterprises so that industrial development takes place in South Africa according to sound business principles.

IDC  
PO Box 784055,  
Sandton, 2146  
Tel: +27 (0)11-269-3000; Direct: +27 (0)11-269-3279; Fax: +27 (0)11-269-3113  
CEO: Geoffrey Qhena  
Email: geoffreyq@idc.co.za  
Website: [www.idc.co.za](http://www.idc.co.za)

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

The United States Agency for International Development (USAID) is the U.S. Government agency responsible for development assistance. USAID believes that to succeed in its global mission, it must support sustainable and participatory development, emphasize partnerships, and use integrated approaches to promoting development.

USAID/South Africa is one of about 80 Missions that manage a country program. Its goal is sustainable transformation from apartheid conditions to sustainable development conditions. USAID assists government and non-government institutions in South Africa to contribute to the political, social, and economic empowerment of the disadvantaged majority population, both men and women.

Please contact USAID for additional information on its programs at:

United States Agency for International Development - South Africa  
PO Box 43,  
Groenkloof, 0027  
Tel: +27 (0)12-452-2000; Fax: +27 (0)1- 460-3177  
Website: <http://www.sn.apc.org/usaidsa/>



## **Enterprise Development in Southern Africa**

The Southern African Enterprise Development Fund (SAFEDF), a US\$100 million USAID-sponsored project, promotes small-to-medium-sized enterprises throughout South Africa. For additional information on the SAFEDF, please visit its website at: <http://www.saedf.org.za/>.

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

Entrepreneurship Development Unit  
Department of Management  
Head of Department: Mr. Goosain Solomon  
University of the Western Cape  
Private Bag X17,  
Bellville, 7535  
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 (West Africa), 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](http://www.afdb.org).

Or contact:

African Development Bank (Temporary Relocation to Tunis)  
Tel: +216 71 333 511; Fax: +216 71-351-933  
E-mail: [afdb@afdb.org](mailto:afdb@afdb.org)  
African Development Bank (Statutory Headquarters in Cote D'Ivoire)  
Tel: +225 20 204 444; Fax: +225 20-204-959  
E-mail: [afdb@afdb.org](mailto:afdb@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](http://www.worldbank.org),

Or contact:

World Bank Resident Mission in South Africa/IBRD Section  
Chief of Mission: Ms. Ruth Kagia  
PO Box 12629  
Hatfield, 0028  
Tel: +27 (0)12- 348-8895; Fax: +27 (0)12-348-7120/7127

IFC Section  
PO Box 41283, Craighall, 2024  
Tel: +27 (0)11-731-3000; Fax: +27 (0)11-268-0074  
Country Manager: Salix Karimjee

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

Bryan Lopp  
Advisor & U.S. Business Liaison  
Office of the U.S. Executive Director  
U.S. Trade Advocacy Center  
Bank E-mail: [BLopp@worldbank.org](mailto:BLopp@worldbank.org)  
Commerce E-mail: [Bryan.Lopp@trade.gov](mailto:Bryan.Lopp@trade.gov)  
Phone: (202) 482-2613  
Fax: (202) 482-3508

## **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](http://www.exim.gov).

## Web Resources

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African Development Bank Group

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

Ex-Im Country Limitation Schedule

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

Development Bank of Southern Africa

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

Entrepreneurship Development Unit of the University of the Western Cape

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

Export-Import Bank of the United States

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

Industrial Development Corporation of South Africa, Ltd

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

OPIC

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

SBA's Office of International Trade

Website: <http://www.sba.gov/oit/>

South African Association of Freight Forwarders

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

South African Reserve Bank

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

Southern African Enterprise Development Fund

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

The World Bank

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

Trade and Development Agency

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

USDA Commodity Credit Corporation

Website: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development

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

United States Agency for International Development South Africa Website:

<http://www.sn.apc.org/usaidsa/>

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## ***Chapter 8: Business Travel***

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### **Business Customs**

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Business customs in South Africa are generally similar to those in the United States and Western Europe. South African business people tend to dress conservatively, particularly in the banking sector. However, “smart-casual” clothing has become increasingly popular with executives in the ICT and tourism industries. Terminology used in business invitations etc, 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 (includes jeans but no sport shorts)

Business cards are usually simple, including only the basics such as company logo, name, business title, address, telephone number, fax number, e-mail, and web-address. South Africans are also very punctual, and South African businesspeople make every effort to be on time for appointments. Appointments should be made in advance of a business visit.

### **Travel Advisory**

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For the latest Consular Information Sheet and travel advisory on South Africa, please click on the following link: [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1008.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1008.html)

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

Value-added Tax (VAT) is levied at 14 percent. Travelers may apply for tax refunds on purchases made in South Africa over \$31 (R250) on departure. Further information on tax refunds can be obtained on: <http://www.taxrefunds.co.za/index.php>

## Safety and Security

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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.

## Visa Requirements

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U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options 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.gov: <http://www.unitedstatesvisas.gov/>

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. Visas are required, however, 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. 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 an U.S. Consular Officer.

**IMPORTANT NOTE:** All travelers to South Africa should make sure that their passports contain at least two completely blank “Visa” pages for stamps, otherwise they could 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 businesspersons to the United States should be advised that citizens of South Africa and other Southern African countries require U.S. visas. Prospective visa applicants should go to the:

Consular Services for American Citizens in South Africa  
Website: <http://southafrica.usembassy.gov/service.html>

Visa Services for Foreign Citizens in South Africa  
Website: <http://southafrica.usembassy.gov/visas.html>

For additional information also see:

State Department Visa Website  
<http://travel.state.gov/visa/index.html>

## Telecommunications

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South Africa has the largest and most developed telecommunications network (including fixed line, wireless, satellite, and cellular technology) in the African continent. Public switched telecommunication services are provided by Telkom South Africa and Netoeel.

Cellular services are provided by three licensed cellular operators:

- Vodacom,
- MTN (Mobile Telephone Network), and
- Cell C.

Virgin Mobile, a Virgin-branded service running over Cell C's national network, was launched in 2006. Vodacom and MTN launched 3G services in the first quarter of 2007.

South African telecommunication costs, including ADSL, still remain among the highest in the world. Efforts are underway by the Government and regulators to increase competition and reduce costs.

## Transportation

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Travel to South Africa consists of arrival in the country by international airlines to Johannesburg's OR Tambo International or Cape Town International Airports. Major air carriers that fly from the United States to South Africa include Delta Air Lines (<http://www.delta.com>) and South African Airways (<http://www.saa.co.za>). United Air Lines code-shares with SAA (<http://www.united.com>). Delta Air Lines is the only U.S. carrier with a direct flight from the United States to South Africa (Johannesburg).

South Africa boasts one of the most modern and extensive transport infrastructures on the African continent in terms of road, railway systems and seaports.

Eighty percent of South Africans depend on public transport (two-thirds travel by minibus taxi and the remaining one-third by railway or by bus). Still, public transportation is, in most instances, not suitable for U.S. tourists or travelers, with the exception of private taxi companies that operate at a relatively high cost to passengers.

It is highly recommended that travelers to South Africa consider pre-arranging and making use of extensive car hire facilities. Major car hire groups represented include Hertz (<http://www.hertz.co.za>), Avis (<http://www.avis.co.za>), and Budget ([www.budget.co.za](http://www.budget.co.za)).

South Africans drive on the left-hand side of the road. Most major cities in South Africa have rather complicated one-way systems leading in and out of major areas. Also, many pedestrians are hit by cars and it is important to be extra cautious when walking across streets, especially if you are not used to the traffic patterns of left-hand drive motorists.

To view U.S. Consulate information sheet on travel to South Africa, visit the following website:  
[http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1008.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1008.html)

## Language

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South Africa has 11 official languages. Based on the most recent data available, the respective percentages of the population speaking each of them as their main language are: Zulu (23.8 percent), Xhosa (17.6 percent), Afrikaans (13.3 percent), Sepedi (9.4 percent), English (8.2 percent), Setswana (8.2 percent), Sesotho (7.9 percent), Xitsonga (4.4 percent), Swazi (2.6 percent), Venda (1.7 percent), and Ndebele (1.5 percent). Languages used by the Asian population include Tamil (2 percent), Hindi (2 percent), Gujarati (2 percent), and Urdu.

English has been both a highly influential language in South Africa, and a language influenced, in turn, by adaptation in the country's different communities. Estimates based on the 1991 census suggest that some 45% of the population have a speaking knowledge of English.

The African (Black) and Asian populations speak a variety of languages and many also use English and Afrikaans. The population of European descent predominantly speak Afrikaans and English as their first language. Printed advertising directed at the non-European descended population is mainly in English. Radio advertising is broadcast in nine African languages, while television advertising is conducted in five languages. African language advertising and broadcasting are expected to expand to reach more Black consumers.

## 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 also of the highest standards and can normally be used as is. However, if a traveler is not acclimatized to it or has a sensitive digestive system, drinking water should be avoided. This warning covers all other applications of water such as ice and water for mouth-rinsing after brushing teeth. Bottled water and canned drinks are readily available; flavored bottled water has also been very popular with travelers visiting South Africa.

South Africa has world-class medical services and all major cities have modern well-equipped hospitals and ambulance services to assist all travelers in emergency situations. Travelers should familiarize themselves with emergency telephone numbers and the locations of nearest hospitals upon arrival in the country.

South Africa has several 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. Prevention should include use of mosquito repellent (all day) and 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: parts of Mpumalanga Lowveld, Limpopo and Kwazulu-Natal provinces.
- Medium-risk malaria areas: Kozi Bay, Sodwana Bay, Mkuze Game reserve and St. Lucia Lake area.

It is very important for travelers to realize that they may still contract malaria despite taking 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 after at any time within six months after a visit to one of these high-risk areas, a physician should be consulted immediately.

Since November 2008, cholera outbreaks have been reported across Zimbabwe and have affected South Africa's Limpopo Province near the Zimbabwe border. Cholera is a potentially fatal bacterial infection of the intestine which causes severe diarrhea and dehydration. The disease is spread through untreated sewage and contaminated drinking water. Travelers to Limpopo Province are advised to drink boiled or bottled water and also use boiled or bottled water in food preparation. American citizens may consult local media and the United Nations Office for the Coordination of Humanitarian Affairs at <http://ochaonline.un.org> for updates on cholera cases in South Africa. The Consulate General recommends that any American citizen experiencing symptoms of severe diarrhea should seek immediate medical attention.

South Africa also has endemic HIV/AIDS. Travelers should ensure that they are well aware of the associated risks and risk behavior.

## 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 /six hours ahead of Eastern Daylight 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 4:30 p.m. Most offices observe a five-day week, but shops are generally open from 8:30 a.m. to 1:00 p.m. on Saturdays. Malls open at 9:00 a.m. and close at 9:00 p.m. generally. 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.

### Local Holidays 2009

#### 2010 South African Public holidays

- **1 January** New Year's Day (Friday)
- **21 March** Human Rights Day (Sunday)
- **22 March** Public holiday (Monday)
- **2 April** Good Friday (Friday)
- **5 April** Family Day (Monday)
- **26 April** School holiday (Monday)
- **27 April** Freedom Day (Tuesday)
- **1 May** Workers' Day (Saturday)
- **16 June** Youth Day (Wednesday)
- **9 August** Women's Day (Monday)
- **24 September** Heritage Day (Friday)



- **16 December** Day of Reconciliation (Thursday)
- **25 December** Christmas Day (Saturday)
- **26 December** Day of Goodwill (Sunday)
- **27 December** Public holiday (Monday)

Note: U.S. Government offices in South Africa are closed on U.S. federal and legal holidays in addition to local South African 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 persons, 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 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. U.S. Dollars may not be used in commercial or other private transactions.

With a valid carnet, a visitor may enter South Africa with his/her automobile for a period not exceeding 12 months. An import duty will be charged on entry and rebated on departure. If a visitor wishes to sell his/her vehicle during his/her stay or upon departure, he/she must first obtain an import permit and pay the relevant duty.

## Web Resources

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Avis

Website: [www.avis.co.za](http://www.avis.co.za)

Budget

Website: [www.budget.co.za](http://www.budget.co.za)

Consular Information Sheet on South Africa

Website: [travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1008.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1008.html)

Consular Services for American Citizens

Website: [pretoria.usembassy.gov/wwwhacs1.html](http://pretoria.usembassy.gov/wwwhacs1.html)

Delta Air Lines

Website: [www.delta.com](http://www.delta.com)

Hertz

Website: [www.hertz.co.za](http://www.hertz.co.za)

South African Airlines  
Website: [www.saa.co.za](http://www.saa.co.za)

State Department Visa Website  
Website: [travel.state.gov/visa/index.html](http://travel.state.gov/visa/index.html)

United Air Lines  
Website: [www.united.com/](http://www.united.com/)

U.S. Commercial Service South Africa  
Website: [www.buyusa.gov/southafrica](http://www.buyusa.gov/southafrica)

United States Visas.gov  
Website: [www.unitedstatesvisas.gov/](http://www.unitedstatesvisas.gov/)

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## ***Chapter 9: Contacts, Market Research, and Trade Events***

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

### **Contacts**

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#### **I. U.S. Government**

- United States Embassy, Pretoria  
Website: [pretoria.usembassy.gov/](http://pretoria.usembassy.gov/)
- United States Commercial Service in South Africa  
Website: [www.buyusa.gov/southafrica/en](http://www.buyusa.gov/southafrica/en)
- United States Consular Services in South Africa  
Website: [www.unitedstatesvisas.gov](http://www.unitedstatesvisas.gov)
- Southern Africa Global Competitiveness Hub –  
Website: [www.satradehub.org/index.php?id=316](http://www.satradehub.org/index.php?id=316)
- Export-Import Bank of the United States  
Website: [www.exim.gov/](http://www.exim.gov/)
- Overseas Private Investment Corporation  
Website: [www.opic.gov](http://www.opic.gov)
- U.S. Trade and Development Agency  
Website: [www.ustda.gov](http://www.ustda.gov)

#### **II. South African Government**

- All Ministries:
  - South African Government  
Website: [www.gov.za](http://www.gov.za)
- Ministries:
  - Agriculture  
Website: [www.nda.agric.za/](http://www.nda.agric.za/)
  - Defense  
Website: [www.dod.mil.za/](http://www.dod.mil.za/)
  - Foreign Affairs  
Website: [www.dfa.gov.za/](http://www.dfa.gov.za/)
  - Labor  
Website: [www.labour.gov.za/](http://www.labour.gov.za/)
  - Minerals & Energy  
Website: [www.dme.gov.za/](http://www.dme.gov.za/)
  - National Treasury  
Website: [www.treasury.gov.za/](http://www.treasury.gov.za/)
  - Reserve Bank (SARB)  
Website: [www.reservebank.co.za/](http://www.reservebank.co.za/)
  - Statistics South Africa  
Website: [www.statssa.gov.za](http://www.statssa.gov.za)
  - Revenue Service (SARS)  
Website: [www.sars.gov.za/](http://www.sars.gov.za/)
  - Trade and Industry  
Website: [www.dti.gov.za](http://www.dti.gov.za)
- Parastatals:
  - Eskom  
Website: [www.eskom.co.za/](http://www.eskom.co.za/)
  - Transnet  
Website: [www.transnet.co.za/](http://www.transnet.co.za/)
  - Telkom  
Website: [www.telkom.co.za/](http://www.telkom.co.za/)
- Other:
  - Bureau of Standards (SABS)  
Website: [www.sabs.co.za/](http://www.sabs.co.za/)
  - Industrial Development Corporation (IDC)  
Website: [www.idc.co.za/](http://www.idc.co.za/)

### III. Business

- Chambers:
  - American Chamber of Commerce South Africa  
Website: [www.amcham.co.za](http://www.amcham.co.za)

- Business Unity South Africa (BUSA)  
Website: [www.busa.org.za/](http://www.busa.org.za/)
- Exhibition Association of Southern Africa  
Website: [www.exsa.co.za](http://www.exsa.co.za)
- Legal:
  - Attorneys in South Africa  
Website: [www.attorneys.co.za](http://www.attorneys.co.za)
- Airlines:
  - South African Airlines  
Website: [www.saa.co.za](http://www.saa.co.za)
  - Delta Air Lines  
Website: [www.delta.com](http://www.delta.com)
  - United Air Lines  
Website: [www.united.com/](http://www.united.com/)
- Tourism:
  - Internet based South African travel information  
Website: [www.sa-venues.com/tourist\\_and\\_visitor\\_information\\_.htm](http://www.sa-venues.com/tourist_and_visitor_information_.htm)
  - Southern African Tourism Services Association  
Website: [www.satsa.co.za](http://www.satsa.co.za)
- Banks:
  - Absa  
Website: [www.absa.co.za/](http://www.absa.co.za/)
  - First National Bank  
Website: [www.fnb.co.za/](http://www.fnb.co.za/)
  - Nedbank  
Website: [www.nedbank.co.za/](http://www.nedbank.co.za/)
  - Standard Bank  
Website: [www.standardbank.co.za/](http://www.standardbank.co.za/)
- Other– South African Internet search engines websites:
  - [www.aardvark.co.za](http://www.aardvark.co.za)
  - [www.ananzi.co.za](http://www.ananzi.co.za),
  - <http://www.google.co.za>

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> 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.

Please click on the links below for information on upcoming trade events:

[www.export.gov/tradeevents/index.asp](http://www.export.gov/tradeevents/index.asp)

[www.buyusa.gov/southafrica/en/upcomingevents.html](http://www.buyusa.gov/southafrica/en/upcomingevents.html)

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## ***Chapter 10: Guide to Our Services***

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. 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

For more information on the services the U.S. Commercial Service South Africa offers U.S. businesses, please click on the link below:

<http://www.buyusa.gov/southafrica/>

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take

based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.