U.S. Country Commercial Guides

South Africa 2019

Contents

Doing Business in South Africa

Market Overview

A country of 58 million people, South Africa enjoys relative macroeconomic stability and a largely pro-business environment.

- South Africa is a logical and attractive option for U.S. companies seeking to enter the Sub-Saharan Africa marketplace. The country covers 1.22 million square kilometers and is the world's largest producer of platinum, vanadium, chromium, and manganese.
- South Africa is the most advanced, diversified, and productive economy in Africa. However, its economic growth does not match that of other African economies.
- In 2018, the gross domestic product (GDP) grew by 0.8% to an estimated $808 billion (based on purchasing power parity – ppp, or $336 billion in the more widely used standard GDP definition). The mature nature of the South African economy is reflected in the mix of economic sectors:
  1. Primary (including agriculture, fishing, and mining): 10%.
  2. Secondary (manufacturing, construction, and utilities): 21%.
  3. Tertiary (trade, transport, and services): 69%.
- The tourism sector in 2018 experienced 11% growth, well above the global average of 8%, by capitalizing on South Africa's natural beauty, wildlife reserves, and good infrastructure. The sector is a major foreign exchange earner, along with minerals, agricultural products, and some niche manufacturing and high-tech sectors.
- Some parts of the country's urban areas boast well-developed infrastructure, comparable to OECD standards, but rapid urbanization has led to glaring contrasts. Its growing services sector is a major employer, and the private, or corporate, side of the economy has been traditionally well-managed, although it faces low productivity gains. The banking and financial services sector is stable and weathered the 2008 financial crisis well, but the auditing sector has suffered reputational damage since 2017 due to deficient reporting and accusations of collusion to cover up corruption and mismanagement. The Johannesburg Stock Exchange (JSE) ranks among the top emerging market exchanges in the world.
- South Africa is well integrated into regional economic infrastructure as formalized by membership in the Southern African Development Community (SADC). In addition, the Southern African Customs Union (SACU) agreement with Botswana, Namibia, Lesotho, and Swaziland facilitates commercial exchanges. South Africa is a member of the World Trade Organization (WTO), the G20, and BRICS (Brazil, Russia, India, China, and South Africa).
- The African Growth and Opportunity Act (AGOA), renewed for a final 10-year period in 2016, provides duty-free access to the U.S. market for most Sub-Saharan African countries, including South Africa. The United States and South Africa signed a Trade and Investment Framework Agreement (TIFA) in 2012. The United States and SACU concluded a Trade, Investment, and Development Cooperation Agreement (TIDCA) in 2008.
- The United States is a critical trading and technology partner for South Africa and ranks annually as South Africa's third-largest bilateral partner in two-way trade by value. While Europe and Japan have well-established trade links with South Africa, trade with China, also in financial services, is growing fast.
- The U.S Department of Commerce chairs The President's Advisory Council on Doing Business in Africa (PAC-DBIA), which advises the President, through the Secretary of Commerce, on ways to strengthen

commercial engagement between the United States and Africa. For further information on the PAC-DBIA, please see: www.trade.gov/pac-dbia/.

- Five reasons why U.S. companies should consider exporting to South Africa:

New-to-market (NTM) companies should consider South Africa's geographic advantages, logistics infrastructure, widespread use of the English language, and relatively transparent legal processes, which make it a low-entry threshold country.

The business management environment (legal, publicity, marketing, forensics, process outsourcing, etc.) is arguably the best in Africa.

South Africa is a business incubator for new-to-market (NTM) ideas; as the middle class in Africa grows, business models launched in and from South Africa will find easier acceptance in other Sub-Saharan Africa markets.

The penetration of South African companies and agencies into Africa makes finding the right partner to collaborate with in third markets a low-risk business development model.

South African companies are receptive to various partnering arrangements with U.S. companies; these range from agency to licensing, joint ventures (JVs), mergers, and acquisitions; some South African companies hope to enter the U.S. market through similar arrangements.

Market Challenges

- There is serious, growing concern about a host of political, economic, and regulatory factors that affect foreign businesses adversely. These include persistent reports about corruption and mismanagement in high government circles that reached a crescendo in 2017 under the administration of then-President Jacob Zuma, significant unemployment, violent crime, insufficient infrastructure, and poor government service delivery to impoverished communities.
- U.S. firms entering this market must contend with a mature and competitive market marked by well-established European and Asian competition. A trade agreement between SADC and the European Union enables many European products to enter South Africa duty-free or at lower rates than U.S. products.
- The volatile rand-dollar exchange rate can complicate planning, especially for smaller or new-to-market firms. Although forward cover is readily available, and the rand is one of the most heavily traded currencies in the world, the cost does reflect interest rates, which tend to be higher than in United States and developed markets because of South Africa's relatively higher historical rates of inflation.
- Government instituted Broad-Based Black Economic Empowerment (B-BBEE) policies aim at redressing economic imbalances among historically disadvantaged communities to facilitate socio-economic transformation through granting procurement preferences on government contracts (including state-owned enterprises (SOEs) based on a company's level of B-BBEE achievement. B-BBEE requirements demand due consideration by all firms planning to do business with the South African Government, SOEs, and within the general business community, including as a provider within the supply chain of companies doing business with the government and SOEs. The South African Department of Trade and Industry introduced new, more ambitious "affirmative action-like" requirements in 2013 that among other things induce improved economic opportunities by awarding more points in the equity/ownership requirement than previously. As in the past, entities gain credits

if they include in their upstream and downstream supply chain partnering with other entities that qualify as being compliant on employment equity and other criteria. B-BBEE fronting that creates the appearance of regulatory compliance is a criminal offense and may lead to a fine of up to 10% of an entity's turnover or up to 10 years' incarceration by directors and complicit staff. A few foreign companies have addressed the ownership element of B-BBEE by negotiating "equity equivalency" programs with the dti that emphasize training and development of local companies. Also see Selling to the Government below.

- For new-to-market U.S. exporters, these affirmative-action like trading requirements have encouraged use of low-exposure market entry modes by teaming up with qualified local importer-resellers and service providers who act as the prime contractor to the South African Government and large economic players. The South African Government is continuously changing the mandatory industrial localization requirement for foreign suppliers that often view this as a cost and risk factor for doing business in South Africa.
- Since 2012, the South African Government has continued to tighten labor and foreign ownership laws and mandated industrial localization. Sectors of specific concern have included the extractive industries, security services, and agriculture. It remains uncertain in which direction government will go to address rigidities in labor regulations in the face of popular discontent around unemployment, poverty, and inequality. Since 2017, the initially populist rhetoric of expropriation of land without compensation has become mainstream and has the potential to become a defining element of future politics.
- Skilled labor can be difficult to find in many, if not most, technical and professional segments despite increasing unemployment (while the nominal rate is 26%, most observers look to the broader definition including those who have given up looking for a job, which is currently 37%), due to the poor state of the public education system. In addition, HIV/AIDS affects approximately one in ten South Africans with unfortunate implications for labor availability, productivity, and healthcare costs. Annual labor negotiations have been marked by violence in previous years, although the last three years have been relatively peaceful.
- 2016 saw a 104-year record drought in the central and northeastern part of the country come to an end, but water scarcity will remain a major concern for agriculture, power generation, and human consumption. The Western Cape still has a significant water deficit that has led to a declaration of emergency that severely limits water supply.

Market Opportunities

- As the most advanced, broad-based economy on the continent, South Africa still offers exporters and investors a diverse and mature economy with vibrant financial and other service sectors, as well as preferential access to export markets in the United States, the European Union, and the Southern African Development Community (SADC).

- Commercial standards are generally like those in most developed economies; U.S. investors find local courts fair and consistent, and institutions are well developed. Similarly, democratic life is well established with transparent and contested elections; an appreciation for the rule of law; a free, vibrant, and outspoken press; and citizens maintaining significant pride in the constitution and the peaceful formation of the post-apartheid state.

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

Several factors benefit U.S. exports:

- largely sophisticated financial, legal, and business services sectors;
- extensive transportation infrastructure;
- South Africa's position as an entryway to other countries and markets in Sub-Saharan Africa;
- the strong reputation enjoyed by U.S.-branded goods; and
- the presence of strong, capable South African companies that can serve as good partners for trade and investment.

In general, the best prospects for exports are in capital goods, though opportunities exist in a wide range of consumer products, services, and franchising. Due to cyclical, structural and regulatory/policy challenges in the economy, Government capital and operational spending has been a hotly debated political issue since 2016, and the triple deficit (trade, budget, and households) suggests that economic growth will remain slow for the medium term.

Market Entry Strategy

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

- the skewed demographic income distribution pattern, where 10% of the population earns 45% of national income (Gini coefficient is 0.61);
- the price-sensitive nature of most consumer demand;
- a potentially volatile rand-dollar exchange rate (the rate tends to be very predictable over the medium term – its volatility can spike in the short term);
- an unreliable and under-capacitated electricity supply network;
- distribution issues, given that large retail centers are concentrated in five metropolitan regions;
- well-developed consumer protection rules and, recently, better enforcement;
- a conservative market bias that tends to stick to known suppliers and therefore requires sustained market development; and
- South Africa's position as a stepping stone for developing market opportunities in Sub-Saharan Africa (the marketing mix should anticipate this medium-term option).

However, the NTM foreign supplier will find markedly different conditions when venturing northwards. This lack of regional integration relates especially to financial services, trade documentation, and road transportation networks, and may have a significant impact on risk exposure and the cost of doing business. A selection of one of three low-risk entry strategies (representation, agency, or distributorship) should be considered. If an NTM is selling to the government or government-funded organizations, any local partner should be B-BBEE-compliant and aware of local procurement regulations.

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

http://www.export.gov/southafrica/servicesforu.s.companies/index.asp.

Political Environment

For additional background information on the political and economic environment of South Africa, please click on the following link: https://www.state.gov/countries-areas/southafrica/

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Selling U.S. Products & Services

Using an Agent to Sell U.S. Products and Services

One of the first steps an exporter may wish to take in locating an agent or distributor in South Africa is to contact the U.S. Commercial Service in South Africa and register for one of the services specifically designed to meet the needs of U.S. exporters. South Africa offers U.S. exporters and 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.

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 and related commodities. This 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 through a network of branch offices. Recently, virtual/online distribution has been seen a significant increase in South Africa. The role as the local representatives of U.S. exporters, agents, with the help of their freight forwarder, 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 that 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 (Commission Sales Representatives, or CSRs) in South Africa depend upon the contract concluded and upon the CSR's responsibility. These rates can range from 3%-25% commission per concluded transaction. Companies sometimes pay a retainer fee plus costs and an incentive scale on deals.

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

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

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

The U.S. Commercial Service has found that thorough market research preceded the most successful ventures entered into by U.S. companies. 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, as first-hand knowledge of the market is an advantage. Such a visit provides an opportunity for a personal appraisal of the prospective agent or distributor. U.S. exporters should carefully investigate the reputation and financial references of a potential agent or distributor and establish a clear agreement delineating the responsibilities of both the exporter and the agent.

The U.S. Commercial Service 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: https://2016.export.gov/southafrica

As part of the U.S. Government export promotion efforts, Commercial Service South Africa coordinates market research and business facilitation in several Sub-Saharan African countries. These include:

Botswana

Burkina Faso

The Gambia

Guinea

Lesotho

Liberia

Madagascar

Malawi

Mali

Mauritius

Namibia

Senegal

eSwatini

Zambia

In addition to offices in South Africa (Johannesburg, Cape Town, and Durban) the U.S. Commercial Service also has offices in the following Sub-Saharan countries: Angola, Ethiopia, Ghana, Kenya, Mozambique, Nigeria, and Tanzania, as well as a dedicated representative within the African Development Bank in Cote d'Ivoire. Through its Partnership Post program with State Department posts in Sub-Saharan Africa, the Commercial Service can provide the same branded export services in almost all countries of the region, as detailed here:

https://2016.export.gov/southafrica/doingbusinessinsub-saharanafrica

For additional information, please e-mail the U.S. Commercial Service at:

https://www.export.gov/Contact-Us

Establishing a Local Office

South Africa is ranked 82 among 190 economies in the ease of doing business, according to the latest World Bank annual ratings. The rank of South Africa remained unchanged at 82 in 2018 from 82 in 2017. Ease of

Doing Business in South Africa averaged 54.36 from 2008 until 2018, reaching an all-time low of 82 in 2017 and a record high of 32 in 2008. (Note: A low ranking means that regulations create an impediment for businesses).

The Companies Act of 2011 makes no distinction between locally-owned and foreign-owned companies. Companies may be either private or public. Foreign companies establishing subsidiaries in South Africa must register the subsidiary in accordance with the Act. Under the current law, all companies, whether public or private, are required to be audited. The Act allows private entities to be audited or, alternatively, they may be subject to an independent review of their financial statements. The Act introduced far-reaching changes to the South African corporate regime. A director may now be held liable for losses sustained for a breach of duty, although the new Act includes "prescribed officers" amongst the company's employees who may be similarly responsible. The category of prescribed officers may expose persons in management positions who are not directors to new obligations and possible personal liability.

Foreign companies may establish a local branch office in South Africa by registering the branch as an "external company." 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 local entity hold percentage share of capital. The branch company must file annual financial statements 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.

To make South Africa a more attractive location for multinational enterprises wishing to invest in Africa, (the dti) introduced a so-called headquarter company (HQC) regime. The rules create a more attractive fiscal and regulatory environment necessary for foreign holding companies seeking entry into Africa, and rules eliminate certain barriers that had previously discouraged foreign investors from using South Africa as a holding company location.

There are three forms of business enterprises in South Africa: a private company (Pty), public company (Ltd), and a legacy close corporation (CC). South Africa has an estimated 400,000 private companies, 4,000 public companies, and still 1.6 million close corporations. Each form has its own setup and reporting requirements as detailed below; the oversight authority is the Companies and International Property Commission (CIPC).

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 authorities and they need not be South African nationals or residents of South Africa. An entity must file the following information with CIPC to register a company: 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 CIPC.

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 CIPC. Public companies that issue a prospectus, must be submit proof to the CIPC 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, CIPC requires the following:

- A director's statement that capital is adequate for business operation, of the directors and officers, and proof of payment of the annual duty.
- A public company may not commence operations prior to receipt of the CIPC's certification.

Close Corporations: Close corporations, designated by the letter's "CC" after their names, have been a form of business organization unique to South Africa. Historically, only natural citizens of South Africa could organize a CC and CCs are limited to a maximum of ten persons. Close corporations are subject to fewer registration and operating regulations than public or private companies. However, new legislation forbids the registration of new CCs, and the CIPC has established a process whereby these legacy companies are required to file annual tax returns. As many of these companies are thought to be dormant, this procedure is intended to give CIPC more up-to-date information on how many close corporations are still active.

For more information on company formation and registration, contact:

Companies and International Property Commission (CIPC)

Postal Address:
PO Box 429, Pretoria, 0001
Physical Address:
The DTI Campus, Block F, 77 Meintjies Street
Sunnyside, Pretoria
Tel: +27 (0)12-394-9500;
Fax: +27 (0)12-394-9501
Email Address: info@cipc.co.za
Website: www.cipc.co.za

Franchising

Franchising provides a good market entry mode into the South African marketplace. According to the Franchise Association of South Africa, there are 865 franchised systems, over 45,000 franchise outlets, and 17 franchise business sectors. Franchising contributes around 12.5% to South Africa's GDP and is an important driver in the country's economy, in addition to having one of the highest business success rates. According to the latest data, total turnover for the sector was around R721 billion in 2018.

Food franchises make up about 25% of total franchises, with some segments that are considered saturated such as pizza and burgers. Several U.S. brands have made their entry in the last few years, namely Burger King, Pizza Hut, Krispy Kreme, Domino's and, most recently, Starbucks. Other franchise concepts such as business-to-business (B2B) services, automotive, after-care, and education are also making inroads into the market.

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

Approximately 40% of franchises are in Gauteng Province, particularly Johannesburg and Pretoria, the economic powerhouse of the country, and the African continent. Patterns within existing franchises are changing, due to economic belt-tightening by the population and changing consumer behavior. Some franchise owners are starting to develop smaller, more cost-effective models with reduced fees, lower start-up costs, fewer employees, and reasonable rentals. Franchise owners are exploring new, less-expensive locations beyond traditional shopping and strip malls, and are developing models such as stand-alone kiosks, corporate catering, campuses, and sporting events. Other developments include incorporating a brand within a convenience store or a service station. Some franchises have found success by operating in tandem with non-competing brands. Almost 90% of franchises are locally developed and around 12% of master licenses are international. Some of the bigger South African franchisors, such as Famous Brands and Nando's, have expanded to other regions in Africa. One notable challenge is the limited access to finance as banks tend to be more cautious in the financing of franchises. This translates into a relatively small pool of entrepreneurs and companies with the ability to absorb the costs of master licenses of popular international brands.

Several business laws apply to franchising and copyrights including the Consumer Protection Act, Copyright Law, Common Law, Contract Law, and Intellectual Property Law, which the private sector vigorously adheres to.

Additional information can be found at:
Franchise Association of Southern Africa (FASA)
Postnet Suite 256, Private Bag X4
First Floor, Block A, Eastgate Office Park
South Boulevard, Bruma 2198
Tel: +27 (0) 11 615 0359; Fax: +27 (0)11 615 3679
Website: http://www.fasa.co.za/

Direct Marketing

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

- Direct e-mail selling, such as Internet viral campaigns (where one e-mail user nominates "friends" to participate in a promotional campaign and to his/her own benefit hands over the e-mail addresses of friends and colleagues).
- Direct selling channels, such as the independent agent or distributor systems and multi-level marketing (MLM) companies.
- Internet marketing, which has grown rapidly as South African consumers become more comfortable about handing over banking details and ordering from non-brick-and-mortar companies. Popular sites include Takealot.com and Yuppiechef.com. Most brick-and-mortar retailers now include an online shopping option, such as Woolworths, PicknPay, Game and DionWired as examples.
- Telemarketing, a popular avenue in promoting financial instruments and insurance. A rapidly growing trend is the outsourcing of this function to external Business Process Outsource companies which is yielding positive results.

Important pieces of legislation for this business mode are the Protection of Private Information Act (POPI) and the Consumer Protection Act (CPA).

Additional information can be found at:

Direct Marketing Association of South Africa
Building C 1st floor
372/376 Oak Avenue
Ferndale, Randburg
Tel: +27 (0)861 362 362
Email: info@dmasa.org
Website: http://dmasa.org

Joint Ventures/Licensing

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

When a company is interested in entering into a foreign licensing agreement to manufacture a product in South Africa, the South African licensee must apply to the Department of Trade and Industry (DTI). DTI, in turn, will make a recommendation to the South African Reserve Bank (SARB), which must approve the payment of royalties. When a licensing agreement involves no manufacturing, the South African licensee sends the request for exchange control approval directly to SARB. 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. The government prohibits contract conditions involving obligatory purchasing and pricing agreements or requiring the licensee to sole source articles from the licensor.

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

Selling to the Government

Government purchasing is a significant and growing factor in the South African economy, as it addresses infrastructure deficits that include energy, transportation, communications, health, and education. In 2013, the National Treasury announced significant public-sector-driven infrastructure spending that foresaw spending of R827 billion by 2018; actual investment was less due to a variety of factors.

Nearly all purchasing (at all three levels of government (national, provincial, and municipal) is done through competitive bidding on invitations for tenders, which are published in an official state publication, the State Tender Bulletin (http://www.greengazette.co.za/publications/tender-bulletins) and sometimes in leading newspapers. Although the purchasing procedures of the central government and parastatal institutions favor local manufacturers, an overseas firm is not precluded from bidding if the firm has an agent in South Africa to act on its behalf. As a general practice, the local agent receives the payment. Several factors outlined below impact the process of selling to the South African Government and its agencies.

Central Government Procurement:

The Central Supplier Database (CSD) maintains a database of organizations, institutions, and individuals who can provide goods and services to the South African Government. The CSD has served as the single source of key supplier information for organs of state since April 1, 2016, providing consolidated, accurate, up-to-date, complete and verified supplier information to procuring organs of state. The central government procures through a so-called “supply-chain management” process to streamline the buying procedures of national, provincial, local, and state-owned companies. As part of the Public Finance Management Act Regulations of 1999, procurement accountability has devolved to “accounting officers.” Depending on their level of responsibility, accounting officers may approve government purchases up to a certain amount.

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

Purchases are generally by competitive tender for project, supply and other contracts. Bidders generally need not pre-qualify, but the government examines the ability of bidders to supply goods or render a service. 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, the contracting party allows a lead-time of thirty to forty-five days. Bids for government tenders must be on a basis of all costs included to the specified delivery point.

Local Content Requirements:

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

Previously, state-owned enterprises (SOEs) participated in the National Industrial Participation Programme (NIPP), an import-offset program for government agency expenditure managed by the Department of Trade and Industry (DTI). Under the NIPP program, all imports of more than $10 million required the supplier to work with DTI to invest the equivalent of 30% of the value of the purchase in a non-related industry. However, under CSDP, companies now have more discretion to meet government requirements in this area.

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

Broad-Based Black Economic Empowerment (BB-BEE):

A pivotal consideration with the government and parastatal procurement process is that manufacturers or suppliers to government get varying levels of procurement preferences if they qualify as a Black Economic Empowerment (BEE) partner. The criteria to become a BBE partner aim to quantify the contribution by these partnerships to empower previously disadvantaged individuals according to a varying mix of the following parameters:

- Black Ownership
- Black Management Control
- Employment Equity
- percentage of Black Skilled Personnel

- Preferential Procurement from Black/BEE Suppliers
- Skills Development Initiatives
- Enterprise Development Initiatives for Black Businesses

The South African Government is expanding BEE requirements on an ongoing basis. Amended regulations entered into force in 2013 and 2015 and vary by industry sector charter. In BEE legislation, the term “Black” is used generically to refer to South African citizens of the following racial/ethnic groups: Blacks (those whose ancestry is exclusively/almost exclusively African), “Coloureds” (those of mixed European/African or European/Asian origin), or Indians (those whose ancestry originates in the Indian sub-continent). A 2008 court decision expanded the BEE program to include South Africans of Chinese descent.

The Broad-Based Black Economic Empowerment Act of 2003, the legislation enacting the BEE strategy, directs the Minister of Trade and Industry to develop a national strategy for BEE, issue BEE implementing guidelines in the form of Codes of Good Practice, encourage the development of industry-specific charters and establish a National BEE Advisory Council to review progress in achieving BEE objectives. While firms are not legally required to meet BEE criteria, in practice they have a very limited chance of competing for a government or parastatal procurement if they do not. BEE Codes of Good Practice and other pertinent legislation may be found on DTI’s website:
https://www.thedti.gov.za/economic_empowerment/bee_codes.jsp.

Public Private Partnerships (PPP):

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

Some quarters of organized labor criticize the PPP process as leading to greater privatization and deregulation. The South African Ministry of Finance (Treasury) administers the government procurement process. For more information, see:

South African National Treasury
PPP Unit
Tel: +27 (0)12 315 5741
Fax: +27(0)12 315 5477
Website: www.ppp.gov.za/Pages/About.aspx
Offsets and Counter-Trade:

South Africa's National Industrial Participation Program (NIPP) mandates a counter-trade/offset package for state and parastatal purchases of goods, services, and lease contracts over $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% of the imported content value. All government and parastatal tenders’ issue NIPP requirements with the tender documentation and are overseen by the Industrial Participation Secretariat of the Department of Trade and Industry.

The Department of Trade and Industry administers the NIPP.

Parastatals:

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

SOEs play a significant role in the South African economy. In key sectors such as electricity, transport (air, rail, and freight and pipelines), and telecommunications, SOEs play a lead role, often defined by law, although limited competition is allowed in some sectors (i.e., telecommunications and air). The government's interest in these sectors often competes with and discourages foreign investment. DPE has oversight responsibility in full or in part for six of the approximately 700 SOEs that exist at the national, provincial and local levels: Alexkor (diamonds); Denel (military equipment); Eskom (electricity generation); South African Express Airways; South African Forestry Company (SAFCOL) (forestry) and Transnet (transportation). The DPE transferred control of South African Airways (SAA) to the National Treasury in 2014. These six SOEs employ approximately 105,000 people. South Africa's overall fixed investment is 19% of GDP. The SOEs' share of that investment is 21%, while private enterprise contributed 63%, with government spending making up the remainder of 16%). The IMF estimates that the debt of the SOEs would add 13.5% to the overall national debt.

The state-owned electricity monopoly, Eskom, generates approximately 95% of the electricity used in South Africa. Coal-fired power stations generate approximately 93% of Eskom's electricity. Eskom's core business activities are generation, transmission, trading, and distribution. South Africa's electricity system operates under strain because of low availability factors for base load generation capacity due to maintenance problems. The electricity grid's capacity reserve margins frequently fall under 2%, well below international norms. Between November 2013 and early 2016, Eskom periodically declared "electricity emergencies" and asked major industrial users to reduce consumption by 10% for specified periods (usually one to two days). Additionally, Eskom has implemented load shedding (rolling blackouts) to ease demand on the system on a periodic basis. The mining and industrial activity downturn also helps account for Eskom's ability to meet demand. To meet rising electricity demand, Eskom is building new power stations (including two of the world's largest coal-fired power stations, but both are years overdue and over budget) and power lines. Eskom and independent industry analysts anticipate South Africa's electricity grid will remain constrained for at least the next several years. The South African Government has implemented a renewable energy independent power producer procurement program (REIPPP) that in the past three years has added an operational 2,000 MW with another 4,000 MW planned or under construction. Standard and Poor's rates Eskom debt as B+ with a negative outlook, and all three ratings agencies have recently expressed concerns about the level of Eskom's debt and the ability of the government to cover its contingent liabilities.

Transnet National Port Authority (TNPA), the monopoly responsible for South Africa's ports, reportedly charges the highest shipping fees in the world. In March 2014, Transnet announced an average overall tariff increase of 8.5% at its ports to finance a $240 million modernization effort. High tariffs on containers subsidize bulk shipments of coal and iron ore, thereby favoring the export of raw materials over finished ones. According to the South African Ports Regulator, raw materials exporters paid as much as one quarter less than exporters of finished products. TNPA is a division of Transnet, a state-owned company that manages the country's port, rail and pipeline networks. Transnet is in its third year of the Market Driven Strategy (MDS), a R366 billion ($25 billion) investment program to modernize its port and rail infrastructure. Transnet's March 2014 selection of four OEMs to manufacture 1064 locomotives is part of the MDS. This CAPEX is being 2/3 funded by operating profits with the remainder from the international capital markets. Transnet has previously reported that in 2016 it had invested R124 billion ($9.2 billion) in the last four years in rail, ports and pipeline infrastructure. In March 2017, Standard and Poor's dropped its rating of Transnet debt to below the investment-grade threshold and in line with the sovereign rating. However, the stand-alone credit profile of the company remains at BBB.

The state-owned carrier, South African Airways (SAA), relies on the government for financial assistance to stay in operation. SAA dominates the southern Africa regional market but faces competition from regional airlines such as Emirates. In fiscal year 2014/2015, SAA sustained a loss of R5.6 billion ($412 million) and in fiscal year 2015/2016 it had a loss of R1.4 billion ($103 million). In 2016, the National Treasury agreed to another R5 billion ($353.0 million) guarantee but required that SAA elect a new twelve-member board to assist the airline with its turnaround strategy. As part of its turn-around strategy, SAA has cut unprofitable, politically-motivated routes, renegotiated leases on its A340s, and is still considering redundancies to trim its bloated payroll.

While government efforts to liberalize the telecommunications sector and encourage competition have improved, regulatory uncertainty and fragmented competition have hampered growth. Key challenges include strengthening the capacity of the sector regulator, the Independent Communications Authority of South Africa (ICASA), and implementing a spectrum auction. South Africa failed to meet the 2015 International telecommunications Union (ITU) deadline for switching off analog TV signals as part of the digital migration. Many of the issues stem from the confusion and infighting caused by the split of the Department of Communications into two independent departments shortly after the May 2014 national election. The two departments, the Department of Communication (DOC) and the Department of Telecommunication and Postal Services (DTPS), have been at odds over roles and responsibilities. ICASA falls under the DOC while DTPS is responsible for writing the policies on telecommunications that ICASA is supposed to regulate. South Africa has now started but has not yet completed the migration from analog-to-digital.

The constant battling between the two departments has delayed much-needed rapid deployment guidelines for broadband and spectrum allocation that is supposed to be a by-product of the constantly delayed analog to digital migration. In February 2015, the DTPS announced that Telkom (a 51 % state-owned telecommunications company) will take the lead in a national broadband rollout with the goal of introducing broadband to rural and historically underserved areas. Analysts are skeptical of Telkom's ability to roll out effectively broadband on such a scale. The DTPS released a policy paper in October 2016 stating a planned course of action to realize the potential of the ICT sector. The DTPS policy paper advocates for open access requirements which could overhaul how ICT firms gain access to and use the broadband infrastructure. The paper also advocates the assignment of all high demand spectrum to a Wireless Open Access network. The controversy is expected to delay any policy implementation and contribute to ongoing uncertainty in the sector as the parastatal, Telkom, agrees with the general approach but the major private sector mobile carriers feel interventions would curb investment.

In May 2014, the government of South Africa signed the Special Economic Zones (SEZ) Act into law aimed at supporting balanced industrial development, manufacturing capabilities, and the development of more competitive free port-centric regional economies.

Prior to the SEZ Act, the Department of Trade and Industry (DTI) initiated the Industrial Development Zone (IDZ) program under the Manufacturing Development Act of 2000. The focus of current SEZ program is to attract foreign direct investment, increase exportation of value-added manufactured products, and to create linkages between domestic- and zone-based industries. Bulk ore handling, petro-chemicals, automotive manufacture, and related industries benefit from this initiative. Seven SEZs (Coega, East London, Richards Bay, Dube/King Shaka IA (KSIA), OR Tambo IA, Maluti Pafung/Harrismith and Saldanha Bay) are operational with plans to create seven more. The largest SEZ, Coega, has attracted investments worth approximately R30 billion ($2.27 billion).

Multilateral Development Banks (African Development Bank, World Bank)

The U.S. Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the African Development Bank and the World Bank. These institutions lend significant amounts in developing countries for projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the African Development Bank (http://www.export.gov/afdb) and the World Bank (*http://export.gov/worldbank*).

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to the *"Project Financing"* Section in *"Trade and Project Financing"* for more information.

Distribution & Sales Channels

The areas in and around the cities of Johannesburg, Cape Town, Durban, Pretoria, and Port Elizabeth hold approximately 90% of South Africa's economically active population. 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 the imported equipment and/or products. For example, local subsidiaries or joint-venture partners distribute consumer-oriented products to a fixed number of distributors who sell to wholesalers and/or retailers who in turn sell to end-users. There may be more intermediaries within the chain, depending on the arrangement worked out by the original equipment manufacturer (OEM).

The traditional sales channels found in developed economies are also prevalent in SA.

Wholesalers - Established South African wholesalers often import industrial raw materials and/or consumer goods requiring maintenance of stocks.

Retail organizations - Many exporters of consumer goods sell directly to South African retail organizations, including consumer corporations, department stores, chain stores, and co-operative groups of independent retailers which assume the functions of wholesale buying, selling and warehousing.

Consumer Retail - South Africa offers the full spectrum of retail outlets: small general dealers; specialty stores handling a single product line (such as clothing, electronics, or furniture); exclusive boutiques; chain stores (groceries, clothing, toiletries, household goods); department stores; cash and carry wholesale retail outlets; and co-operative stores serving rural areas. Large-scale supermarkets, or hypermarkets, are located in suburban shopping malls and sell large quantities of almost all consumer goods. These stores domestically source about 90% of consumer trade inventories.

Franchises - Franchising is well established in South Africa, with the sector showing strong and continued growth. Around 30% of South African franchises are non-food systems, with an emphasis on service. Building, office and home services sectors are dominant, with automotive, restaurant, health, education, and training franchises also available.

After-Sales Agents - For products of a technical nature, it is advisable to appoint an official after-sales agent in South Africa. Ideally, this agent should not import or market the product in question, but rather, because of its geographical reach, technical ability, and goodwill in the market, it acts as the certified service agent. Appointing an appropriate after sales agent is crucial in ensuring that the product develops a respected reputation in the South African market.

Agents & Distributors - In South Africa, the terms "agent" and "distributor" have very specific meanings.

Agent: In the strict legal sense, an "agent" means a person who, for and on behalf of a principal, either introduces a third party to the principal by soliciting orders from the third party or concludes contracts with the third party on behalf of the principal. The normal reward for an agent is a commission, paid by the principal.

Distributor: A "distributor" buys and holds stock of a product. In return, the foreign firm usually grants the distributor an exclusive right to sell the product in an area or to a particular customer. An agreement with a distributor is similar to an agreement with an agent, except that price and delivery terms will differ because the distributor is a principal. When appointing a distributor in South Africa, the same considerations apply as when appointing an agent. These are (1) whomever the foreign firm appoints to be a distributor must to know the market well and (2) the foreign firm should consider the distributor's ability to supply the product nationally given South Africa's geographic size. South Africa is a large country, with nine provinces. Lacking the support of a national infrastructure, smaller agents often tend to operate provincially. This means that a parent company may need to appoint an agent in each of the larger cities -– Johannesburg, Cape Town, Port Elizabeth, and Durban -– to cover the country. Larger companies who take on agencies often have an office in each of the major centers, making any agency agreement easier to control.

In South Africa, each industry sector has a limited number of major distributors, but often hundreds of small distributors. Major distributors prefer an exclusive agent/distributor agreement with the foreign firm. The country's largest airport in Johannesburg or one of three of the country's ports: Durban, Cape Town, and Port Elizabeth handle most imports into South Africa. The major distribution point is Johannesburg, which has bonded inland port status for custom and excise purposes.

Johannesburg

The City of Johannesburg is the commercial hub of South Africa. As the country's transportation hub, it is the center for all aviation, rail, and road infrastructure. It also has the continent's busiest international airport, which can handle 20 million passengers and 400,000 metric tons of cargo annually. The headquarters of the National Ports Authority of South Africa (NPA) is also located in Johannesburg. Johannesburg is one of the world's few major cities located on neither an ocean nor a major river. Yet it hosts the largest and busiest "port" in Africa – an export-import freight container terminal and bonded warehouse called City Deep, which handles 30% of South Africa's exports.

Durban

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

Cape Town

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

Port Elizabeth

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

Express Delivery

Express delivery has experienced rapid growth in South Africa as a popular retail mode of distribution, and recent investments and development of this niche by leading global brands testify to its prospects; e-commerce has also been driving this as have grocery home-delivery order services offered by departmental stores. Mobile compact products for B2C transactions primarily use express delivery services since it is still comparatively more expensive than in other more developed economies. A major reason for this is that the growing number of sub-contractors to the multinational service providers do not have the necessary national delivery footprint. This results in added costs that consumers ultimately bear. In the mining and offshore sectors, express delivery of spares for critical maintenance of capital equipment in Africa has been an established business, but this is currently experiencing a downturn, given the high costs.

Selling Factors & Techniques

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

Amendments to the Consumer Protection Act (CPA), effective since 2011, have changed many aspects of business in South Africa by introducing new legislation concerning manufacturers and service providers.

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. The CPA shifts the burden of proof from the consumer to the supplier. Importantly, the CPA also provides the same consumer protection status to a franchisee in relation to the franchisor.

One way of launching a new product in South Africa is by exhibiting at a trade show. Promotional "giveaways" 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, English is the typical language of printed promotional materials.

Direct sales to individuals on a personal, one-on-one basis by freelance agents are becoming a growing niche market 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.

Thanks to the mature nature of the SA economy, there are many industry associations that range from employers' interests' groups, to equipment importers, to professional service providers. Teaming up with an association is useful and in strategic sectors, often imperative.

E-Commerce

Overview

E-Commerce is making steady progress in the South African retail environment, especially in far-flung areas where traditional distribution channels are too costly. Traditional retailers have almost all taken on a web-presence to compete with mail-order companies; many outsource delivery to a service provider. South African online spend forecast projected annual growth rate of 15% through 2021. This accounts for 1% of the country's retail sector as a whole and indicates immense potential for growth and opportunity. Internet user penetration is at 47% and expected to reach 60% by 2021 and mobile penetration is 65% and growing. In South Africa, generally B2B customers are also B2C customers, so interaction is generally the same. Both have become accustomed to performing consumer product research online. As a result both types of customers are using consumer and B2B websites to purchase products and services for their companies or as individuals.

Current Market Trends

The top e-Commerce product category in South Africa is media products, including books, CDs, DVDs, and games. Consumers are also price conscious, favoring online promotions and coupons. South Africans are spending more time online researching better prices and seeking product recommendations on social media.

Cross-Border E-Commerce

South Africans purchase mostly from South African websites, but 27% purchase from the United States, and 14% from Europe. The U.S. version of Amazon.com is the third most visited e-commerce website in South Africa.

Online Payment

Credit card and debit cards are the most preferred payment methods. Consumers also use e-wallet services for online payment. Due to the growth of credit card fraud, the Payment Association of South Africa mandated the use of 3D Secure in 2014. Merchants have reported that increased flexibility in the application of 3D Secure to online transactions in recent years has reduced cart abandonment by consumers.

Mobile E-Commerce

Cell phones have largely replaced wallets, as banks, card operators, retailers and communications companies provide alternatives to cash as a means of payment. M-commerce, where cell phones are used to pay for goods and services, has advanced beyond mobile banking to debit and credit transactions. M-commerce is particularly attractive in South Africa due to the rapid increase in the number of cell phones, limited access to the Internet, and poor fixed-line infrastructure. This provides an immense opportunity for online retailers, as mobile spend is projected to increase by 123% by 2018.

Digital Marketing

Social media platforms are becoming more pervasive as marketing tools in South Africa. More than 90% of South African major brands advertise on social media platforms. On a consumer level, growth for most networks has slowed down, but engagement by users has intensified.

Major Buying Holidays

International online sale days such as Black Friday and Cyber Monday are popular in South Africa and offer opportunities for retailers to reach more customers.

Trade Promotion & Advertising

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

The key figures in South Africa's advertising industry are:

- the Association for Communication and Advertising (ACA: http://www.acasa.co.za);
- the two major media bodies, the National Association of Broadcasters (NAB

http://www.nab.org.za) and the Print Media Association (PMA

http://www.printmedia.org.za); and

- the Advertising Standards Authority of South Africa (ASA, please see below), which regulates South African advertising standards.

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

Advertising Standards Authority of South Africa (ASASA)
Willowview, Burnside Island Office Park
410, Jan Smuts Avenue, Craighall Park, Johannesburg
Tel: +27 (0)11 781 2006; Fax: +27 (0)11 781 1616
Website: http://www.asasa.org.za

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

Infixion Media (PTY) Ltd. Tel: +27 (0)11 877-6111

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

Major English-language South African newspapers include:

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

Major English-language periodicals for business include:

Financial Mail	http://www.financialmail.co.za/
Engineering News	http://www.engineeringnews.co.za

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

You can also visit the Commercial Service South Africa's website for links to upcoming trade events and business service providers at:

http://www.export.gov/southafrica/tradeevents/index.asp.

Pricing

Prices are generally market-driven, except for petroleum products, certain agricultural goods, and prices administered by SOEs. South Africa applies a 15% Value Added Tax (VAT) (as opposed to General Sales Tax) on all goods and services, except for some basic staple diet items. Exports are zero-rated, and no VAT is payable on imported capital goods. In Industrial Development Zones (IDZ) there is a VAT suspension on imports and exports, provided the finished product is exported.

The South African Revenue Service (SARS), a division of the South African Department of Finance/Treasury, administers VAT:

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

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

Sales Service/Customer Support

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

Protecting Intellectual Property

South Africa has a well-developed intellectual property rights environment and enforcement by authorities is generally effective. Patent law and enforcement are very well developed. Please see the Investment Climate Statement (ICS) section of this report for details on protecting intellectual property in South Africa.

In any foreign companies should consider several general principles for effective management of their intellectual property. Guidelines appear here:

https://www.export.gov/article?id=Protecting-Intellectual-Property

The U.S. Patent and Trademark Office has a team leader for the Sub-Saharan Africa region:
JoEllen Urban
Senior Trade Advisor
Office of Policy and International Affairs
U.S. Patent and Trademark Office
Tel: 571-272-8498
Email: JoEllen.urban@USPTO.GOV

Corruption

Please see the section on corruption in the Investment Climate Statement of this document.

New-to-market U.S. companies should insist on extensive due diligence on order to minimize risks of new partnerships and transactions. Guidelines appear here:

https://www.export.gov/article?id=Corruption

Due Diligence

Proper due diligence information should form the starting base for any business negotiation with South African concerns. U.S. companies should act prudently in completing due diligence reports prior to any proposed business deals. The U.S. Commercial Service can provide valuable background information on South African firms through our International Company Profile (ICP) service. Further information can be obtained by visiting our website at http://export.gov/southafrica/index.asp or by contacting your local U.S. Export Assistance Center or the U.S. Commercial Service directly in Johannesburg (see contact numbers at the end of this guide).

Local Professional Services

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://export.gov/southafrica/businessserviceproviders/index.asp

or contact the U.S. Commercial Service in Johannesburg (see contact numbers at the end of this guide). U.S. companies seeking legal representation in South Africa should contact the Commercial Service office in South Africa for a list of local attorneys. For more specific information, please contact:

Law Society of the Northern Provinces

Tel: +27 (0)12 338 5800; Fax: +27 (0)12 323 2606

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

Principal Business Associations

South Africa has a myriad of business associations that wield varying degrees of regulatory influence. They act as think tanks, umbrella organizations, and special interest groups; some are keen to support accelerated socio-economic and political transformation of the South African economy.

Many of the leading business association are detailed here:

https://www.brandsouthafrica.com/investments-immigration/business/trade/help-trade/sachambers

U.S. companies in South Africa are also actively encouraged to become members of the American Chamber of Commerce in South Africa, which has more than 250-member companies and represents the broad interests of more than 600 U.S. companies actively doing business in South Africa. See www.amcham.co.za.

Limitations on Selling U.S. Products and Services

New-to-market U.S. exporters in general do not face a more onerous trading environment than would be the case for other foreign market players. The same ascriptive government non-tariff barrier-based buying requirements affect all companies doing business in South Arica (the one tariff-based exception is the European Union that has the Economic Partnership Agreement, EPA with South Africa, commonly referred as a Free-Trade Agreement). The self-evident alternative for most foreign entities has been to team up with qualified local importer-resellers and service providers who act as the prime contractor to the South African Government and other large economic partners.

Web Resources

Association for Communication and Advertising	http://www.acasa.co.za/
Department of Trade and Industry (DTI)	http://www.dti.gov.za/
Exhibition Association of Southern Africa	http://www.exsa.co.za
Franchising Association of South Africa	http://www.fasa.co.za
Law Society of South Africa	https://www.lssa.org.za/
National Association of Broadcasters	http://www.nab.org.za/
Print Media Association	http://www.printmedia.org.za/
South African National Treasury	http://www.treasury.gov.za/

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

Leading Sectors for U.S. Exports & Investments

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

Since 2014, South African Government-owned utilities such as Eskom (electric power) and Transnet (transportation) had previously formalized capital expenditure plans amounting to more than R685.5 billion. However, these major projects are currently under review due to questions surrounding good governance, financial viability, and the radical change in direction by the new administration, since President Cyril Ramaphosa took charge in February 2018, to reduce burgeoning national debt levels.

Promising projects remain, however, in the following:

- Renewable Energy
- Oil and Gas Supplies and Equipment
- Transportation Infrastructure
- Pollution Control Equipment
- Medical Equipment and Healthcare Services
- Telecommunications and Information Technology

Electricity Power Systems/Renewable Energy

Overview

In South Africa, approximately 85% or 42,000 MW, of the nation's electricity is generated via coal-fired power stations. While conventional thermal power will be the dominant source of electricity generation for the foreseeable future, by the end of December 2018 almost 4,000 MW of renewable energy was in operation, accounting for approximately 5% of generated electricity. Further generation comes from nuclear (approximately 5% of installed capacity), as well as hydro and pumped storage (approximately 5% of capacity).

Eskom, the vertically integrated, state-owned power company, generates approximately 85% of the electricity used in South Africa, as well as a substantial share of the electricity generated on the African continent, with the company selling electricity to neighboring countries, including Botswana, Lesotho, Mozambique, Namibia, Swaziland, and Zimbabwe. South Africa has an electrification rate that is amongst the highest on the continent, with rural electrification around 66%, while electrification in urban areas is approximately 93%.

In February 2019, the South African government announced plans to unbundle Eskom into three separate entities responsible for generation, transmission and distribution. This move was prompted by an urgent need to address the utility's significant debt levels, which was reported in February to have reached levels of ZAR420bn (USD29.8bn). The government announced in its budget speech in February that it will not be taking over Eskom's debt. Instead, it will allocate ZAR23bn (USD1.65bn) yearly for the next three years to help the company pay its interest on its debts. The unbundling, which in principle would yield two viable assets, transmission and distribution, and one fiscally-constrained one, generation, aims to allow the successor companies to deal with debt levels by more easily raising financing and rationalizing costs.

Despite Eskom's debit challenges, South Africa operates a highly successful, Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) for utility-scale transactions. Further, South Africa's rooftop solar photovoltaic (PV) market has seen significant growth over the past several years with an installed capacity potentially as high as 250 MW.

South Africa Integrated Resource Plan (IRP)

The South African Government's National Development Plan (NDP) is the blueprint for infrastructure development to 2030. The NDP lays out a framework for future power generation in South Africa, while energy policies in South Africa are driven primarily by the South Africa Department of Energy's (SADOE) Integrated Resource Plan (IRP). The IRP is SADOE's estimate of electricity demand growth and what energy generation types should be procured to meet that demand, along with the generation capacity, timing, and cost.

The Integrated Resource Plan (IRP) was scheduled to be finalized by the end of 2018. However, that didn't take place and the delay might have likely been due to election campaigns as South Africa was preparing to go to the polls for national elections on May 08, 2019. As of January 2019, the Department of Energy (DoE) was still busy incorporating responses to the Draft IRP arising from the public participation process. The Draft IRP was thereafter submitted to the National Economic and Labor Council (Nedlac) on March 6 as part of consultation which is a process that is generally required for important social and economic policy initiatives and involves consultation between the so-called "social partners" – government, labor, business and communities. Adoption of the document is expected to resolve several outstanding issues facing the sector the fate of renewables, gas, and nuclear procurement programs. However, labor representatives have since stalled any progress by Nedlac as they are deeply opposed to the Draft IRP 2018 in its current form due to its heavy reliance on new wind, solar PV and gas capacity and energy from independent power producers (IPPs) for the years ahead, and the limited use of new coal and new nuclear in the energy mix. Trade unions perceive that renewable energy IPPs will lead to higher electricity prices, the closure of mines and coal-fired power stations, and the loss of jobs from which the unions traditionally draw their membership.

The IRP was intended to be updated every two years following the publication of the first plan in 2010. However, it has proved highly politicized and has been delayed by maneuvering around the generation mix, especially the balance between baseload –- such as nuclear power and coal and renewables.

Coal

Over the course of the past decade, Eskom has been developing two new coal-fired power plants -– the Medupi and Kusile power stations -– both supplying approximately 4,800 MW for a combined capacity of more than 9 GW. In April 2019 Eskom reported that Medupi is almost 94% complete and Kusile is sitting at about 89%. While these plants have been mired in delays and cost overruns, both plants are set to be fully operational by 2022, and Kusile is the first power plant in Africa to implement clean-fuel technology such as flue-gas desulfurization. Once completed, Kusile's six units will produce a total of 4 800 MW. This came after Eskom on April 17, 2019 indicated that the 3rd unit out of the 6 units at Kusile was synchronized to the grid and kept stable at 60MW. The next step was to fully power the unit at 800MW to feed to the national grid once all the necessary testing was done and this comes 8 months ahead of the approved target date of December 2019.

For this reason, the South Africa Independent Power Producer (IPP) Office, which is mandated to implement South Africa's Independent Power Producers Procurement Program (IPPPP) and operates at arms-length from the government, has introduced the Coal IPP program. To date, the Coal IPP program has announced its intent to procure 863 MW from two coal-fired power plants (the 557 MW Thabametsi project and the 306 MW Khanyisa project) under the program's first bid window, although these projects have yet to finalize their Power Purchase Agreements (PPAs) with Eskom. A second Coal IPP bid window is expected, after conclusion of Round 1 and release of the updated IRP, and cleaner coal technology is expected to be considered under this bid window. However, South African banks Nedbank, Standard Bank and First Rand Bank withdrew their financing of these projects citing reasons of commitments to "green" funding, responsible lending, and supporting sustainability initiatives.

Renewable Energy

To diversify its energy mix and attract more IPPs to the sector, South Africa has developed a renewable energy independent power producer program over the past five years, namely the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), which has proven very successful in bringing renewable energy projects to commercial operation. To date, REIPPPP has successfully procured 6.4 GW from 112 IPPs across seven bid windows. By December 2017, 3.8 GW from 62 projects were operational.

After numerous rounds under REIPPPP, the program has seen a significant decline in costs by approximately 55% for wind (ZAR 1.51 to ZAR 0.62 per kWh) and 76% (ZAR 3.65 to ZAR 0.62 per kWh) for solar PV, which make the technologies cost-competitive with new-build coal. Furthermore, renewable power sources account for just under 3% of South Africa's national electricity supply, from a baseline of zero in 2010.

The program has leveraged approximately $135.6 billion in investment across South Africa, and projects include wind, solar (both PV and concentrating solar power), small hydro, landfill gas, and biogas as sources of energy. Of this, 25.8% is from foreign financiers and investors across the globe. To date, the United States is the largest source of foreign direct investment (FDI) in the renewables space, and several U.S. companies have shown strong interest in this program and have participated in tenders issued by the South African Department of Energy. In June 2019, South African Energy Minister Jeff Radebe announced that South Africa would launch a fifth REIPPPP bid window in November 2019 with the aim of procuring a further 1 800 MW of renewable energy from IPPs.

The New Development Bank (NDB) has signed a USD180mn loan agreement with ESKOM Holdings for Renewable Energy Integration and Transmission Augmentation Project in South Africa. The NDB loan will carry a sovereign guarantee. The Project Finance Facility will support the development of grid connection infrastructure for renewable energy projects. It will also back renewable energy development and reduce dependence on fossil fuels. The project is envisaged to integrate 670MW of renewable energy into the Eskom grid. Latest grid connection infrastructure will be used for renewable energy schemes and augmentation of the Eskom transmission network to the identified areas. The project will boost electricity supply to the targeted areas.

According to a research house BMI, non-hydropower renewables will be the fastest growing source of electricity generation in South Africa from 2019 to 2028. Struggling thermal capacity at Eskom and the government's commitment to REIPPPP contracts suggest good growth opportunities. Wind power will be the primary source, accounting for 60% of renewables output by 2028. The large presence of the coal power sector means renewables' contribution to total electricity output will remain below 10% during this time.

South Africa - Headline Renewables Forecast						
Indicator	2017e	2018e	2019f	2020f	2021f	2022f
Generation, Non-Hydropower Renewables, TWh	8.777	10.531	11.824	13.247	13.925	14.545
Generation, Non-Hydropower Renewables, % y-o-y	17.4	20.0	12.3	12.0	5.1	4.5
Capacity, Non-Hydroelectric Renewables, MW	4,728.6	5,504.7	6,014.9	6,722.7	7,035.0	7,333.2
Capacity, Non-Hydroelectric Renewables, % y-o-y	24.7	16.4	9.3	11.8	4.6	4.2

e/f = Fitch Solutions estimate/forecast. Source: EIA, IRENA, Fitch Solutions

Gas Generation

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

The South African Department of Energy is tasked with the procurement of 3,126 MW of power from gas in the period 2019–2025. This is to be baseload and mid-merit energy generation capacity needed from gas-fired power generation to contribute toward energy security. The Department's "Gas IPP Program" has been initiated through the IPP Office. At present, the IPP Office is concentrating on the LNG-to-Power IPP Program. The program commenced in May 2015 with the launch of an RFI (request for information). This closed in July 2015 and more than 170 responses were received. The next step is the RFQ (request for quotation), which was scheduled to be due before the end of 2018 but delayed because that must be done after the IRP is made public. This will establish a short list of bidders.

Nuclear

The South African Government's commitment to the future of nuclear energy is strong, with plans to generate an additional 9.6 GW from as many as eight reactors, estimated to cost between $37-$100 billion. An initial RFI from Eskom was released in December 2016 for vendor capabilities to provide South Africa with a vertically integrated nuclear new build power program based on pressurized water reactors. However, in April 2017, the South African Constitutional Court set aside nuclear agreements signed by government and vendor countries, declaring them unlawful and unconstitutional.

Energy Services

According to GreenCape's *Energy Services 2018 Market Intelligence Report*, "energy services" (ES) describes several key energy market segments in the South African energy space: (1) small-scale embedded generation (SSEG), which includes rooftop solar photovoltaic (PV) systems and energy storage; and (2) energy efficiency. According to Business Insider of May 17, 2019 the Minister of Energy Jeff Radebe gave the National Energy Regulator of South Africa (NERSA) leave to license 500 Mega Watts (MW) for SSEG projects, sized between 1MW and 10MW, without him needing to sign it off. While a 1MW PV solar project can power almost 140 medium-income homes over a year, this is not enough for a large shopping mall or business. With the size limit being brought up to 10MW, it gives many businesses and retailers room to go off the grid during the day - and have a surplus.

There are several factors driving growth in the SSEG and energy efficiency markets. Above-inflation electricity price rises, decreasing technology costs, and supportive policies and regulations have motivated many individuals, businesses, industry, and government to adopt alternative energy service options. These drivers are creating several notable opportunities:

The national **embedded generation** market for installations and operation and maintenance of rooftop solar PV has grown in the past 12 months. Local solar PV data suggests an installed capacity increase by as much as ~110 MW throughout South Africa (possibly as high as 250 MW). It is expected that the total annual available market could continue to grow at this rate to a saturation point of ~500 MW installed per year on an ongoing basis. This market could reach a total of 7.5 GW of installed capacity by 2035. The commercial and industrial (C&I) sector has been leading investments in this sector, with ~70% of new rooftop solar PV installations nationally in this sector.

The rapid uptake of solar PV over the past three years has caught national regulators by surprise and has highlighted the need for new national policies and regulations to guide and regulate the solar PV market. At a local level, there will also be a need for policy and regulation to govern the safe uptake of solar PV.

Municipalities will need the support of the national energy regulator and national and provincial government to do this. Progress has already been made at a municipal level, with 35 municipalities across South Africa having introduced rules and regulations to allow SSEG to connect to and feedback on the municipal electrical grid. Of these, 21 municipalities in the Western Cape are allowing SSEG, of which, 15 have National Energy Regulator of South Africa (NERSA)-approved tariffs in place.

With increasing demand in embedded generation, the South African **energy storage** market is expected to grow to ZAR14.5 billion by 2035, becoming a keystone of the future energy services market. This will create opportunities for investors, manufacturers, suppliers and energy end-users in the energy storage value chain.

Energy efficiency also presents a significant opportunity to investors and businesses in all sectors. The estimated annual total available market currently stands at ZAR3 billion, reaching an estimated ZAR21 billion by 2035.

For more information, see the Green Cape *2018 Energy Services Market Intelligence Report:* https://www.greencape.co.za/assets/Uploads/GreenCape-Energy-Services-2018-MIR-25052019.pdf

Business Insider South Africa: https://www.businessinsider.co.za/nersa-licence-change-jeff-radebe-eskom-sseg-renewable-energy-projects-flood-2019-5

Electricity Distribution

The issue of aging network infrastructure remains a concern for the distribution network as it compounds the supply and limits South Africa's ability to expand electricity access. The South African Department of Energy has completed a study to estimate the backlog, and work is currently under way to determine the most effective way to fund the rehabilitation of these networks and assets going forward.

Eskom and South Africa's 187 municipal governments are responsible for electricity distribution in South Africa. Many of the municipalities are experiencing financial problems. The maintenance backlog in the sector is valued at approximately R38.6 billion and is growing at a rate of about ZAR3.377 billion a year.

Bankability of Utility

Poor governance and a compromised executive team at Eskom saw the utility run into serious liquidity challenges at the start of 2018. In addition, there has been discussion among industry stakeholders on how to deal with the utility's "death spiral."

Public Enterprises Minister Pravin Gordhan has confirmed that Eskom's business model is up for discussion as government seeks to reduce the fiscal risk currently posed by the utility and to reposition the state-owned enterprise (SOE) for future sustainability.

Discussions could look to enhance Eskom revenue in the short-term through both higher sales and, controversially, tariff increases. Yet further tariff increases (which have increased by over 300% in the past eight years for some consumers) could spur more consumers to find ways of using less electricity, possibly even through full or partial defection from the grid.

The National Energy Regulator of South Africa (Nersa) has also warned of a "utility death spiral," whereby price elasticity of industrial demand is emerging as a primary driver of the lack of demand. This has served to exacerbate a "vicious cycle" in which increasing electricity prices drive declining sales, thereby resulting in the utility having to recover the same cost base from a shrinking customer base.

U.S. Initiatives

Power Africa. Launched in 2013, Power Africa is a market-driven, U.S. Government-led public-private partnership to double access to electricity in Sub-Saharan Africa. It also serves as a one-stop shop for private sector entities seeking tools and resources to facilitate doing business in Africa's power sector. In 2016, the Electrify Africa Act unanimously passed both houses of Congress and was signed into law, institutionalizing Power Africa and establishing two goals: to add 20,000 MW of generation capacity and expand electricity access to 50 million people in Sub-Saharan Africa by 2020. In bringing together more than 140 of the world's top companies, development institutions, and financial entities, Power Africa employs a transaction-centered approach to directly address key constraints to project development and investment in the power sector. These interventions aim to mitigate investment risk and accelerate financial close -- from facilitating project bankability to providing technical and transaction support, to engaging with host-government counterparts. Learn about the Power Africa toolbox at https://www.usaid.gov/powerafrica/toolbox.

Power Africa in South Africa. In South Africa, the Power Africa interagency team is working to support the country's effort to introduce large-scale renewable energy and natural gas (for power and other uses) into the economy, while assisting the government in their effort to strengthen and expand the regulatory framework. Additionally, Power Africa plans to provide transaction advisory support to municipalities, developers, and finance partners.

Sub-Sector Best Prospects

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

- Renewable Energy Independent Power Producer Procurement Programme (REIPPPP).
- Energy Services
- Energy Efficiency and Demand-Side Management (DSM) Technologies.
- Oil/Gas, LNG Provision, Exploration Equipment, Extraction, Pipeline, and Fuel Conversion.
- Transmission and Distribution Equipment.
- New Plant Equipment and Related Systems.
- Process Automation and Systems Control Equipment.
- Off-Grid Solutions, e.g., Fuel-Cell Technology.

Web Resources:

Engineering News

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

Eskom Media Statements

Website: http://www.eskom.co.za/News/Pages/default.aspx#Mstatements

Central Energy Fund SOC Ltd (CEF)

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

Department of Mineral Resources and Energy (DMRE)

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

Eskom Holdings Limited

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

South African National Energy Association (SANEA)

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

For More Information:

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Or visit our Website: http://export.gov/southafrica/index.asp

Power Africa

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Phone: +27-12-452-2056

Or visit our Website: https://www.usaid.gov/powerafrica.

Agricultural Sector

Overview

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 vegetables. Livestock production includes cattle, dairy, hogs, sheep, and a well-developed poultry and egg industry. Value-added activities in the sector include slaughtering, processing and preserving of meat; processing and preserving of fruit and vegetables; dairy products; grain mill products; crushing of oilseeds; prepared animal feeds; sugar refining and cocoa, chocolate, and sugar confectionery amongst other food products. The agricultural sector contributed around 10 percent to South Africa's total export earnings in FY2018 at a value of $11.1 billion. Citrus, wine, table grapes, corn and wool accounted for the largest exports by value. South Africa also exports nuts, sugar, mohair, apples and pears.

South Africa imported $7.7 billion in agricultural and food products in FY2018, which is at the same level as in FY2017. The major products imported were rice ($437 million), wheat ($395 million), chicken cuts and offal ($389 million), palm oil ($305 million), corn ($208 million), whiskies ($181 million) and soybean meal ($173 million).

In FY2018, the United States exported $371 million of agricultural, fish and forestry products to South Africa, down marginally from the previous fiscal year. Major products exported by the United States to South Africa included, poultry meat, planting seeds, feed and fodder, distilled spirits and tree nuts. Other major products imported by South Africa from the United States included wheat, dairy products and sorghum.

USDA's Foreign Agricultural Service (FAS) in Pretoria prepares more than thirty market intelligence reports for different agricultural commodities in the Southern Africa region. FAS also prepares reports that highlight the opportunities and regulatory processes for United States agricultural exports to South Africa. The Exporter Guide for South Africa is a good starting point for United States agricultural and food companies that view South Africa as a potential market. 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

<u>Sub-Sector Best Prospects</u>

Grains

The grain industry (barley, maize, oats, sorghum and wheat) is one of the largest agricultural industries in South Africa, contributing more than 30% to the total gross value of agricultural production. The industry is comprised of several 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 6.0 million tons of grain and 1.6 million tons of oil cake (from imported and locally produced sunflower and soybeans) 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 more than 11 million tons, and surplus corn is usually exported. Wheat is produced mainly in the winter-rainfall areas of the Western Cape and the eastern parts of the Free State with considerable annual fluctuations in production. Average wheat production has been about 1.8 million tons a year. There is, however, a distinct downward trend in the area planted to wheat over the past few years. Thus, South Africa has become more dependent on imports to meet the local demand of about 3.3 million tons.

Grains	FY2016	FY2017	FY2018
Total Exports	$284 million	$512 million	$447 million
Total Imports	$884 million	$549 million	$405 million
Imports from the U.S.	$98 million	$80 million	$16 million

Wheat

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

Hence, FAS/Pretoria forecasts that the declining trend in hectares planted with wheat will continue in the 2019/20 marketing year, due to the crop's decreasing profitability. FAS/Pretoria estimates producers will plant about 500,000 hectares of wheat which could, on average yields, realize a wheat crop of about 1.7 million tons. Annual wheat consumption in South Africa is about 3.3 million tons, or about 55 kg per capita, which means South Africa will have to import at least 1.8 million tons of wheat to meet local demand. South

Africa’s wheat consumption is the highest in sub-Saharan Africa and is expected to increase annually with population growth and increased urbanization to South Africa's major cities.

Wheat	FY 2016	FY2017	FY2018
Exports	$20 million	$33 million	$17 million
Imports	$364 million	$323 million	$395 million
Imports from the USA	$55 million	$21 million	$7 million

Opportunities

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

Web Resources

U.S. Wheat Associates has an office in Cape Town, South Africa. They can help any company interested in purchasing or exporting U.S. wheat. They can be contacted at InfoCapeTown@uswheat.org

Alcoholic Beverages

South Africa consumes more than 4.5 billion liters of alcoholic beverages per annum and is also an important exporter of alcoholic beverages, especially wine. However, South Africa also imports a significant number of alcoholic beverages, especially whiskies. Recent trends indicate that consumers are turning to new and innovative distilled spirits, including a greater prominence in previously disadvantaged areas. South Africans’ tastes and preferences are becoming more sophisticated and the average consumer is increasingly expecting a wider range of alcoholic products on retail shelves. As a result, an extensive range of new imported products has become available in the market. Openness to new products and an increasing middle class help to create a positive climate for the sale and promotion of United States distilled spirits. However, price sensitivity, rather than brand loyalty dictates consumer purchasing behavior.

Alcoholic Beverages	FY 2016	FY2017	FY2018
Total Exports	$910 million	$982 million	$1,102 million
Total Imports	$351 million	$379 million	$497 million
Imports from the U.S.	$14 million	$13 million	$18 million

Note: All figures in US$ Million

Above Figures are from Global Trade Atlas

Resources

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

Sub-sector Best Prospects

Overview: Poultry

The South African poultry meat industry, with a gross value of almost R40 billion (US$3.0 billion), is the country's largest individual agricultural industry and is contributing almost 17 percent to the total gross value of agricultural products. Broiler production makes up most of the poultry industry. However, South Africa only produces about 1.5 percent of the total broiler meat in the world and needs imports to augment local production and fulfill local demand.

Over the past two decades, steady economic growth and increased average income in South Africa advanced more people to the middle-income class. Currently, the middle class represent about 70 percent of the South African population and 55 percent of total income earnings. With the growth in disposable income, more South Africans are choosing protein-filled diets. For example, in 1995, the average person ate a total of 40kg of meat a year; while 20 years later the average South African is eating 67kg of meat a year – an increase of almost 70 percent over the period. The consumption of poultry meat (of which most is broiler meat) increased by more than 80 percent, from 22 kg per person per year in 2000 to almost 40 kg per person per year in 2015. In 2017, the South African consumer spent approximately R217 billion (US$16 billion) on meat products, which represented almost 35 percent of total expenditure on food. South Africa consumes about 3.6 million tons of poultry, beef, lamb and pork meat per annum, with poultry meat consumption representing more than 60 percent of total meat consumption. As poultry meat is relatively inexpensive and ubiquitous, it has grown to be the most important protein source in the diet of the majority of South Africans.

Broiler meat accounts for more than 90 percent of all poultry meat imports by South Africa, with the balance largely being turkey products. South Africa imported 579 thousand tons of poultry meat in FY2018 at a value of $512 million. Chicken cuts and edible offal (internal organs) represented the largest category of poultry meat imports, namely 64% or 370 thousand tons, at a value of $389 million (75% of the total value of poultry meat imports). The second largest category in volume is mechanically deboned meat with a share of 31% or 179 thousand tons, at a value of $82 million (16% of the total value of poultry meat imports). These two poultry meat product segments represent 95% of total poultry meat imports in quantity by South Africa. Brazil is the leading trading partner for South Africa in terms of poultry meat, with 57% market share in value followed by the United States with 16% market share.

Poultry	FY 2016	FY2017	FY2018
Total Exports	$92 million	$104 million	$94 million
Total Imports	$362 million	$455 million	$512 million
Imports from the U.S.	$18 million	$74 million	$103 million

Note: All figures in US$ Million

Above Figures are from Global Trade Atlas

Sub-sector Best Prospects

Overview: Chicken bone-in portions

United States bone-in broiler meat exports to South Africa have been affected by an anti-dumping duty that was put in place in 2000. In 2012, the anti-dumping duty was extended for another 5 years and was set at R9.40 per kilogram. However, in June 2015, representatives from the United States and South African governments and poultry industries met in Paris and agreed on a tariff rate quota of 65,000 tons of United States bone-in broiler meat to enter South Africa without the anti-dumping duty. This meant that South Africa would continue to have duty-free access to the United States market under the African Growth and Opportunity Act (AGOA) for the next decade. In January 2016, negotiations of the final health certificates were concluded, and the first shipment of United States bone-in broiler meat landed in South Africa in March. Exports continued and as a result the United States exported about 20,000 tons poultry meat to South Africa at a value of almost US$ 18 million in FY2016. In FY2017 it increased to 74,000 tons at a historical high value of US$73 million. This positive trend continued in FY2018 with the United States exporting 95,000 tons of poultry products to South Africa at a record value of $103 million.

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).

Agricultural Equipment

Overview

Unit: $ millions

	2017	2018	2019 (estimated)	2020 (projected)
Total Market Size	1000	1150	1265	1280
Total Local Production	59	56	62	65
Total Exports	5.80	5.00	6.00	7.00
Total Imports	870	960	980	985
Imports from the U.S.	200	300	320	330
Exchange Rate: 1 USD				

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

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

Compared to the rest of Africa, South Africa has by far the most modern, productive and diverse agricultural economy. South Africa has a well-developed agricultural sector, which will stand the country in good stead in the face of continuing uncertainty both economically and in terms of the weather. There are many factors impacting on the industry – including credit ratings downgrade, land reform concerns, volatile exchange rate and ongoing weather worries, among others.

There are about 32,000 commercial farmers in South Africa, of which between 5,000 and 7,000 produce approximately 80% of agricultural output.

Forecasts show that the country's economic growth will remain under pressure, as consumers continue to tighten their belts because of an increase in interest rates and inflation over the last year. Investment in agriculture is widely recognized as a key precondition in achieving goals related to improving food security, creating jobs, creating wealth, and thereby reducing poverty.

In 2016, South Africa faced one of the worst droughts to hit the region in 30 years. Looking back, the drought in South Africa's summer and winter rainfall regions, as well as a weakening rand, had a significant impact on the gross production value of agriculture for 2018. There are still notable headwinds moving into 2019 that can affect the farming sector. Weak global growth, domestic in-put costs and policy uncertainty could impact the economy negatively and lead to unintended consequences.

As the agricultural sector is largely export driven, it is hedged against the negative impact of a major credit downgrade, but farmers are susceptible to higher borrowing costs, depressed local demand and foreign animal and plant health import approvals.

Retail sales of large agricultural equipment during the significant month of March 2019 were:

	2019	2018	% change	2019	2017	% change
Tractors	600	726	-17.4	1 514	1 876	-19.3
Combine Harvesters	23	25	-8.0	42	54	-22.2

Source: South African Agricultural Machinery Association (SAAMA)

March tractor sales of 600 units were significantly (17%) down on the 726 units sold in March last year. Year-to date sales for the first three months of 2019 are also significantly (almost 19%) down on last year. On a rolling 12-month basis tractor sales are 5% down on last year. March combine harvester sales of 23 units were two units down on the 25 units sold in March last year. Year-to-date sales are significantly (22%) down on last year. On a rolling 12-month basis combine harvester sales are marginally (3%) down on last year.

The current situation regarding crop prospects, particularly in the west of the country, is precarious. Most of the crops in the east of the country were planted on time and most of these crops should yield normally. In the west, however most crops were planted very late and still need rain to see them through. In addition, there is the threat of early frost which could cause considerable damage to these late-planted crops.

Indications for 2019 are that sales of large agricultural equipment will be at a level between 5 and 10% below the 6-700 units sold last year.

Sub-Sector Best Prospects

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

- Tractors
- Combine Harvesters
- Balers
- Planters
- Precision Agriculture Equipment and Technologies
- Sprayers
- Irrigation
- Storage
- Soil Testing Equipment
- Spare Parts and Service Facilities

Opportunities

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

The integration of digital technology into agriculture presents a major opportunity for sub-Saharan Africa. The emergence of the mobile phone as a popular communication tool, coupled with internet-based solutions, could significantly boost access to financing for agricultural inputs across the value chain. Digitalization, as well as the effective use of fertilizer and seeds, will become increasingly important in unlocking agriculture prospects in Africa. Trending technologies in agriculture include data management, machine learning, artificial intelligence, automation and drone-based applications.

Production research and technology, which South Africa needs to invest in, is an area of opportunity for growth in agriculture and in alleviating the vulnerability of crops and livestock.

There are very few barriers to bringing new equipment to the South African market. Equipment like planters, sprayers, and tilling equipment enter duty free, provided the exact same product is not manufactured in this market. Most of the precision agriculture equipment such as planters, self-propelled sprayers, and combine harvesters are imported from South America, Europe, and the United States; smaller implements are purchased locally. Known U.S. brands such as Massey Ferguson, John Deere, New Holland, AGCO, and Case IH are well-entrenched and well-known for their quality in this market.

South Africa is the platform for “regional expansion,” with excellent opportunities for U.S. business in neighboring countries such as Zambia, Angola, Mozambique, and Botswana. Second-hand tractors and equipment are also well-received in these regional markets.

From a climate change side, the discussion has slightly progressed towards questions of whether there are any technological solutions out there that can assist the industry to adapt to the changing climate, over and above the required adjustment in farming practices.

South Africa also hosts the largest agricultural equipment show on the continent called NAMPO Harvest Day. This show takes place in May each year and provides an excellent opportunity for U.S. firms to exhibit their equipment and technology.

Trade Barriers

A lack of direction on land reform is one the issues that farmers are watching closely.

The debate on "land expropriation without compensation" has created considerable policy uncertainty and farmers and potential investors are concerned about the protection of private property rights, thus negatively impacting investor confidence.

Most goods can be imported into South Africa without a permit. All import and export commercial transactions require commodities on custom declarations to be classified according to an appropriate tariff heading. The tariff classification code is directly linked to the rate of duty payable on that commodity. Classification operates as part of the international Harmonized Commodity and Coding System, under the World Customs Organization (WCO) Harmonized System Convention.

Tariffs and duty rates are constantly revised and are subject to change without notice.

Importation of all second-hand goods is subject to import control and an import permit is required.

Web Resources

Exhibitions and Conferences

Show: NAMPO Harvest Day

Focus: Largest Agriculture Machinery and equipment show in the Southern Hemisphere.

Dates: May 12–15, 2020

Venue: Bothaville, Free State, South Africa

South African Agricultural Machinery Association (SAAMA)

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

NAMPO Harvest Day

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

Agri SA

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

Agricultural Business Chamber (ABC)

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

South African Department of Agriculture, Land Reform and Rural Development (DALRRD)

Website: http://www.drdlr.gov.za/

For more information, the U.S. Commercial Service Commercial Specialist for Agriculture in Johannesburg, South Africa, can be contacted via email at the following:

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or visit our Website: http://export.gov/southafrica/index.asp.

Pollution Control Equipment

Overview

Unit: $ thousands

	2017	2018	2019 (estimated)	2020 (projected)
Total Market Size	54,000	55,000	56,000	56,500
Total Local Production	9,300	9,500	10,000	10,500
Total Exports	1,950	2,150	2,000	2,500
Total Imports	46 000	48 000	44 000	45 000
Imports from the U.S.	6,400	7,000	6,000	6,500
Exchange Rate: 1 USD				

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

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

Note: Figures exclude water desalination and petroleum refinery equipment.

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

The main sources of air pollution in southern Africa include industry (thermal power stations, smelters, cement factories, chemical factories), forest/savannah fires, biomass burning (use of firewood and charcoal), waste burning and transportation emissions. Air pollution is linked to many human health and environmental impacts including respiratory diseases, heavy metals poisoning, and increases in the levels of acidity or nutrients in lakes, thus affecting water quality and aquatic biodiversity.

The Air Pollution Information Network for Africa (APINA) is a key driver of the regional air pollution policy process within the Southern African Development Community (SADC) region.

South Africa passed a long-awaited Carbon Tax Bill. The carbon tax is aimed at businesses and companies that emit a high level of carbon, polluting the atmosphere. Industries which rely on fuel consumption and electricity generation are the most frequent offenders. The first phase of the tax is in place from June 1, 2019 to December 31, 2022. At this stage the new law allows a tax rate of Rand 120 (approximately $8.48) per ton of carbon dioxide equivalent; total tax-free allowances during the first phase until 2022 can be as high as 95 percent.

Organizations that do not act to reduce their 'carbon footprint' will face punitive measures and be forced to pay tax to the state for producing higher amounts of air pollution. It is ultimately designed to encourage a transition to more environmentally-friendly ways of operating in various industries. There will be a period of grace for companies to begin implementing change. However, the first stages of the tax look set to take effect from January 2020. That gives businesses two years to comply with the law and bring their emissions down.

The tax rate is set at R120 per ton of CO_2e (carbon dioxide equivalent) produced. To allow businesses time for transition, a basic %age-based threshold of 60% will apply, below which tax is not payable.

In addition, the state is considering an acid mine drainage levy. The levy, which has not been formulated yet, would make polluters pay for the cost of environmental damages.

Sub-Sector Best Prospects

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

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

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

Other matters that are enjoying closer scrutiny are:

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

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

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

Clean water supply is also a major concern. Significant pressure on water resources has meant more attention to water management systems, including by municipalities. At the same time, industrial water users are looking at the sustainable management of water. South Africa currently faces a water shortage due to poor planning, lack of investment, and drought.

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

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

Opportunities

Water Management

At current consumption rates, South Africa will be using more water than it has by 2025, according to the water affairs department. By 2030, it will be using 17% more, according to the 2030 Water Resources Group.

Water Use in South Africa

Agricultural Use (including irrigation)	60%
Environmental Use	18%
Urban & Domestic Use	11.5%
Mining & Industrial Use	10.5%

(Source: Nature Divided Land Degradation in South Africa, Ashwell, A & Hoffman, T, 2001)

The Cape Town water crisis stems from a combination of poor planning, three years of drought bad crisis management and rapid urbanization. The city's outdated water infrastructure has long struggled to keep up with the burgeoning population. Now the city is playing catch-up, installing expensive desalinization plants to purify seawater and scrambling to tap the underground aquifer. This provides opportunities for U.S. companies involved in research and technology, desalination facilities and water treatment solutions to tackle this crisis.

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

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

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

Air Pollution Control and Monitoring

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

Hazardous Waste Management

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

Solid Waste Management

Waste management in South Africa is based on the principles of the White Paper on Integrated Pollution and Waste Management (IP&WM) and the National Waste Management Strategy (NWMS) published by the Department of Environmental Affairs and Tourism in 1999 and 2000 respectively and the subsequent enhancement of the new National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). South Africa supports the waste hierarchy in its approach to waste management, by promoting cleaner production, waste minimization, reuse, recycling and waste treatment with disposal seen as a last resort in the management of waste.

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

Web Resources

Key Contacts

Department of Environment, Forestry and Fisheries (DEFF)

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

Recycling Economic Development Initiative of South Africa

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

Department of Water and Sanitation (DWS)

Website: http://www.dwa.gov.za/

Water Research Commission

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

Water Institute of Southern Africa (WISA)

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

Rand Water - South Africa

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

For More Information

The U.S. Commercial Service Commercial Specialist for the Pollution Control & Envirotech Sector in Johannesburg, South Africa can be contacted via e-mail at: Mohammed.essay@trade.gov

Phone: +27-11-290-3025;

or visit our Website: http://export.gov/southafrica/index.asp.

Port and Logistics

Overview

The South African Government views the country's ports and terminals as key engines for economic growth. South Africa is situated on one of the busiest international sea routes, critical to international maritime transportation, and its geographical location presents a huge opportunity for investing in a diversified maritime market. Transnet National Ports Authority (TNPA) which is one of five operating divisions of Transnet SOC Limited is responsible for the safe, effective and economically efficient functioning of the national ports system, encompassing eight commercial seaports, which it manages in a 'landlord' capacity. The various ports in South Africa have, for the calendar year 2018, accounted for 9,202 Vessel Arrivals, resulting in 700,671 ton of cargo and 488 329 TEUs moving through South Africa

Opportunities

The first area of focus for Operation Phakisa, which was announced in June 2014, relates to maritime development of the 'Blue Economy.' There are four priority sectors for the Blue Economy: marine transport and manufacturing activities (coastal shipping, trans-shipment, boat building); offshore oil and gas exploration; aquaculture and marine protection services; and ocean governance. The South African Government has consulted with 180 stakeholders in the four priority areas to develop detailed plans of action for each sector. Operation Phakisa complements U.S. interests in protecting fragile ocean ecosystems and generating economic development through the utilization of South Africa's abundant maritime resources. It is estimated that Operation Phakisa could create over a million sustainable jobs.

The Ports Authority has several additional development projects planned for the next five to ten years. One such project will deepen the entrance channel and widen it from 122 to 230 meters. The Ports Authority also plans to work with the municipality to build a R17 million bridge into the port. A dedicated car terminal for automobile transit will be created.

The Port of Durban is the busiest container terminal in Africa and the second busiest in the southern hemisphere following Melbourne, Australia. Over 4,000 commercial vessels called at the port's 57 berths in 2017. Over the past five years, volumes have continued to increase due to the increasing number of automobiles exported from Durban by BMW and other car manufacturers in the region producing for export. The Durban Car Terminal, the largest import/export facility for the motor industry in South Africa, handled over 700,000 automobiles in 2013, a growth of 7.2% over the previous year. The Ports Authority alone employs 6,200 people at the Durban Port. This figure is expected to rise to over 9,000 by 2018/19 as the R300 billion Capex plans for expansion begin to yield benefit. Transnet estimates 71% of this budget will go towards increasing capacity to meet its projections for increased traffic. The Ports Authority estimates that over 30,000 are also employed indirectly. In addition to the container terminal, the port has a ship building and ship-repair facility, a yacht facility, a rail marshaling service, a sport facility, a Navy outpost on Salisbury Island (which the port is trying to obtain for civilian use), a protected mangrove, and a Port Academy that trains future employees. Ports Authority management is interested in exploring ways in which the port, particularly the Port Academy, can cooperate with the U.S. Government through various exchanges.

To the north of Durban in KwaZulu-Natal, Richard's Bay is the busiest port in South Africa by tonnage and is one of the top two coal-handling ports in the world. Richard's Bay focuses on bulk cargo handling while the Durban Port focuses on general cargo. It has also been earmarked for expansion projects with R3.7-billion had been set aside for mobile and quayside equipment, as well as weighbridges. Safety-critical, environmental and legal compliance projects would also be carried out. From a commercial point of view, this port is also looking at developing opportunities in oil and gas, ship/rig repair and maritime vessel building.

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 handles 3,161 vessels per year for a gross tonnage of 44,501,297. Transnet National Ports Authority (TNPA) has selected the V&A Waterfront as the preferred bidder for the development of a cruise terminal at the Port of Cape Town. The V&A Waterfront would invest about R179-million to finance, design and develop the terminal, which would remain at E berth, Duncan Dock, in the Port of Cape Town. All international cruise liner vessels are required to dock at the Port of Cape Town as the first port of call in line with a directive from the Home Affairs Minister under the Immigration Act 13 of 2011.The upgraded Cape Town cruise terminal facility to be developed by V&A Waterfront will be a new gateway for tourism. About R1.2-billion on capacity-creating projects in Richards Bay will be set aside as Transnet pursues re-engineering of the port to create additional capacity for bulk products at the terminal.

The Port Elizabeth Container Terminal is one of the three specialized container-handling facilities along the South African coastline. Port Elizabeth serves the immediate area of the Eastern Cape, where its main business focuses on the needs and requirements of the motor vehicle and components industry as well as various agricultural products. The terminal offers value-added services in the form of storage, packing and unpacking of containers and logistics management. The terminal currently handles 1,271 ships with a total gross tonnage of 25,756,823. Transnet has also confirmed that it would relocate the current export manganese facility from Port Elizabeth to a new two-berth facility at the Port of Ngqura by 2015/16, to facilitate an expansion of South Africa’s manganese export capacity. As this move begins to get phased in, the port is exploring the untapped market of boat building in niche market of tug boats and navy vessels.

Sub-Sector Best Prospects

Transportation Equipment and Infrastructure:

- Business Model Analysis
- Port Mobile Cranes
- Ship Repair
- Cargo Handling Services
- Weighbridges
- Quayside Systems
- Upgrading of Existing Port Equipment

Web Resources

Transnet

http://www.transnet.co.za

Transnet National Ports Authority

http://www.transnetnationalportsauthority.net/

Richard Bay Coal Terminal Consortium

http://www.rbct.co.za

For More Information, the U.S. Commercial Service, South Africa, can be contacted via email:

Sanjay.Harryparshad@trade.gov, Phone: +27 (0)31 305 7600 X3150, or visit our Website at http://export.gov/southafrica/index.asp

Aerospace

Overview

Unit: $ thousands

	2017	2018	2019 (estimated)	2020 (projected)
Total Market Size	4350,000	440,000	445,000	460,00
Total Local Production	50,000	49,000	49,000	50,000
Total Exports	53,000	56,000	57.000	60,000
Total Imports	220,00	460,000	470,000	480,000
Imports from the U.S.	420,000	225,000	225,000	235,000
Exchange Rate: 1 USD				

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

Note: Above figures exclude the value of the defense procurements.

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

In 2016, South Africa ranked 76, after Greece, for global U.S. aircraft parts exports. However, the growth of commercial and general aviation in southern Africa is slowing down; high operating costs and a sluggish economy are taking their toll on discount airliners and general aviation. The launch of the African Union's Single African Transport Air Market, which comprises 28 countries including South Africa, in 2018, provides airlines an opportunity to increase their operations on the continent. The biggest growth can be expected in other sub-Saharan African states as they ramp-up up their capacity to meet consistent growth in passenger travel and air freight. There has been a downturn in airborne off-shore utility and mineral deposit surveying done by South African operators in southern and central Africa over the past years.

The single most important aviation procurement, the long-anticipated upgrade of the national carrier South African Airways (SAA) fleet amounting to as many as 20 jetliner aircraft is less likely now since the carrier seems to be more financially stressed that previously thought. Its future is currently dependent on a turn-around strategy that seeks to find an equity partner. With robust air travel growth, larger airports are expected to undergo ongoing expansion.

The Civil Aviation Authority (CAA) in 2015 released drone regulations that have complicated certification of UAVs; however, there is significant pent-up demand for this disruptive technology in surveying, surveillance, and infrastructure:

http://caa.co.za/Pages/RPAS/Remotely%20Piloted%20Aircraft%20Systems.aspx

Sub-Sector Best Prospects

The best prospects for U.S. suppliers are:

- Ground Support Equipment
- Passenger Transport Vehicles
- Cargo De-Grouping and Logistics
- Air Traffic Control
- Instrument Landing Systems
- Aircraft Technician Training Systems
- Drone Componentry, Systems, and Training

Opportunities

Due to a shortage of skilled technicians and a low throughput from training institutions, there are opportunities in training systems to upgrade the skills pool. There is also demand for commercial and general aviation solutions from the United States in the following fields:

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

Web Resources

Africa Aerospace and Defense (AAD) 2020

Land, Sea and Air Systems Show

Date: September 16-20, 2020

AFB Waterkloof, Pretoria

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

Airports Company South Africa (ACSA)

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

Air Traffic and Navigation Services (ATNS)

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

Commercial Aviation Association of Southern Africa (CAASA)

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

Civil Aviation Authority of South Africa (CAA)

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

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Mining Equipment

Overview

	2017	2018	2019 (estimated)	2020 (projected)
Total Market Size	189,000	190,000	195,000	195,000
Total Local Production	63,000	64,000	66,000	68,000
Total Exports	20,000	22,000	22,000	30,000
Total Imports	125,000	130,000	135,000	135,000
Imports from the U.S.	38,000	40,000	41,000	40,000
Exchange Rate: 1 USD				

Unit: $ thousands

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

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

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

The U.S. construction equipment sector exports to South Africa from 2011 to 2015 were over 600% higher than the next largest African market, Egypt (this sector includes construction, earthmoving and mining equipment). Overall, regional sector Africa growth since 2013 was relatively flat; regional export performance, however, mirrored overall global developments and have declined sharply since 2015.

The challenges in the mining industry, such as high input costs, environmental, health and safety regulations, a fluctuating exchange rate, and logistic inefficiencies continued to be aggravated by low commodity prices. In 2018/19 this resulted in precipitously declining employment, growth and business confidence in the mining sector. However, some mining houses have been able to improve credit ratings. The general malaise in the mining sector has been aggravated by Government vacillation in the face of populist rhetoric around mine nationalization, and investors remain cautious; half of all mining operations are said to be loss-making. The downturn in the exports of manganese, iron ore and the platinum sector do not bode well for new capital expenditure projects in this niche. Nonetheless, South Africa is one of the premier ores and mineral sources in the world, and a net exporter of mining technologies. It is a major supplier of Platinum Group Metals (PGM), coal, iron, manganese, chrome and nickel.

Sub-Sector Best Prospects

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. South Africa remains an important stepping stone to develop that area. U.S. goods and services in the following fields are well represented in South Africa:

- Software
- Furnaces
- Drill Rigs
- Automated Controls
- Mining Processing
- GIS Mapping
- Communications Systems
- Materials Extraction and Handling Technology

Opportunities

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 remain in planning stages of both the South African Government and mining consortia. Increasing the efficiency of material handling systems is high on the agenda of exporters of ores and minerals.

Recent mining infrastructure plans include:

- Saldanha Bay iron and steel ore bulk export hub.
- Coega Port infrastructure development focused on the creation of a dedicated rail line for the export of manganese from the Northern Cape and the creation of a chorine plant.
- Further enhanced bulk material handling systems for coal at the port of Richards Bay.
- Shale gas deposit exploration work in the Karoo desert have been put on hold due to regulatory processes, the down-turn in energy prices and a reassessment of the size of deposits.

Web Resources

Mining Indaba 2020

Africa Mining Investment Conference and Exhibition

Date: February 3-6, 2020

Venue: CTICC, Cape Town

Website: www.miningindaba.com

Electra Mining Africa 2020

Mining, Industrial & Construction, Transport Exhibition and Conference

Date: 7 – 11, September 2020

Venue: MTN Expo Centre,

Nasrec, Johannesburg

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

Mining Weekly Publication

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

Minerals Council South Africa

Website: www.mineralscouncil.org.za/

Council for Geoscience

Website: http://www.geoscience.org.za

Mintek

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

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Rail Infrastructure

Overview

	2017	2018	2019 (estimated)	2020 (projected)
Total Market Size	980,000	995,000	995,000	998,000
Total Local Production	125,000	130,000	130,000	140,000
Total Exports	51,000	54,000	54,000	55,000
Total Imports	1,110,000	1,120,000	1,000,000	1,000,000
Imports from the U.S.	420,000	430,000	420,000	420,000
Exchange Rate: 1 USD				

Unit: USD thousands

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

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

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

South Africa has the best rail infrastructure in Africa. However, rail (freight and passenger) and port capacity shortages remain a severe constraint in domestic and regional trade, even in the currently slower business environment. The South African Government has announced plans to spend R900 billion by 2027 on transportation infrastructure, although project implementation has been slow and may be reviewed to ensure good governance and sustainability. The authorities seem intent on addressing failings in the rail environment and have made progress in streamlining the freight and passenger network on the 3’6” Cape gauge with new tractive systems, carriages, hoppers, signaling and fare collection systems, but internal inefficiencies and administered rail tariffs have made competing against road freight difficult. Feasibility studies to expand the 4’8” gauge Gautrain high speed passenger rail project in Pretoria and Johannesburg across Gautrain Province have been completed but implementation may only start over the medium term.

Opportunities

The Tambo Springs Project, Gauteng Province, greenfield multimodal rail, road and air hub, due to be fully commissioned by 2022, is valued at $15 billion. Implementation announcements around the Tambo Springs inland container terminal to be built in Ekurhuleni to the east of Johannesburg have been made: http://www.tambosprings.co.za/hub-areas/rail-road-and-intermodal/?id=13.

In view of declining bulk exports, the state-owned Transnet Freight Rail (TFR) and others are reviewing logistic (mostly rail, but also ports) projects such as upgrading the Sishen-Saldanha Bay ore line, the Richard Bay coal line and other new coal line networks in the north-west. Transnet's rail and port projects were set to cost around R300 billion over seven years and include augmenting the tractive and bulk car fleet, signaling, maintenance, advanced train management systems and network expansion/concession models.

A multibillion-Rand deal with the Development Bank of Southern Africa (DBSA) to provide funding and expertise for Transnet's private sector participation program was formalized in 2015. The agreement will pave the way for DBSA to co-fund preparatory and strategic support for Transnet projects, including the manganese common user loading facility in the Northern Cape and the Grootvlei coal loading structure in Mpumalanga Province.

Sub-Sector Best Prospects

Transportation equipment and infrastructure:

- Strategic Route Design and Network Planning
- Business Model Analysis and Project Management
- New and Refurbished Locomotives for African Railroad Operators
- New Bulk Car and Other Dedicated Rolling Fleets
- Smart Signaling and Operations Automation
- Automatic Fare Collection Systems
- Rolling Stock Depot Design

Web Resources

Tambo-Springs

http://www.tambosprings.co.za/hub-areas/rail-road-and-intermodal/?id=13

http://www.l2b.co.za/Projects/Project/View/5f7d2b48-ed10-4daa-b1f2-f2b7a2592a72

Transnet

http://www.transnet.co.za

Rail-Road Association

http://www.rra.co.za

Richard Bay Coal Terminal Consortium

http://www.rbct.co.za

Transnet Ports Authority

http://www.transnetnationalportsauthority.net/

Passenger Rail Agency of South Africa

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

Africa Rail 2020 Conference and Exhibition

June 19-20, 2020

Sandton Convention Center, Johannesburg

https://www.terrapinn.com/exhibition/africa-rail/index.stm

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

Medical Devices

Overview

Unit: US$ millions

	2018	2019 (estimated)	2020 (projected)
Total Market Size	1,278.4	1,323.4	1,468.3
Total Local Production	115.05	119.10	132.14
Total Imports	1,163.34	1,204.29	1,336.19
Imports from the U.S.	232.26	240.85	267.23
Exchange Rate: 1 USD			

Source: BMI, National Statistics, Fitch Solutions, Other

South Africa is one of the largest medical devices' markets in the MEA region. Spending on medical devices as a proportion of wealth is lower than average for this region, at around 0.3% of GDP and 4.0% of health expenditure (2015).

Projections for 2019 show that that the market will grow at around 6.7% in US dollar terms, amounting to USD1.8 billion by 2023. But challenges remain due to high unemployment, sluggish economic growth and currency fluctuations. Most of the major product categories will be affected, which include consumables, diagnostics, dental, and orthopedics. Medical device imports will grow modestly, and South African exports will remain muted.

The medical device market in South Africa continues to be dominated by the United States in all categories, but particularly in orthopedics, prosthetics, patient aids, other devices and consumables. However, buyers are increasingly looking towards sourcing from Asian markets to save on costs. Germany is second to the United States, followed by China, Switzerland, the United Kingdom, and Japan. China is making significant inroads, increasing by around 10% in terms of market share.

Market growth will likely be influenced by national legislation related to the government's NHI program, increased government spending on healthcare and priority programs, as well as the Competition Commission's investigation into private healthcare costs.

Competition from local production is estimated at around 9% and mostly limited to consumables (bandages, dressings, etc.) and furniture. The development of Lodox Systems, a full-body X-ray machine, as well as the Aceso system by CapeRay, a screening device integrating two modalities -– full field mammography and automated breast ultrasound, indicates that local producers can successfully compete with international suppliers of sophisticated equipment if they have access to the appropriate funding channels.

Medical devices and in vitro diagnostic (IVD) devices are regulated by the South African Health Products Regulatory Authority (SAHPRA), a semi-autonomous body established by the National Department of Health in 2016. In addition to devices, the Authority also regulates medicines (pharmaceutical and supplements), and cosmetics. South African healthcare exporters, importers, distributors and manufacturers are required to register with SAHPRA, and only legally authorized local entity may approach SAHPRA for device registration. SAHPRA can impose requirements at its discretion for devices not participating in public tenders in order to ensure that the medical device or IVD meets the essential principles of safety and performance, as determined by the Council.

Sub-Sector Best Prospects

According to analysis by BMI, diagnostic imaging facilities are underdeveloped with a low provision of advanced equipment. According to the WHO, in the electrodiagnostic sector, South Africa has 10 MRI scanners and three PET scanners in public facilities, equal to 0.2 and less than 0.1 per thousand population. In the radiology sector, there are 51 CT scanners and 32 mammography units, equal to 1.0 and 0.6 per thousand population. Radiotherapy equipment includes 21 linear accelerators and nine telecobalt units. The overall provision of equipment would be significantly higher if units in the private sector were included. There is a clear need for improved cancer treatment based on a cancer incidence of 255 new cases per 100,000 people annually, with 60% requiring radiotherapy.

Diagnostic Imaging Equipment:

Consistent with healthcare infrastructure upgrades, demand for diagnostic imaging equipment is forecast to grow approximately 12% between 2016 and 2021. The United States and Germany are leading suppliers in this sector, followed by China, the Netherlands, Japan and UK.

Radiation Equipment

This market is estimated to grow around 6%, led by CT scanners. Germany dominates this sector, followed by the UK and China.

Dental Equipment:

Access to good dental health remains a problem for most of the population. Imports supply over 90% of this market, mainly sourced from Germany and the United States (23%). Capital equipment is the smallest segment, with dental drills recording the biggest growth potential.

Consumables:

The estimated size of this market is around $240 million, with over 90% imported. The United States leads with 20% market share but supplies more advanced products in this category. Basic bandages and dressings come from China, and to some extent, local production. The United States dominates the segment for suturing materials, while the EU is the primary source for syringes, needles and catheters.

Opportunities

The underdeveloped medical devices market offers potential for growth, but faces considerable restraints including funding issues, poor infrastructure, and staff shortages (particularly in the public sector). Opportunities will exist for exporters of medical equipment (particularly new and innovative equipment), as the government considers extensive upgrades and development of hospital infrastructure. The private healthcare sector is very sophisticated and boasts world class facilities with several centers of excellence. Approximately 91% of medical equipment is imported. The medical community, particularly in the private sector, does not favor refurbished medical equipment and market opportunities are limited.

Web Resources

National Department of Health (DOH)

http://www.health.gov.za/

South Africa Health Products Regulatory Authority (SAPHRA)

http://www.sahpra.org.za/

South African Medical Devices Industry Association (SAMED)

http://www.samed.org.za

Radiological Society of South Africa

http://www.rssa.co.za

South African Orthopedic Association

http://www.saoa.org.za

South African Spine Society

http://www.saspine.org

Major Shows

Africa Health 2019

May 28 – 30, 2019

Gallagher Convention Center, Johannesburg

www.africahealthexhibition.com

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

Automotive

$ billions

	2017	2018	2019 (estimated)	2020 (estimated)
Total Market Size	37.57	38.10	39.20	39.35
Total Vehicle Production *(in units)*	601,338	610,854	611, 404	612,004
Total Exports	12.39	13.52	13.54	13.59
Total Imports	15.66	16.57	16.52	16.53
Imports from the U.S.	0.92	0.97	0.98	1.0
Exchange Rate: 1 USD	13.31	13.22	14.14	14.14

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

as follows:

- Total market size represents new and used vehicle sales, workshop revenue, spares,

accessories, and other trading revenue.

- Total exports represent the total value of both components and vehicles.
- Total imports represent the total value of imports of both components and new

Vehicles.

- Imports from the United States also reflects the value of components and new vehicles.

Market Overview

The automotive sector in South Africa is the mainstay of the national industrial base and accounts for 6.8% of GDP (4.3% manufacturing and 2.5% retail). South Africa improved its global ranking to 22nd (24th in 2014) in the world with a production market share of 0.68%. The automotive industry therefore represents an increasingly important strategic and catalytic role in the overall South African economy by impacting directly on many important economic policy goals, such as contribution to GDP, employment, skills development, economic linkages, technology and innovation, and making significant contributions to the fiscus through taxes, and substantial foreign direct investment.

The value of exports to NAFTA in has seen a decline from $1.66 billion in 2017 to $836 million. The reason for the decline in automotive exports could mainly be attributed to the decline in vehicle exports to the U.S. in 2018. Vehicle exports to the US in 2018, at 11 440 units, were down by 28 974 units from the 40 414 units exported in 2017. Exports comprised mainly of the left-hand drive BMW 3-series, as well as smaller volumes of the new generation Mercedes-Benz C-Class and the Ford Ranger. However, the BMW 3-series was replaced by the X3 model in South Africa in 2018 which is also being manufactured in the U.S., and therefore not exported from South Africa to the U.S. anymore.

The total automotive revenue in the ambit of the automotive business sphere in South Africa amounted to $38.1 billion in 2018 compared to $37.57 in 2017. Exports of automotive products in 2018 accounted for $13.52 billion, equating to 14.3% of total South African exports. As the largest manufacturing sector in the country's economy, vehicle and component production accounted for 29,9% of South Africa's manufacturing output in 2018. In addition, investments by the seven major OEMs in the country amounted to a further substantial $545 million in 2018, along with the investment of $265 million by the automotive component suppliers

In 2018, 72,6% of passenger cars sold in South Africa were imported. An important aspect of the South African automotive industry is the relationship between imports and domestic production as governed by the automotive policy regime in South Africa. The previous Motor Industry Development Plan (MIDP) and the current Automotive Production Development Program (APDP) encourage domestic OEMs to manufacture high volumes of selected models linked to export contracts to obtain economies of scale, coupled with low-volume models imported to complement domestic market mixes. The OEMs and independent vehicle importers can offset vehicle and original equipment component import duties through duty rebate mechanisms that have been structured to support both the competitiveness and

sustainability of the domestic automotive industry.

Several top U.S automotive component suppliers are represented in South Africa, including Johnson Controls, Lear, TRW Automotive, Tenneco, Federal Mogul, Delphi, Visteon, and ArvinMeritor, amongst others. All these companies have built strong business links between their South African operations and other international stakeholders. These established business links enhance the potential for mutually beneficial trade between the United States of America and South Africa. The percentage increase in automotive exports from 2001 (when AGOA commenced) to 2013 equaled 306.8%. The percentage increase of automotive exports from the United States to South Africa was 321.9% during the same time frame.

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

Automotive Policy

The Automotive Production Development Program (APDP) replaced the export-oriented Motor Industry Development Program in 2013 with the aim of stimulating local production of automotive components while maintaining the incentives for OEMs to manufacture passenger cars and light commercial vehicles in the country for export and the local market. One of the attractions of South Africa's automotive policy over the past two decades has been its long-term vision and consistency. The APDP has reinforced policy certainty, which is critical for the industry to make long-term investment decisions. The APDP's focus is on raising local value addition to enhance the automotive industry's manufacturing output and export competitiveness. The automotive sector relies heavily on the additional economies of scale provided by exports and competitiveness is critical to its success.

Market Trends

In 2018, global vehicle production declined by 1,1% to reach 95,6 million vehicles, down from the 96,7 million units produced in 2017. The weaker performance could mainly be attributed to the 2,04 million units, or 2,8%, decline in passenger car production from the 72,72 million produced in 2017 to the 70,68 million produced in 2018. South Africa is regarded as a global tier 2 player, and forms part of the group of countries producing below one million vehicles per annum. South African vehicle production increased by 1,6% to 610 854 units in 2018 from the 601 338 units in 2017, supported mainly by record vehicle exports. In terms of global LCV production, South Africa was ranked 15th with a market share of 1,24%, while with regards to global passenger car production, the country was ranked 26th with a market share of 0,46% in 2018. South Africa remained the dominant market on the African continent and accounted for 54,3% of total vehicle production in Africa.

Industry trading conditions remained intensely competitive with over 55 brands and 2,872 model derivatives in the new car and light commercial vehicle sectors, competing for consumers. The vehicle-ownership ratio in South Africa is in the order of 178 vehicles per 1,000 persons.

Sub-Sector Best Prospects

The countries of origin for new passenger cars and commercial vehicles were among the main countries of origin for aftermarket parts imports. Imports from the traditional markets such as Germany, the United States, and the United Kingdom have declined over recent years, while imports from China have increased. Despite the decline, the United States is still South Africa's third highest sourcing country of replacement parts after Germany and China.

In 2018, imported passenger cars accounted for 72,6% of the total passenger car market in South Africa, as a brand conscious, consumer-driven market prompted the widest choice of new passenger cars to market size ratio in the world. The growing variety of models and ever more complex technologies have therefore led to an increasing number of aftermarket parts in the market. The growth of inexpensive products, imported mainly from China, has exacerbated this trend. The import of replacement parts increased from $4.46 billion in 2017 to $4.64 billion in 2018. Top four countries of origin for aftermarket parts imported are China, Germany, U.S. and Japan.

The main automotive imports from the United States to South Africa are: light vehicles; OE components; engine parts; engines; transmission shafts/cranks; gauges/instruments; axles; tires; and automotive tooling.

In addition, there has been a rapid growth in demand for automotive aftermarket specialty equipment and accessories in South Africa. In the last nine years accessorizing and improving performance of vehicles has transformed from a hobby to a fully-fledged culture of fierce competition. In the race to individualize and distinguish their vehicles from others, enthusiasts constantly seek innovative, authentic specialty components and accessories with little regard to price. In this lucrative segment, South Africans are highly receptive to U.S. brands and often follow trends set in the United States.

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; suspension-lowering kits; graphics; steering wheels; gear and hand-brake pouches; boot spoilers and wings; aluminum pedals; and xenon light kits.

Opportunities

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. Most of the performance products are imported directly from the United States, United Kingdom, Italy, and Germany. However, these imports may not necessarily be purchased from the manufacturer or with any exclusivity and/or distributor agreements. This scenario leads to "rogue distributors" and fierce competition amongst wholesalers and smaller retail-customizing and performance shops. South African companies are interested in acquiring U.S. distributorships, however, either U.S. companies do not 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."

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

Web Resources

National Association of Automobile Manufacturers of South Africa

Website: www.naamsa.co.za

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

Website: www.naacam.co.za

The Department of Trade and Industry South Africa

www.thedti.gov.za

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Green Building Technologies

Overview

South Africa presents potentially lucrative opportunities for U.S. firms involved in Green Building Technologies (GBT). According to McGraw-Hill Construction in the World Green Building Trends survey, the growth of green building in South Africa exceeds that of established sustainability building regions such as Europe, Australia, United States, United Arab Emirates, Singapore and Brazil.

While South Africa is playing catch-up to its developed and developing counters, the survey pegs the country's take up of green building to grow three-fold, from 16% in 2012 to 52% in 2018. A total of 60% of firms in the survey reported future green commercial developments by 2018, while retrofits came in at 58%.

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

Market Developments

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

While green building in South Africa is still about the drive for companies to operate in a more socially and environmentally responsible manner, financial incentives are becoming realized. Businesses strive to operate more efficiently in a climate of sharp increases in operating expenses such as electricity and water. As these costs rise, businesses are looking for ways to contain their total cost of occupation. Developers in South Africa are focusing on matters of bottom line, with the second motivation being natural resource conservation.

The green building industry is gaining momentum in South Africa, however, resources, including skilled professionals and manufacturers of green products and services, are limited. Despite these constraints, the green building market in South Africa, is responding with a diverse range of green building materials and products.

In South Africa, certified new green buildings cover nearly one-million square meters and savings in electricity, water consumption and waste disposal at these buildings are having a significant impact on reducing the construction sector's carbon footprint. Developers of the 50 certified projects expect their buildings will result in yearly savings of 76-million kilowatt hours, the amount of electricity needed by 5,300 households for a year; yearly carbon emissions savings of 115-million kilograms, the equivalent to having 28 000 fewer cars on the road; and savings of 124 million liters of water a year - enough to sustain 34 000 households for a year.

Market Data

The GBCSA develops rating tools according to market demand and has reported the interest in green building and sustainability has not slowed, despite the economic downturn. Although no formal statistics are recorded for green building products in South Africa, the building and construction materials market is estimated at about $10 billion per annum, with 60% sold direct to end-users and 40% via the distribution/merchant network. Of this total, 18% worth of materials are used in the additions, alterations and home improvement market (including unrecorded home improvement).

As increasing environmental pressures take hold in South Africa, the country's major construction companies and developers have shown they are focusing on pursuing green practices and projects, particularly in renewable energy projects where opportunities are emerging. There is a growing recognition that climate change opportunities exceed risks, and companies now seek to develop capabilities around greener practices and technologies on a wide scale across business units.

Green Star SA certified buildings are currently located predominantly in Gauteng, the Western Cape and the Durban/Umhlanga area of Kwazulu-Natal. Green building in South Africa continues to gain traction and is growing exponentially.

Sub-Sector Best Prospects

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

- Natural Heating and Cooling; Natural Lighting (design of buildings to make optimal use of day-lighting) and Energy-Saving Lighting technologies.
- Energy Generation: photovoltaics, wind turbines, solar hot water heaters, flat panel collectors, evacuated tubes.
- Heating, Ventilation and Cooling, Greenwalls, Glazing and Windows, Solar Shading, Greenroofs/Cool Roofs, Permeable Paving, Water-Efficient technologies, Structural Insulated Panels and Formaldehyde–free board.

Opportunities

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

Architects, consulting engineers and sustainability consultant teams are constantly coming up with alternative and cost-efficient building designs to offset the impact of the building on its immediate environment. Previously it was thought to be costlier to make the upfront capital investments to go green, however, volatility in both the cost and availability of power and water is influencing a mind-set change.

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

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

Exhibitions

Trade Events in South Africa

The Green Building Convention

Date: October 2-4, 2019

Venue: Century City Exhibition Center, Cape Town

Website: https://gbcsaconvention.org.za/

Sustainability Week 2019

Date: June 24-26, 2019

SCIR International Convention Center

Website: http://sustainabilityweek.co.za/

Web Resources

Green Building Council of South Africa

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

For More Information, the U.S. Commercial Service, South Africa, can be contacted via e-mail at: Jaisvir.Sewpaul@trade.gov; Phone: +27 21 702 7379; Fax: +27 21 702 7402, or visit our Website at http://www.export.gov/southafrica.

Information Technology

Overview

	2017	2018 (Estimated)	2019 (Projected)
Total Market Size	6.61	7.12	6.56
Hardware sales	2.21	2.29	2.04
Software sales	1.66	1.84	1.72
Services sales	2.74	2.99	2.80
Exchange rate USD $1			

Unit: $ billions

*BMI Industry Report 2018 Q2 Sales

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

South Africa has one of the largest information and communications technology (ICT) markets in Africa by value. It shows technological leadership in the mobile software field, security software as well as electronic banking services. As an increasingly important contributor to South Africa's GDP, the country's ICT and electronics sector is both sophisticated and developing. Several international corporates operate subsidiaries from South Africa, including IBM, Unisys, Microsoft, Intel, Systems Application Protocol (SAP), Dell, Novell and Compaq. It is seen as a regional hub and a supply base for neighboring countries. The South African market is price-sensitive, also on the capital goods' side.

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

The South African Government and the financial sector continue to be the largest players when it comes to IT spending. The South African Government's budget in this sector focuses on key interventions to increase the usage of ICT to facilitate socio-economic justice and inclusion, improve competitiveness and prepare for the 4th / Digital Industrial Revolution. In April 2019 the President appointed a commission to focus on the 4th Industrial revolution. This commission will assist government in taking advantage of the opportunities presented by the digital industrial revolution. The task commission, which will be chaired by the President, is to identify relevant policies, strategies and action planns that will position South Africa as a competitive global player.

The Government via it's programs and agencies will embark on an extensive skills development programme aimed at training one million young people by 2030 in Robotics, Artificial Intelligence, Coding, Cloud computing and Networking. South Africa has a data protection law called the Protection of Personal Information (POPI) Act that prohibits the transfer of personal information to a third party who is in a foreign country unless such transfer falls within the ambit of certain exemptions. POPI legislation provided for an Information Regulator (IR), which was established in 2018. The IR is charged with regulating the protection of digital personal information; it published regulations in December 2018 with a one-year grace period for compliance.

Private consumption will rise, but the strong growth of smartphones is likely to offset PC and laptop usage. The depreciated rand could also be responsible for tablets outselling notebooks, a less expensive piece of hardware. It is a strongly regionalized market, due to a lack of inter-city connectivity and infrastructure in parts of the country (rural areas) and it is very price sensitive. However, improvements to network infrastructure and adoption of cloud services and smart infrastructure will see this changing. There is a trend towards greater innovation in applications used for HR and payroll to increase operational efficiencies.

Leading U.S. companies such as Microsoft are elevating South Africa into the lead group of countries for new product releases reflecting the growing importance of the market and the region. IBM opened a IBM Cloud Data Centre in Johannesburg in 2016. IBM will provide clients with a complete portfolio of cloud services. This is the result of close collaboration with South African, 100% black-owned firm Gijima and Vodacom and is designed to support cloud adoption and customer demand across the continent. This again demonstrates the willingness of foreign companies to invest in this market and use the local skills force to penetrate the market and the region. Amazon Web Services has also announced plans to open a data center in Cape Town. CISCO and Dell both have training academies within South Africa to assist with the devlopemtn of skilled labour within this sector.

Sub-Sector Best Prospects

The major worldwide trend of moving toward cloud based systems is one that has gained momentum in South Africa especially with improvements in connectivity and data center infrastructure. The strong entrepreneurial drive within the local IT sector is creating larger demand for cloud based services. Cloud based services and solutions are seen to offer cheaper, safer alternatives and efficiency gains in operations.

Machine-to-machine (M2M) communication and the Internet of Things is forecast to grow and is a fairly new development globally and not just in South Africa.

South Africa has a thriving start up and tech market. The South African government via the ICT small, medium and micro-enterprises (SMME) Devlopment Strategy seeks to accelerate the growth and development in the SMME sector. Government support is given to partnerships for incubation, networking and capacity building.

Software

Business software spending may be driven by customer-centric industries such as retail, financial and telecoms, where businesses are recognizing that solutions can be a competitive differentiator. Cloud-based software products are expected to drive growth. This sub-sector is still hampered by piracy and it is estimated by the Business Software Alliance (BSA) that around 35% of installed software in SA is illegal. The need for security products is growing with company spends increasing to about 8% of the total IT budget. The higher end of South Africa's software market has matured and companies are price sensitive and cautious about investing in new technologies. This may bring opportunities for software that integrates platforms.

E-commerce and related software is showing growth with South African online stores showing the number of online shoppers increased significantly year-on-year. South Africa is still no where near the global estimates of online retialers who make up 10-12% of total retail, South Africa is around 1% of total market for consumer goods. Cybersecurity remains a prevalent concern for South African consumers who rather opt for physical retail purchases. It is currently estimated that only 41% of households have at least one member with access to the internet at home or elsewhere. However, only 10% of households have internet access at home. Here mobile internet adoption has been widespread and provides significant opportunity for e-commerce websites on mobile devices. Mobile penetration rate reached 165% in 2018, although this number may include inactive SIMS.

Broadband access continues to improve due to investments in submarine and terrestrial fiber-optic networks which have increased capacity and coverage. This will continue to be an important factor for spending in this sector. The 2016 StatSA General Household Survey reported a national household internet usage of 59.3%, mainly accessed through mobile devices. The cost of data in South Africa is still relatively high. Some dominant operators charge eight times more per data bundle than in other African countries. In December 2019 the Competition Commission is scheduled to release its final report on it's market inquiry. ICASA (International Communications Authority of South Africa) is currenlty conducting a Priority Market Study and the South African Government has urged ICASA to prioritise the broadband market.

Smart Cities

South Africa is the leader when it comes to smart city technology in Africa. South African cities recognize that the benefits of smart cities are wide ranging, affecting a broad spectrum of industries and making life easier for residents in a multitude of ways. South African cities: Johannesburg, Cape Town, and Durban are taking the lead with various smart city initiatives and have put into operation some variants of smart city solutions. These cities are open to explore innovative technologies and best practices that are currently been implemented in first world countries.

South Africa understands the need for smart cities and the benefits of thereof relating to country-wide improvements. Quality of life expectations and implementation of best practices across different industries is a fervent goal that pushes for private and public sector cooperation. The South African Local Government Association (SALGA) promotes innovation in Local Government and encourages a mindset of innovation in municipalities nationwide. SALGA's role is to collect and disseminate knowledge on innovation, to encourage learning, and facilitate the replication of successful practices in different municipalities. Innovation creates connections among communities, government, the private sector and civil society seeking innovative ways to meet social needs. The SALGA captures the essence of South Africa's country-wide effort.

A number of challenges still stand in the way of smart cities becoming a reality in South Africa. An underdeveloped infrastructure, and skills deficit, for example. This is a particularly vexing hindrance to the advancement of smart cities nationally, requiring well-trained, tech-savvy individuals who understand and can use IT systems. However the South African Government has prioritized the operationalization of the National Rapid Deployment Co-ordinating Center, which brings together government and industry and are looking to sign a memorandum of understanding with the South African Local Government Association. The center is planned to establish a common application system, create a mapping information database of all fibre and electric communication network facility deployments.

The major metropolitan areas such as Cape Town, Johannesburg and Durban have started researching smart technologies geared to smart mobility to address traffic challenges due to an increase in urbanisation.

Opportunities There are opportunities within organizations looking for assistance in utilizing efficiencies from cloud computing such as Software as a Service (SaaS) and Infrastructure-as-a-Service. Cloud computing is becoming more important due to improved bandwidth availability, security and lowered cost of broadband, as well as additional internet providers competing in the market. According to Business Monitor International, areas of opportunity for cloud computing include banking and retailing. The improvements in data center infrastructure has resulted in a boost to cloud computing. It is estimated that around 60% of large South Afican companies have implemented some form of cloud computing since 2016.

been high-profile cyber-attacks and hacks on financial, utility, and even political parties. Due to the increase in internet traffic there will be increased demand for IT security products and software within most sectors. As the Internet of Things (IoT) or connected devices grows in popularity so does the threat of cyber hacks/attacks. This comes with an opportunity for cybersecurity related to these products. According to PWC, March 2016, 32% of (reported) organisations in South Africa were victims of cybercrime with 16% not knowing if they were victims or not. Only 35% had a cyber incidence response plan. As South Africa has some of the most developed infrastructure amoungst it's African neighbours this has lead to an increase in cybercrimes in South Africa. The South African government has undertaken to focus on their Cybersecurity Hub, developing cybersecurity tools and monitor service offerings.

Web Resources

The Department of Communications and Digital Technologies (DCDT)

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

The State Information Technology Agency

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

Computer Society South Africa

Website: http://www.cssa.org.za/Internet Service Providers Association (ISPA)

Website: http://www.ispa.org.za
The Electronic Industries Federation (EIF)

Website: http://www.eif.org.za.
Information Technology Association (ITA)

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

Website: http://www.sacomforum.org.za/
For More Information, the U.S. Commercial Service, South Africa, can be contacted via email:

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Travel and Tourism

Overview

Although a country of 57 million people, relatively few South Africans have the financial resources to travel abroad. Nonetheless the number of visitors from South Africa travelling to the U.S. increased by 9.6% from FY2017 to FY 2018. Outbound travel presents a good opportunity for the U.S. tourism industry.

Market Trends

Forecasts indicate an increase in South African outbound travel over the next few years, and industry has taken notice.

In April 2019, United Airlines announced a new route from New York/Newark Liberty International Airport to Cape Town International Airport scheduled to start in December 2019. This is the first non-stop flight between Cape Town and the United States and compliments a number of carriers already in the market. Delta has daily flights from Johannesburg to Atlanta and South African Airways offers direct flights to Washington DC and New York City. Other airline carriers report an increase of 26% of South African travelers going to the U.S. through their network for the calendar year 2017-2018, and the trend has continued in 2019.
The United States remains a popular destination for South African travelers, the most popular type of travel being packaged trips. The duration of stays ranges from 10 days to four weeks, often with at least 2-3 nights in the metropolitan districts of New York, Los Angeles, Miami, Orlando and Las Vegas. The inclusion of attractions to major destinations, such as theme parks and tours is preferred, especially amongst first time visitors, while the use of online booking sites such as Viator, is growing in popularity amongst second-time visitors. Also high on the agenda for South African tourists in the U.S. is shopping and family oriented activities.

In the past, the visa process and the relatively few flights to the U.S. have played a role in the domestic travel industry marketing the U.S. as a travel destination. But the trend is slowly changing as travel agencies are looking for more exposure and new destinations. The U.S. Embassy and consulates across South Africa are working with local partners to better clarify the visa process. The granting of 10-year visas to South Africans also compares favorably to other competing destinations such as the UK and the Far East.

Travel Statistics

Total Number of South Africans (SA) travelling to the U.S., 2018	108,472
Total spending in the U.S., 2018	$ 1,034,000,000

Top 10 US destinations for South African Travelers

State	City
New York	New York

California	Los Angeles
Florida	Orlando
Nevada	Las Vegas
Illinois	Chicago
Texas	Dallas
Maryland	Washington DC
Georgia	Atlanta
Louisiana	New Orleans
Colorado	Denver

Web Resources

South African Department of Tourism

https://www.tourism.gov.za/Pages/home.aspx

Association of Southern African Travel Agents (ASATA)

https://www.asata.co.za/

For More Information, the U.S. Commercial Service, South Africa, can be contacted via email:

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Education

Market Overview

The number of South African students studying in the United States increased by 6.8% between 2017 and 2018, to 2040 students, placing South Africa 5th in the continent in terms of students studying in the U.S. With 17% of the total South African population aged between 17- 24 there is a huge potential to increase this number, especially when considering that most students who attend an English medium high school can reliably be granted a waiver from TOEFL examinations which can be an obstacle in other countries.

The South African education system is divided as follows: Pre-high school (# of years): 07 (Grade R to Grade 6) High school (# of years): 06 Lower secondary (also known as the "senior phase") lasts through grade 9 and is mandatory. Students typically begin lower secondary at age 12 or 13. The curriculum for lower secondary school includes the home language, an additional language, mathematics, natural science, social science, technology, economic and management sciences, life orientation, and arts and culture. Students receive 27.5 hours of classroom instruction per week. Upper secondary, also known as further education and training (FET), lasts through grade 12, and is not compulsory. Entry into this phase requires an official record of completion of grade nine. Just as in the intermediate and senior phases, this phase comprises 27.5 classroom hours per week. The Academic year calendar runs from mid-January to early-December.

Traditionally the recommended times for U.S. educational institutions to visit are: are May, July (Private Schools), August (Public Schools), and September.

Market Trends

The top five receiving states for South African students are New York, California, Massachusetts, Texas and Pennsylvania.

Students in the U.S. by Academic Level	Number	%	% Change 2017- 2018
Undergraduate	1156	57%	+10.6%
Graduate	550	27%	+6%
Non - Degree	95	5%	+13.1%
Optional Practical Training	239	11%	-9.1%

Students in U.S. by U.S. Institution Type	%
Undergraduates in 4 - year institutions	87%
Undergraduates in 2 - year institutions	13%
Public Institute vs Private Institute	50%- 50%

Web Resources

Universities South Africa

Council on Higher Education

South African Qualifications Authority

Umalusi

Independent Examinations Board [IEB]

Independent Schools Association of South Africa [ISASA]

National Qualifications Framework

South African Department of Education

The International Education Association of South Africa [IEASA]

The United States - South Africa Higher Education Network

For More Information, the U.S. Commercial Service, South Africa, can be contacted via email: Sanjay.Harryparshad@trade.gov, Phone: +27 (0)31 305 7600 X3150, or visit our Website

Franchise Brands

Overview

Franchising has proven a successful mode of business in South Africa. Since the 1960's, franchising has grown steadily. To date, there are 865 franchise systems (FASA Survey, 2018) and over 45,000 stores in the country, of which 80% are franchisee owned.

Most franchises are found in Gauteng province, the capital hub of South Africa, followed by Kwa-Zulu Natal and the Western Cape. Around 39% of local concepts have operations outside of South Africa, mostly in neighboring countries, and 12% have a reach beyond Africa, including Dubai, the U.S. and UK.

Franchising turnover is estimated at approximately USD 52 billion, equivalent to 15.7% of South Africa's GDP in 2018, with a significant number of people employed in the sector.

Trends

Although the Fast-food and Restaurant category dominates (23%), along with Retailing (18%) and Building, Office and Home Service (13%), other categories, such as Leisure/Entertainment (4%), B2B Services (7%), Automotive (8%) and Childcare, Education, Training (9%) are popular.

Most franchise concepts in South Africa are local in origin. Only one in eight franchise brands is international, which includes a significant number of U.S. brands, such as Krispy Kreme, Burger King, McDonalds, Signarama, Pizza Hut, Starbucks, and Domino's Pizza.

Market impediments to obtaining U.S. concept are difficulty in financing the high start-up costs, as all the fees are dollar-denominated. The ability to source locally is an important factor in reducing in-put costs. The pool of qualified franchise candidates is small, with some major players in the market such as Famous Brands, Taste Holdings and Grand Parade Investments. Franchisors often cite the difficulty of finding the right franchisee and right location for their concepts, as well as the complexity of the market (highly fragmented).
An indication of the current economic downturn is that it now takes longer for franchisees to break even.

Franchise Association of South Africa (FASA)
Telephone +27 11 615 0359
www.fasa.co.za

International Franchise Expo/Franchise Indaba
November 1 – 2, 2019
Johannesburg
https://ife.co.za/

Customs, Regulations & Standards

Trade Barriers

U.S. companies have cited protective tariffs as a barrier to trade in South Africa. Non-tariff barriers to trade include port congestion, technical standards, customs valuation above invoice prices, theft of goods, import permits, antidumping measures, violations of intellectual property rights (IPR), an inefficient bureaucracy, and excessive regulation.

In 2015, South Africa agreed to a Tariff-Rate Quota (TRQ) with the United States to allow the import of 65,000 tons per year of bone-in chicken leg quarters free of the anti-dumping duties. South Africa first imposed anti-dumping duties on U.S. chicken leg quarters in 2000, and renewed the duties through reviews in 2006,2011, and 2017. Half of the quota is reserved for historically disadvantaged importers (HDIs). All imports of U.S. chicken require a health certificate from the Department of Agriculture, Forestry, and Fisheries, and bone-in leg quarters require a quota permit from the International Trade Administration Commission (ITAC).

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:

https://ustr.gov/about-us/policy-offices/press-office/reports-and-publications/2017/2017-national-trade-estimate

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

Tata Chemicals Partners Inc: 8%

OCI Chemical Corporation: 21%

All Others: 40%

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

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

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

Import Tariff

South Africa applies Most Favored Nation (MFN) rates to imports from the rest of the world, as well as preferential rates applied to products originating from trade partners with which it has negotiated trade agreements. South Africa has an Economic Partnership Agreement (EPA) with the European Union. Tariff rates are detailed here and are part of the Southern African Customs Union arrangement (SACU – www.sacu.int):

http://www.sars.gov.za/ClientSegments/Customs-Excise/Pages/Tariff.aspx

SACU comprises South Africa, Botswana, Lesotho, eSwatini (formerly Swaziland) and Namibia and administers a common external tariff for third parties. SACU member states also apply identical excise duties and ad valorem customs duties as reflected in the relevant schedules of the respective member States Customs and Excise Acts. In support of this, member States also do not have rules of origin on trade among themselves. This common external tariff and excise regime provides a cornerstone of the customs union and SACU's relationship with third parties. The SACU regime requires review, with the arrangement having often been described as complicated and haphazard.

ITAC is responsible for tariff investigations, amendments, and trade remedies in South Africa and on behalf of SACU: http://www.itac.org.za/

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

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

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

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

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

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

The value-added tax (VAT) is 15%. VAT is payable on nearly all imports. However, goods imported for use in manufacturing or resale by registered trades may be exempt from VAT.

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

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

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

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

Import Requirements and Documentation

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. Customs SA may impose penalties on importers who fail to produce a required permit. 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.

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

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

Note the updated SARS import manual.

Labeling and Marking Requirements

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 LOAs (Letters of Authority), 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 aim 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 common for the user to indicate details of the official South African service agent for the product, and, less often, the importer of the product. This user instruction will also indicate the information about the South African warranty.

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

Please also see the Labeling and Marking subsection under Standards.

U.S. Export Controls

The United States imposes export controls to protect national security interests and promote foreign policy objectives. The United States also participates in various multilateral export control regimes to prevent the proliferation of weapons of mass destruction and prevent destabilizing accumulations of conventional weapons and related material. The U.S. Department of Commerce’s Bureau of Industry and Security (BIS) administers U.S. laws, regulations and policies governing the export and reexport of commodities, software, and technology (collectively “items”) falling under the jurisdiction of the Export Administration Regulations (EAR). The primary goal of BIS is to advance national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership. BIS also enforces anti-boycott laws and coordinates with U.S. agencies and other countries on export control, nonproliferation and strategic trade issues.

BIS is responsible for implementing and enforcing the EAR, which regulate the export, reexport, and transfer (in-country) of items with commercial uses that can also be used in conventional arms, weapons of mass destruction, terrorist activities, or human rights abuses, and less sensitive military items.

BIS’s Export Administration (EA) reviews license applications for exports, reexports, transfers and deemed exports (technology transfers to foreign nationals in the United States) subject to the EAR. Through its Office of Exporter Services, EA provides information on BIS programs, conducts seminars on complying with the EAR, and provides guidance on licensing requirements and procedures. EA’s Office of Technology Evaluation (OTE) analyzes U.S. export data on items subject to the EAR, BIS license application data, and global trade information to assess data trends. OTE’s data portal provides excerpts from statistical reports, along with data sets to enable the public to perform analyses of exports and licensing on its own.

U.S. exporters should consult the EAR for information on how export license requirements may apply to the sale of their items. If necessary, a commodity classification request may be submitted in order to obtain BIS assistance in determining how an item is controlled (i.e., the item’s classification) and the applicable licensing policy. Exporters may also request a written advisory opinion from BIS about application of the EAR to a specific situation. Information on commodity classifications, advisory opinions, and export licenses can be obtained through the BIS website at www.bis.doc.gov or by contacting the Office of Exporter Services at the following numbers:

Washington, D.C. Tel: (202) 482-4811 Fax: (202) 482-3322
Western Regional Office Tel: (949) 660-0144 Fax: (949) 660-9347

Further information on export controls is available at:http://www.bis.doc.gov/licensing/exportingbasics.htm
BIS’s Export Enforcement (EE) is responsible for the enforcement of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure. In accordance with the EAR, BIS officials conduct site visits, also known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR, to verify compliance.

An EUC is an on-site verification of a party to a transaction to determine whether it is a reliable recipient of U.S. items. EUCs are conducted as part of BIS’s licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the bona fidesof recipient(s) of items subject to the EAR, to include: confirming their legitimacy and reliability relating to the end use and end user; monitoring their compliance with license conditions; and ensuring such items are used and/or re-exported or transferred (in-country) in accordance with the EAR.

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of "red flags," or warning signs, intended to discover possible violations of the EAR.

Also, BIS has "Know Your Customer" guidance.

BIS provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two day seminars and focus on the basics of exporting as well as more advanced topics. Check a current seminar schedule for a list of upcoming seminars.

BIS also provides online training.

The EAR does not regulate transactions involving all U.S. goods, services, and technologies. Other U.S. Government agencies regulate more specialized exports. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services. A list of other agencies involved in export control can be found on the BIS websiteor in Supplement No. 3 to Part 730 of the EAR.

The EAR is available on the BIS website.

And on the e-CFR (Electronic Code of Federal Regulations) website.

The Consolidated Screening List (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSLThe Consolidated Screening List API consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single data feed as an aid to industry in conducting electronic screens of potential parties to regulated transactions.The Consolidated Screening List API consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single data feed as an aid to industry in conducting electronic screens of potential parties to regulated transactions.consolidates a number of smaller lists of restricted parties that are maintained by a variety of U.S. Government agencies, including the Department of Commerce, as an aid to industry in conducting electronic screens of potential parties to regulated transactions. The CSL is available here: http://apps.export.gov/csl-search orhttps://developer.trade.gov/consolidated-screening-list.html

Temporary Entry

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

1. Carnet Entry (also known as ATA Carnet)

South Africa is a member of the ATA Convention:

http://www.atacarnet.com/what-carnet?gclid=CJyU7PTe-a0CFYPc4AodDX3Ssw

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

1. Commercial samples.

2. Goods for international fairs and exhibitions.

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 Process

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. In SA, a customs clearance agent acts for the importer or exporter and is licensed to pay and collect fees to and from South African authorities on behalf of the principal. A customs clearance agent is also a freight forwarder.

SARS customs clearance regulations process requires the settlement of a "Provisional Payment" (PP) that is valid for a period of six months; the shipment must be exported within this time. If export is to take longer, the customs clearance agent must submit a formal extension request to the South African Revenue Service (SARS, Customs and Excise) before the six-month period has expired. Upon import, the customs clearance agent needs to ensure that the serial numbers of all the goods reflect on the documentation (i.e., invoices from shipper). Customs will examine the shipment and verify the serial numbers and endorse the documentation. Upon export, the same procedure is followed so that SARS can verify that the same goods are leaving the country. The PP will cover any customs duty and VAT applicable to shipment. After export, the customs clearance agent submits the import and export documentation to SARS and requests the refund; the PP is hence liquidated.

3. Repair and Return Entry

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

The customs clearance agent in South Africa must ensure that serial numbers reflect on invoices; SARS will conduct an examination.

When imported, serial numbers are 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. To make use of this rebate item, the importer must comply with the following provisions:

- Goods are to be returned to original exporter and there is no change of ownership; the essential characteristics of product remain the same.
- There are no alterations made to goods (i.e., just repairs).

- Goods exported under customs supervision with export documents SAD 500 and DA65 must be produced at time of import clearance.
- The goods must be identifiable by the serial numbers on the goods. If these provisions cannot be met, the importer will have to enter the goods as a Duty Paid (DP) clearance (i.e., as a new import that has not previously been exported).
- The full value, which consists of the export value plus any cost of repair, must be declared.

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

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

In South Africa, the South African Chamber of Commerce and Industry (SACCI) is the

correspondent agent for ATA Carnet matters.

SACCI accepts ATA Carnets for:

- Commercial Samples
- Exhibitions and Fairs
- Professional Equipment

Prohibited and Restricted Imports

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
- 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, the DTI may require additional and prior authorization 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: The South African Government controls the 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. 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.

The Department of Agriculture, Forestry and Fisheries (DAFF) requires and issues sanitary-phytosanitary certificates for the importation of poultry, beef, pork (including lard), hides and skins, animal hair and bristles, and honey products. Other products that require import permits include fish and fish products, residues, petroleum products, firearms and ammunition, gambling equipment, and radioactive chemical elements.

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

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

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Standards for Trade

Overview

South Africa has a well-developed standards regime that is largely based on compulsory, regulator-lead definition and qualification. South Africa has developed many standards over several decades that reflect specific conditions that relate to the natural and human environment. 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. It is a specialized agency of the Department of Trade and Industry. 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
- Providing training on aspects of standardization

SABS is accredited nationally by the South African National 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.

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

In practice, U.S. companies have been able to comply with South African standards when importing goods into South Africa. Based on a survey of U.S. firms already established in South Africa, the standards maintained by SABS have not been a major trade-inhibiting factor; the automotive and pharmaceutical sectors are an exception and receive more attention. All foreign suppliers pursuing compliance with South African standards have experienced slow processing of applications for Letters of Authority (LoAs), in some cases to the extent of risking technology redundancy. The Minister of Trade and Industry Rob Davies who oversees the SABS in April 2018 bemoaned the lack of professionalism at the SABS and called for a revamping of the board and an urgent formulate of a turnaround strategy.

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 to ensure that the company is observing South African standards.

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

The Standards Act, Nr. 29 of 1993 gave SABS the power to be involved in the regulations governing consumer protection. There are voluntary and compulsory standards. Only 53 of SABS's approximately 5,000 standards are 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.

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

Standards Organizations

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

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

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

South African Health Products Regulatory Authority (SAHPRA, previously known as the Medicines Control MCC) regulates medicine and devices in South Africa.

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.

Conformity Assessment

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

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

SABS - South African Bureau of Standards, a Government agency regulating standards.
SANAS – South African National Accreditation System

NRCS – National Regulator of Compulsory Specifications, a Government agency overseeing EHS standards and consumer protection.

Product Certification

Certain items require 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 as well as medical and IVD devices must be evaluated and certified by the South African Health Products Regulatory Authority (SAHPRA, previously known as the Medicines Control Council, MCC). See the following:

Some foreign companies have experienced delays in system certification -– this is generally seen due to capacity issues at the SABS and the National Regulator of Compulsory Standards (NRCS) that have been addressed over the past year. In the case of ICT companies, this has been a business inhibitor, due to the rapidly changing requirements of end-users, as well as the short life-cycle of certain technologies.

Accreditation

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. See the following Website:
- International Laboratory Accreditation Cooperation (ILAC) that determines whether laboratories can perform specific tasks.
- International Accreditation Forum (IAF) whose members are required to maintain high standards when accrediting companies.
- Publication of Technical Regulations

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

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

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.

Labeling and Marking

Important points on labelling/marking:

- Labeling/marking for industrial and pharmaceutical imports must be provided in English. South Africa follows the Harmonized System (HS) and belongs to the Southern African Customs Union (SACU), an organization that permits the exchange of goods practically unhindered among the member states: South Africa, the principal administrator and revenue collector; Lesotho; eSwatini (formerly Swaziland); Botswana and Namibia. For more information regarding pharmaceutical labeling, please check the SAPHRA website.
- 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). See South Africa's Codex representative comes from the Directorate of Food Control.

Contacts

The South African Bureau of Standards
Tel: +27 (0)12 428 7911; Fax: +27 (0)12 344 1568
Website: http://www.sabs.co.za/

National Department of Agriculture (NDA)
Tel: +27 (0)12 319 6001; Fax: +27 (0)12 325 7394
Website: http://www.nda.agric.za/

Trade Agreements

There is duty-free trade between South Africa and the other four countries (Botswana, Lesotho, Namibia, and eSwatini) that comprise the Southern African Customs Union (SACU). The Southern African Development Community (SADC) Free Trade Agreement, as of 2012, allows duty-free trade among 12 of the 15 members. The European Union-South African Trade and Development Cooperation Agreement that came into effect in 2000, has as a progressive Free Trade Agreement (FTA) that has become the cornerstone of the regional trading landscape. South Africa has also negotiated agreements with the European Free Trade Association and Mercosur. South Africa, through SADC, has finalized negotiations on Phase I of the Tripartite Free Trade Agreement, which link SADC, the East Africa Community (EAC) and the Common Market of Eastern and Southern Africa (COMESA) into a free trade area.

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 to increase trade and to develop more competitive domestic industries. However, in 2006, the South African Government made exceptions to this approach to protect the labor-intensive garment industry.

Licensing Requirements for Professional Services

South Africa has a well regulated mandatory professional services licensing environment that covers health, governance, safety, and the environment though specialized agencies, certified boards and associations that are answerable to the various National Departments. Upon academic graduation and completing the mandatory internship/articles period as well as relevant entrance exam, most professions require statutory registration, for instance as:

- Professional Engineer (PE).
- Law practitioners (to practice in court).
- Medical and specialist doctor and nursing staff (practice number).

- Industrial and mechanical technicians (depending upon the industry).
- Chartered Accountants (by different associations).

Web Resources

ATA Carnets

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

Codex Alimentarius Commission (Codex)

Council for Scientific and Industrial Research

Department of Health

Department of Trade and Industry

Directorate of Plant Health and Quality

Engineering Council of South Africa

Human Science Research Council

International Accreditation Forum

International Laboratory Accreditation Cooperation

International Trade Administration Commission of South Africa

South African Health Products Regulatory Authority (SAHPRA)

National Department of Agriculture

Office of the U.S. Trade Representative

Sabinet Online Ltd

South African Revenue Services

Investment Climate

The U.S. Department of State's Investment Climate Statements, prepared annually by U.S. embassies and diplomatic missions abroad, provide country-specific information and assessments of the investment climate in foreign markets. Topics include: Market barriers, business risk, legal and regulatory system, dispute resolution, corruption, political violence, labor issues, and intellectual property rights.

- Visit the U.S. Department of Department of State's Investment Climate Statement website at

https://www.state.gov/reports/2017-country-reports-on-human-rights-practices/south-africa/

Trade & Project Financing

Methods of Payment

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 transfers money 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. Commercial Banks issue LCs on behalf of an importer in favor of a beneficiary, typically the exporter.
- Irrevocable LC: if the exporter is concerned about the reliability of the importer only, he/she should use an irrevocable LC.
- Confirmed irrevocable credit: if the exporter is concerned about the standing of the issuing bank and/or the standing of the importer's country, he/she should use a confirmed irrevocable credit.

Other methods of payment include the following:

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

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

In South Africa, all credits issued are subject to exchange control regulations, and in limited cases, a South African import permit. South African exchange control regulations stipulate that payment of imports may be affected 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. In those cases, banks may affect payment against presentation by the exporter of invoices and shipping documents to the foreign negotiating bank before the goods have arrived in South Africa (but after they have left the United States). If credit is available, payment will take place upon presentation of documents.

American exporters should offer quotations based on the f.o.b. value at the port of export. As a 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.

Common payment terms are between 80 and 120 days after acceptance, 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.

South Africa has adopted the Basel 3 framework. In May 2017, South Africa promulgated the Financial Intelligence Centre (FIC) law, bringing South Africa in line with international anti-money laundering requirements. https://www.fic.gov.za/Pages/Home.aspx

Banking Systems

South Africa has a well-developed banking system which more closely resembles the United Kingdom' 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)
- Mutual banks

The South African banking system weathered the recent global financial crisis quite well and remains relatively stable.

South African banks hold the first six places among the top 100 banks on the African continent. Four large banks dominate, with Standard Bank of South Africa, Nedbank, ABSA (Amalgamated Bank of South Africa), and FirstRand Bank collectively accounting for around 85% of banking services in South Africa. A New banking entity, Capitec, has made significant inroads into the unbanked and entry-level banking segment. In total, there are approximately 70 foreign banks operating in South Africa, either via representative offices, branches, subsidiaries or joint ventures with local companies. These are listed here.

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

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

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

Foreign- Exchange Controls

The Exchange Control Department at the South African Reserve Bank (SARB) administers a foreign exchange policy that has been progressively relaxed over recent years. Authorized foreign exchange dealers, normally one of the large commercial banks, must handle all international commercial transactions and report every purchase of foreign exchange, irrespective of the amount, received by South African residents and companies. In practice, there are only limited delays in the conversion and transfer of funds. All inquiries regarding exchange controls should be directed to an authorized foreign exchange dealer, who will, if required, refer the matter to the Exchange Control Department of the SARB. Find more information by consulting [list of authorized dealers in foreign exchange].

South African Reserve Bank (SARB)

Tel: +27 (0)12 313 3911; Fax: +27 (0)12 313 3133

www.resbank.co.za

When South African authorized dealers of foreign exchange open documentary import letters of credit in favor of foreign exporters, they effect payment against the presentation, by the exporters, of invoices and shipping documents to the foreign negotiating bank prior to the arrival of goods in South Africa.

Authorized dealers may also provide foreign exchange on a cash-with-order basis to cover the cost of permissible imports up to an amount of R50,000 but authorized dealers will require the usual documentary evidence that the exchange provided was used for the purposes stated and that the goods have been imported into the country. Prior Exchange Control approval by SARS is required for amounts exceeding R50,000.

Private and corporate payments by means of credit and/or debit cards are limited to R50,000 per transaction. The cardholder can make multiple purchases provided it does not exceed the limit.

Find more on Foreign Exchange regulations.

U.S. Banks & Local Correspondent Banks

U.S. Banks with representative offices in South Africa:
Bank of New York Mellon
Merrill Lynch Bank of America (pending)

U.S. Banks with registered offices in South Africa:
JP Morgan
Citibank

- Banks in South Africa with Correspondent Worldwide Banking Arrangements:
- ABSA (with Chemical Bank)
- First National Bank
- Nedbank (with Bankers Trust, Chase Manhattan, Chemical Bank, Citibank, and Morgan Guarantee Trust)
- Bank of Taiwan (South Africa) Limited
- FirstRand Bank Limited
- First National Bank of Southern Africa Limited
- Mercantile Bank
- HSBC
- International Bank of Southern Africa - S.F.O.M. Limited
- Investec Bank Limited
- Rand Merchant Bank Limited
- Societe Generale South Africa Limited
- Standard Merchant Bank Limited
- The South African Bank of Athens Limited

- The Standard Bank of South Africa Limited

Note current listing of all South African Reserve Bank registered banks.

Project Financing

The South African government and the larger state-owned enterprises (Transnet, Eskom, ACSA, TCTA - Trans-Caledon Tunnel Authority) finance the majority of capital infrastructure investment , although the private sector funds a sizeable portion in the form of public private partnerships (PPP). South Africa was an early pioneer of PPPs, embracing, for example, the use of toll roads to upgrade and maintain the national road systems as early as 1997, and building the first two private prisons in South Africa in 2000-01. Since then, there has been a downturn in PPP projects, outside of the highly successful renewable energy program, but renewed fiscal pressures may see closer cooperation with private funders and operators.

National or provincial governments will generally publish tenders, requiring consortia to respond to PPP-type projects. This is different from normal infrastructure tenders in that all the funding is privately raised. The concessionaire is usually required to build and operate the infrastructure for an extended period, assuming the risks and reaping the rewards 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 assumed by the funders. This results in lower shareholder equity requirements.

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

The Government's PPP unit, a part of the Government Technical Advisory Centre attached to the National Treasury, oversees new and existing projects. Their website, http://www.gtac.gov.za, gives further details around PPPs.

A current list of PPP projects appears here: https://www.gtac.gov.za/Pages/Project.aspx

The five big emerging economies of Brazil, Russia, China, India and South Africa (BRICS) have created a New Development Bank. The bank, headquartered in Shanghai, will fund infrastructure and development projects throughout the developing nations.

Export-Import Bank

Ex-Im Bank is an independent U.S. Government agency that helps finance the overseas sales of U.S. goods and services. In over 70 years, Ex-Im Bank has supported more than R3.86 trillion in U.S. exports. Ex-Im Bank's mission is to create U.S. 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, if they are not military-related.

Ex-Im Bank has a solid record of accomplishment built over several decades as the export guarantee partner of choice for costly U.S.-sourced capital procurements in South Africa. It has several Master Guarantor Agreement (MGA) arrangements with South Africa financial institutions and has also developed a dedicated Rand-denominated guarantee loan scheme for South African end-users or end-users in the region that make use of a South African MGA financial partner.

The South African aviation industry as well as power utility Eskom are regular users of Ex-Im Bank guarantees; at the same time importers of small consignments have also found Ex-Im Bank to be useful under certain circumstances.

For more information, please visit http://www.exim.gov.

Overseas Private Investment Corporation (OPIC)

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

Additional contact information appears here:

https://www.opic.gov/doing-business-us/contact-us

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. TDA is a source of funding for pre-financial close project preparation. In Africa, TDA assists U.S. firms by identifying major development projects that offer large export potential and by funding U.S. private sector involvement in project planning. This, in turn, helps position U.S. firms for follow-on activities during the implementation phase of the project. For more information contact:

Jacob Flewelling

U.S. Trade and Development Agency

Africa Business Development Manager

Tel: + 27 11 290-3084

Email: jflewelling@ustda.gov

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

Web Resources

Development Bank of Southern Africa (DBSA)

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

Tel: +27 (0)11- 313-3516; Fax: +27 (0)11-206-3516

Website: http://www.dbsa.org

Industrial Development Corporation of South Africa, Ltd (IDC)

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

Tel: +27 (0)11-269-3000; Fax: +27 (0)11-269-3113

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

Small Business Development in South Africa

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

The Southern Africa Trade and Investment Hub (SATIH)

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

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

Inyosi Empowerment

Inyosi Empowerment is supported through a partnership agreement between USAID and Cadiz Life. The Inyosi Enterprise Development Investment Fund and the Inyosi Supplier Development Investment Fund are two specialist investment funds which focus on providing funding and ancillary support to black-owned businesses. Inyosi Empowerment provides loan funding to companies with a minimum of 3 to 5 year track record, more than 51% black owned and with a turnover of less than R50 million. https://inyosi.co.za/

Kingson Capital

Kingson Capital is a USAID supported registered Section 12J Venture Capital (VC) firm investing in early-stage black owned SMEs and technology enterprises in South Africa that have the potential to scale through Africa and into the US market. Investors in a Section 12J VC Company are allowed to deduct 100% of their capital investment from their taxable income, providing the investor (South African taxpayers) with a tax incentive for investing in a Section 12J VCC. Kingson Capital has secured a $10m Debt Guarantee Facility with the United States Agency for International Development. The purpose of this collaboration is to make up to $10 million in local currency available to small and medium enterprises, which are vital to economic diversification and job creation in South Africa. https://www.kingsoncapital.com/

BLSA Beyond Advocacy Fund

Business Leadership South Africa (BLSA) has partnered with the United States Agency for International Development (USAID) to establish the Beyond Advocacy Fund to address some of the key challenges outlined in the National Development Plan. This fund is focused on supporting activities that have a direct impact on economic growth, job creation, youth unemployment, education and the delivery of municipal services, through partnerships with government and other social partners. https://blsa.org.za/

Please contact USAID for additional information on its programs at:

United States Agency for International Development - South Africa

Tel: +27 (0)12 452 2000; Fax: +27 (0)1 460 3177

Website: http://sa.usaid.gov/

Enterprise Development in Southern Africa

The Southern African Enterprise Development Fund (SAEDF), a R965 million

USAID-sponsored project supports small-to-medium-sized enterprises throughout

South Africa. For additional information on the SAEDF, please visit the website at:

http://www.saedf.org.za/.

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

Entrepreneurship Development Unit

Department of Management

University of the Western Cape

Tel: +27 (0)21-959-2595; Fax: +27 (0)12-959-3219

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

Multilateral Development Banks

The African Development Bank Group

The African Development Bank Group (AfDB), headquartered in Abidjan, Côte d'Ivoire, is an international financial institution created in 1964 to promote the economic and social development of member African countries. The Bank Group covers Africa exclusively, with its lending operations and non-lending development activities all centered on Africa. U.S. Commercial Service has a Liaison Officer to the African Development Bank, Ms. Julie Marie

LeBlanc (Email: Julie.LeBlanc@trade.gov).

African Development Bank Group

Tel: (+225) 20 26 10 20

E-mail: afdb@afdb.org

Website: http://www.afdb.org

The World Bank Group

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

http://www.worldbank.org.

World Bank Resident Mission in South Africa/IBRD Section

Tel: +27 (0)12- 742-3105; Fax: +27 (0)12-742-3135

Website: http://www.worldbank.org/za

IFC Section (International Finance Corporation)

Tel: +27 (0)11-731-3000; Fax: +27 (0)11-268-0074

Website: http://www.ifc.org

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

U.S. Trade Advocacy Center

Bank E-mail: world.bank@mail.doc.gov

Phone: (202) 458-0120

Fax: (202) 477-2967

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

Web Resources

- African Development Bank Group
- Ex-Im Country Limitation Schedule
- Development Bank of Southern Africa
- Entrepreneurship Development Unit of the University of the Western Cape
- Export-Import Bank of the United States
- Country Limitation Schedule
- Industrial Development Corporation of South Africa, Ltd
- OPIC
- SBA's Office of International Trade
- South African Association of Freight Forwarders
- South African Reserve Bank
- Southern African Enterprise Development Fund
- The World Bank
- Trade and Development Agency
- USDA Commodity Credit Corporation
- United States Agency for International Development South Africa

Business Travel

Business Customs

Business customs in South Africa are generally similar to those in the United States and Western Europe. South African business people tend to dress conservatively, particularly in the financial sector. However, “smart-casual” clothing has become increasingly popular with executives in the ICT, tourism, and other services related industries. Terminology used in business invitations are:

Black Tie	(dark suit and tie or tuxedo or formal evening dress)
Business	(jacket and tie or a business dress)
Smart Casual	(casual clothing with or without tie, but no jeans and no sneakers)
Casual	(can include jeans but no sport shorts)

Business cards are usually simple, including only the basics such as company logo, name, business title, address, telephone/mobile number, fax number, e-mail, and web-address. South Africans are usually punctual, so it is best to make every effort to be on time for appointments. Appointments are always made in advance of a business visit.

Travel Advisory

For the latest Consular Information Sheet and travel advisory on South Africa, please click on the following link: https://travel.state.gov/content/passports/en/country/south-africa.html.

Travelers are encouraged to be vigilant and avoid large gatherings, particularly protests and demonstrations. Traditionally, South Africa’s nexus to international terrorism has been through recruiting, funding and as safe haven for international terrorists. While most visitors complete their travels in South Africa without incident, criminal activity, often violent, does occur regularly, i.e. armed robbery, carjacking, mugging, “smash and grab” attacks on motor vehicles and other incidents.

For general information on international travel, please visit the main website at:

https://travel.state.gov.

The South African government levies a Value-added Tax (VAT) at 15percent. Travelers may apply for tax refunds on purchases made in South Africa over $18 on departure.

Visa Requirements

The South African Government announced new visa regulations, revised in 2016:

The criteria for business permits: it is required that the intended business fit into a specific business category as well as not being deemed an undesirable business.

Quota work permits and exceptional skills permits will no longer be available.

A new work permit called a critical skills permit is now offered.

First time permit applicants will have to submit their applications at an embassy or consulate in their country of origin. Further notes are available here: http://www.dha.gov.za/index.php/immigration-services/apply-for-a-south-african-visa

U.S. citizens traveling to South Africa require a valid passport. A visa is not required for regular passport holders on bona fide holiday or business visits for periods of up to 90 days or in transit. However, should a U.S. citizen wish to visit neighboring countries, a visa may be required for that country. For South Africa, visas are also required for extended stays, employment, study, and for diplomatic and official passport holders.

Traveling with minors: Visit the South African Department of Home Affairs Website for the most up-to-date requirements for traveling with minors to or from South Africa:

http://www.dha.gov.za/index.php/statements-speeches/621-advisory-new-requirements-for-children-travelling-through-south-african-ports-of-entry.

Evidence of a yellow fever vaccination is necessary if arriving from an infected area. Information on South African visa requirements can be obtained prior to departure from the United States by checking with the:

South African Embassy in Washington, D.C. http://www.saembassy.org;

S.A. Consulate, Chicago: www.southafricachicago.com and

S.A. Consulate, New York: http://www.southafrica-newyork.net/homeaffairs/index.htm

For information on visa requirements for other countries, contact the Embassy of the country you intend to visit, or a travel agent, or a U.S. Consular Officer.

IMPORTANT NOTE: All travelers to South Africa should make sure that their passports contain at least two completely blank visa pages for stamps; otherwise they risk being 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 business people to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links:

State Department Visa Website: https://travel.state.gov/content/visas/en.html

United States Visas: https://ais.usvisa-info.com/en-za/niv

US Embassy Pretoria Visa Information: https://za.usembassy.gov/visas/

Currency

African currency is the SA Rand ("ZAR") that can be volatile at times. It is reportedly the most traded currency of all Emerging Markets and the exchange rate often reflects carry trade that leverages global interest rate differentials, leading importers to hedge against devaluation with forward cover. The Rand is the currency of the Common Monetary Area (CMA) comprising South Africa, eSwatini (formerly Swaziland) and Lesotho. The ZAR is also a legal tender in Namibia, at a fixed exchange rate to the Namibian Dollar.

In 2018 the official month-average U.S. Government's South African rand-dollar exchange rate was R 13.216.

Telecommunications/Electric

The South African telecommunications sector boasts one of the continent's most advanced telecommunications markets in terms of technologies deployed and services provided. The national fixed line operator is Telkom.

There are four licensed cellular service providers: Vodacom, MTN, Cell C, and Telkom (8ta). All four mobile operators offer voice and data solutions to subscribers. In up-market hotels and shopping centers, wi-fi is commonplace.

Transportation

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

There are three major international airports: OR Tambo International in Johannesburg, King Shaka International Airport in KwaZulu Natal, and Cape Town International Airport in Cape Town. Carriers that fly directly from the United States to South Africa are Delta Air Lines South African Airways (SAA) and United Airlines. In December 2019 United will begin flying a direct route from Newark International Airport to Cape Town. A high-speed train, the Gautrain (www.gautrain.co.za), runs from O.R. Tambo International (Ortia) to multiple destinations in the Gauteng province including Sandton, Rosebank, and Pretoria every fifteen minutes from 5:30am to 8:30 pm. Station opening times are detailed at https://www.gautrain.co.za.

Do not hail taxis in South Africa. When taking a taxi, it is recommended to use private taxi companies that operate at all four- and five-star hotels. Travelers to South Africa can also rent a car. In cities and larger towns, Uber is available.

Major car rental groups represented include:

Hertz	http://www.hertz.co.za
Avis	http://www.avis.co.za and
Budget	http://www.budget.co.za
Uber:	https://www.uber.com/en-ZA/

Traffic in South Africa moves on the left, and the steering wheel is on the right-hand side of the car. Under South African law, all occupants of motor vehicles equipped with seatbelts are required to wear them while the vehicle is in operation. Texting or talking on cell phone without a hands-free unit while driving is illegal.

South African law does not require an international driver's license. A valid driver's license from any U.S. state or territory that has the signature and photo of the driver is valid to drive in South Africa for stays of less than six months.

Road conditions are generally good in South Africa, but the road traffic death rate is nearly three times higher in South Africa than in the United States. The high incidence of road traffic mortality is due to a combination of poor driving, limited enforcement of traffic laws, road rage, aggressive driving, distracted driving, and driving under the influence of alcohol. Use extreme caution driving at night. U.S. Mission employees are prohibited from driving after dark outside of major metropolitan areas, except for highway travel between Pretoria and Johannesburg. Traffic lights are frequently out of order. Treat all intersections with malfunctioning traffic lights as a four-way stop.

To view U.S. Consulate information sheet on travel to South Africa visit:

https://travel.state.gov/content/passports/en/country/south-africa.html.

Language

English is one of 11 official languages in South Africa and is the most commonly used language for conducting business. Based on the most recent data available, the respective percentages of the population speaking each of them are: Zulu (23.8%), Xhosa (17.6%), Afrikaans (13.3%), Sepedi (9.4%), English (8.2%), Setswana (8.2%), Sesotho (7.9%), Xitsonga (4.4%), Swazi (2.6%), Venda (1.7%), and Ndebele (1.5%). Languages used by the Asian population include Tamil (2%), Hindi (2%), Gujerati (2%), and Urdu. English

Health

In line with U.S. laws, the South Africa's health policy stipulates that smoking is prohibited in public places unless otherwise designated as smoking areas. South African tap water is mostly safe to drink, generally adhering to the highest standards, but if a traveler is not acclimatized to it, or has a sensitive digestive system, bottled water is widely available. South Africa has world-class (private care) medical services and all major cities have modern well-equipped hospitals and ambulance services to assist travelers in emergency situations. Private medical facilities are good in urban areas and near game parks but limited elsewhere. Private medical facilities may require a deposit before admitting patients. Travelers should familiarize themselves with emergency telephone numbers and the locations of nearest hospitals on arrival in the country. The national emergency telephone number is 10111.

South Africa has a few provinces where there is a threat of contracting malaria. Appropriate prophylactics taken well in advance of visiting these areas should limit the risk of falling ill. Self-protection actions should include use of mosquito repellant (all day), wearing of light long sleeved shirts and pants as well as socks and shoes from dawn and at night. Visitors should also consider sleeping under a mosquito net or in a mosquito-proof room.

High-risk malaria areas include the Lowveld of Mpumalanga and the Limpopo (the region where the Kruger Park is located) as well as in Kwazulu Natal (on the Maputaland coast).

Intermediate-risk malaria areas are Kosi Bay, Sodwana Bay, Mkuze Game Reserve, and St Lucia (but not the town of St Lucia and the river mouth).

Low-risk malaria areas are North West Province and the Northern Cape along the Molopo and Orange Rivers, including the Augrabies Falls and the Kgalagdi Transfrontier Park (malaria is rarely transmitted here, so anti-malaria drugs may not be necessary). Travelers may still contract malaria despite all precautionary measures, and if any flu-like symptoms such as headaches, fever, muscular and joint pains, sweating, shivering and attacks of nausea or diarrhea occur at any time within six months after a visit to one of these high-risk areas, visitors should consult a physician immediately.

South Africa has an epidemic of HIV/AIDS and travelers should ensure that they are aware of the associated risks.

Local Time, Business Hours & Holidays

Throughout the year, Standard Time in South Africa is two hours ahead of Greenwich Mean Time and seven hours ahead of Eastern Standard Time. Clocks are not advanced in the summer. Generally, business hours are weekdays from 8:00 a.m. to 5:00 p.m. Most offices observe a five-day week, but many stores are open on Saturdays, and from 9:00am to 2:00pm on Sundays. All banks are open weekdays from 9:00 a.m. to 3:30 p.m., and Saturdays from 8:30 a.m. to 11:00 a.m. In certain large shopping centers, some bank branches are open on Sunday mornings.

Local Holidays 2019

1-Jan	Tuesday	New Year's Day
21-Mar	Thursday	Human Rights Day
19-April	Friday	Good Friday
22-Apr	Monday	Family Day
27-Apr	Saturday	Freedom Day
1-May	Wednesday	Workers Day
16-Jun#	Sunday	Youth Day
9-Aug	Friday	National Women's Day
24-Sep	Tuesday	Heritage Day
16 Dec	Monday	Day of Reconciliation
25-Dec	Wednesday	Christmas Day
26-Dec	Thursday	Day of Goodwill

#: denotes the holiday is observed the next Monday.

U.S. Government offices in South Africa are closed on U.S. federal and legal holidays.

Temporary Entry of Materials or Personal Belongings

Travelers must declare all goods in their possession except for personal clothing, essential toiletries and used sporting equipment (such as golf clubs). To be free from declaration, these goods must be for the passenger's personal use and not intended as gifts or to be sold, exchanged, or traded. All articles, used or unused, carried by the visitor as presents or parcels for other people, must be declared. There are no restrictions on the amount of U.S. dollars a traveler can bring into South Africa.

U.S. dollars cannot be used in South Africa and must be converted into the local currency, the South African Rand, by authorized foreign exchange dealers, hotels, commercial banks, and certain travel agencies. It is illegal to convey foreign currency to anyone else and U.S. Dollars may not be used in commercial or other private transactions.

With a valid driver's license, 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

South Africa - Web Resources

Hotels in larger cities:

http://sandton.hotelguide.co.za/

http://capetown.hotelguide.co.za/

http://kwazulu.hotelguide.co.za/

http://gauteng.hotelguide.co.za/

Car Rental

Avis: http://www.avis.co.za

Budget: http://www.budget.co.za

Hertz: http://www.hertz.co.za

Uber: https://www.uber.com/en-ZA/

Air Lines

Delta Air Lines: http://www.delta.com

South African Airlines: http://www.flysaa.co.za

United Air Lines: http://www.united.com

Private Healthcare (Hospitals)

Netcare: http://www.netcare.co.za

MediClinics: http://www.mediclinic.co.za

Life: http://www.mediclinic.co.za

U.S. Government:

Consular Services for American Citizens: https://za.usembassy.gov/

or:

U.S. Consulate General Johannesburg

1 Sandton Drive (opposite Sandton City Mall)

Sandton, Johannesburg

South Africa

- Telephone+(27) (11) 290 3000 (from South Africa 011 290 3000)
- Emergency After-Hours Telephone (011) 290 3000 or 079 111 1684 (outside South Africa: +(27) 79 111 1684)
- Fax+(27) (11) 884 0396 (from South Africa (011 884 0396)
- E-mail: consularjohannesburg@state.gov

Consular Information Sheet on South Africa

https://travel.state.gov/content/passports/en/country/south-africa.html

U.S. Commercial Service – South Africa

http://export.gov/southafrica/