



BUSA

BUSINESS UNITY SOUTH AFRICA

THE CORPORATE COUNCIL ON

AFRICA

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**SA-US BUSINESS FORUM
STEERING COMMITTEE**

**JOHANNESBURG, SOUTH AFRICA
23-24 FEBRUARY, 2010**

GENERAL ECONOMIC OVERVIEW

INDICATOR	SOUTH AFRICA	United States
Area	1,219,912 sq km	9.8 million sq km (3.8 million sq miles)
Population	43,997,828 people	• 314.7 million (UN, 2009)
Life expectancy	45 years(men) 50 years (women)	77 years (men) 81 years (women)
Literacy	86%	92%
GDP (PPP)	\$ 277.4 billion (2009 est.)	\$ 14.27 trillion (2009 est.)
GDP growth	-1.9% (2009 est.)	-2.4% (2009 est.)
GDP per capita	\$10.000 (2009 est.)	\$46,900
GDP composition	Agriculture: 3.5% Industry: 32.1% Services: 64.4% (2009 est.)	Agriculture: 1.2% Industry: 21.9% Services: 76.9% (2009 est.)
Inflation	6%	2.6%
Investment as % of GDP	20.6% of GDP (2009 est.)	12.5% of GDP (2009 est.)
Exports (f.o.b)	\$67.93 billion (2009 est.)	\$994.7 billion (2009 est.)
Imports (f.o.b)	\$70.24 billion (2009 est.)	\$1.445 trillion (2009 est.)

- Statistics are estimates for 2009 obtained from the CIA World Fact Book, United Nations and Statistics South Africa

COST OF DOING BUSINESS

Ease of Doing Business	South Africa 2010 Rank	United States 2010 Rank
Overall	34	4
Starting a business	67	8
Dealing with Construction Permits	52	25
Employing workers	102	1
Registering property	90	12
Getting credit	2	4
Protecting investors	10	5
Paying taxes	23	61
Trading across borders	148	18
Enforcing contracts	58	8
Closing a business	76	15

Source: World Bank ranking of 175 countries

Trends in the United States

Whilst the US economy was the most severely affected by the global economic meltdown, it still remains the world's largest and most important economy. Signs of economic recovery have emerged with slow recovery expected at the end of 2010. According to JP Morgan Chase & Co. chief economist Bruce Kasman, the US may see its slowest recovery since 1945. However the government stimulus measures and natural stimulus mechanisms are beginning to pull up the economy.

According to 2009-2010 World Economic Forum's Global Competitive Index the US is at No 2 - slipping 1 position down since the last survey. Key points include:

- On average 46.3% of gross profits is payable in taxes and there is huge compliance from businesses in meeting their tax obligations.
- To export from the US there are 4 documents required and it takes up to 6 days to export.
- To import from the US there are 5 documents required and it takes up to 5 days to import.
- The importation and exportation costs are as follows; export costs at \$ 1.050 per container with the average for OECD countries at \$1.089, 7 per container. To import it costs \$ 1.315, 9 per container with the average for OECD countries at \$ 1.145,9.

GLOBAL COMPETITIVENESS INDEX 2010

RANKINGS OF SOUTH AFRICA AND US

INDICATOR	SOUTH AFRICA	US
Overall Rank	45	2
Basic Requirements	77	28
Institutions	45	34
Infrastructure	45	8
Macroeconomic Stability	68	93
Health and Primary Education	125	36
Efficiency Enhancers	39	1
Higher Education	65	7
Goods Market Efficiency	35	12
Technological Readiness	65	13
Financial Market Sophistication	5	20

Business Sophistication	36	1
Labour Market Efficiency	90	3
Market Size	24	1
Innovation	41	1

TRADE BETWEEN SOUTH AFRICA AND THE UNITED STATES

The United States is one of South Africa's top trading partners. Until recently; before the emergence of China the United States used to be the No 1 destination for South African exports. The global economic meltdown has posed significant challenges to US-SA trade volumes. With cash strapped US consumers, demand for South African exports decreased significantly.

South African trade with the US increased steadily over recent years with South Africa holding a trade surplus since 1999. US exports to South Africa far exceed US exports to any other country in Sub Saharan Africa. According to internationaltradesuite101 South Africa exported US \$ 7.5 billion worth of merchandise to the United States in 2006, up 27.9% from 2005 and up 86.5% since 2002. The increase in trade volumes increased up until 2008 where they were at an all time high. In 2009 trade volumes decreased to the levels last experienced prior 2004.

Note All Figures in Millions of US Dollars

Year	Exports US\$	Imports US\$	Trade Balance US\$
2002	4. 0341,1	2. 525,7	1.508,4
2003	4. 624,4	2. 819,3	1.805,1
2004	5. 944,8	3. 178,5	2. 766,3
2005	5. 885,6	3. 096,9	1. 978,7
2006	7. 500,8	4. 461,7	3. 039,1
2007	9. 054,1	5. 521,4	3. 532,7
2008	9. 948,0	6. 490,5	3. 457,6
2009	5. 878,7	4. 460,7	1. 418,0

Note: All figures obtained from US Census Bureau, Foreign Trade Division, Data Dissemination Branch, <http://www.census.gov/foreign-trade/balance/c7910.html>

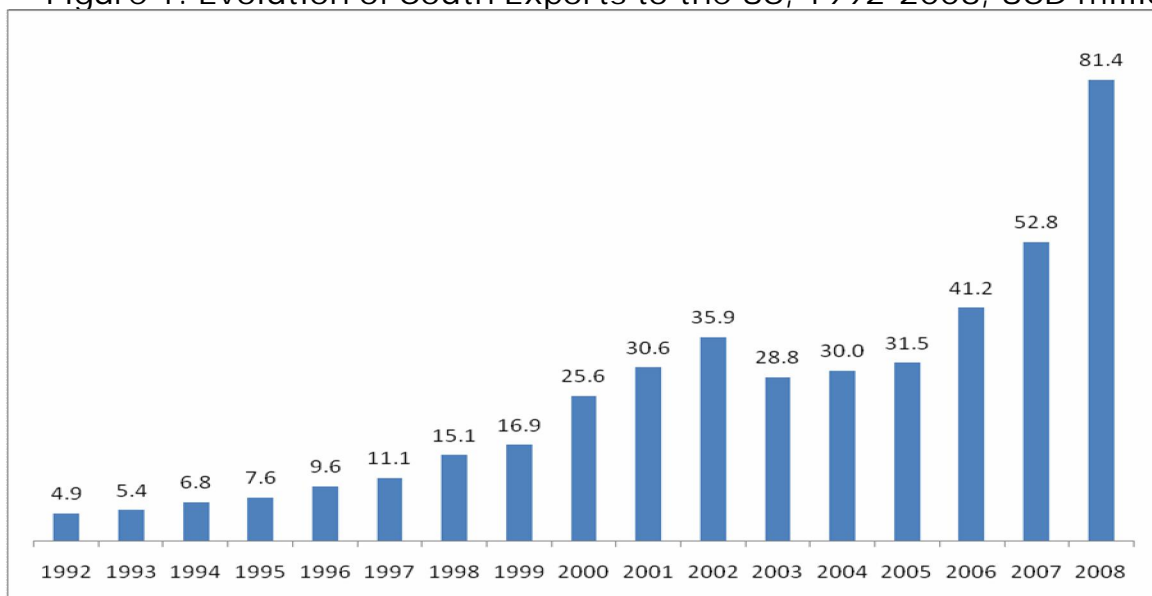
The leading products exported to the US are precious metals, diamonds, un-manufactured steelmaking and Ferro alloying material, aluminium, automotive parts and accessories, new and used passenger cars, etc.

The global economic meltdown might have presented unprecedented challenges for South African exporters to the US; it is however important for South African exporters to be able to re-organise themselves and look beyond the current crisis. As FNB Business Analyst Lizzanne Case puts it “volatile trading conditions will always exist and the way in which exporters respond to volatile trading conditions is what really sets the winners apart from the losers. Flexibility and adaptability are by far the key ingredients for the winners.”

In this make or break climate competitiveness requires an adjustment to volatile conditions and exporters must always maintain and try to expand their position in international markets. This can be achieved by supplying quality products timeously at competitive prices to the right buyers.

Furthermore opportunities presented by initiatives such as AGOA must be fully exploited. According to the Department of Agriculture, Forestry and Fisheries, South African exports under AGOA amounted to US \$ 2.4 billion in 2008 increasing from US \$ 1.1 billion in the previous year. Technical assistance provided by agencies such as USDA Animal and Plant Health Service (APHIS) from the US embassy in Pretoria must be exploited by South African farmers.

Figure 1: Evolution of South Exports to the US, 1992-2008, USD million



Source: SAIIA’s calculations from SARS data

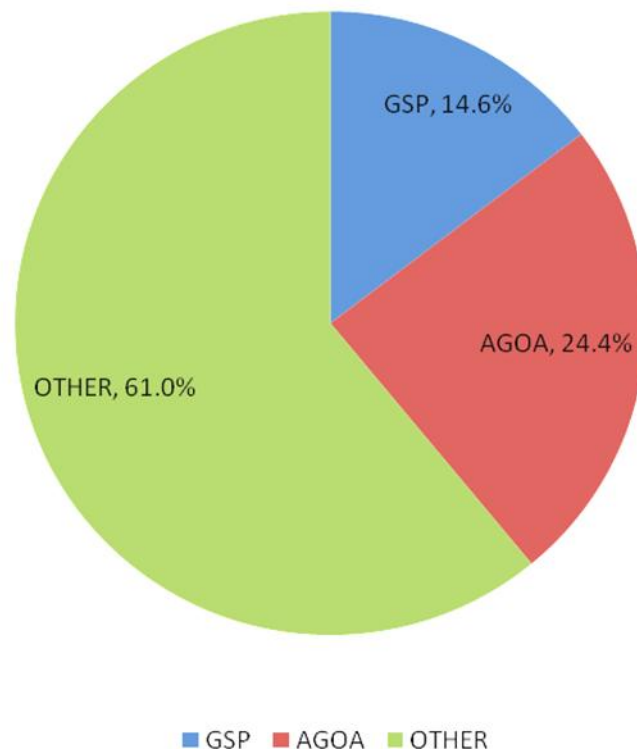
South African exports to the US enter under different systems of preferences. Some enter under the General System of Preferences (GSP); some enter under Africa’s Growth Opportunity Act (AGOA) whilst some do not enjoy any special preferences.

The US General System of Preferences is a programme designed to promote economic growth in the developing world by providing preferential duty free entry for about 4,800 products from 131 designated beneficiary countries and territories.

Africa’s Growth and Opportunity Act (AGOA) was passed as part of the Trade and Development Act of 2000 in the US. It provides duty free access to the US market for almost all products exported from more than 40 eligible sub-Saharan African (SSA) Countries including South Africa. AGOA is aimed at promoting free-market system, expanding US trade and investment, stimulating growth and assisting SSA’s integration into the global economy.

The following chart illustrates SA exports to the US under different preferential access systems.

Figure 2: Proportion of US’s imports from South Africa by preferential agreement, 2008



TRADING AND INVESTING IN THE UNITED STATES

Investing in the United States has many advantages. With more than 300 million consumers and the largest economy in the world, the United States has one of the most important markets for any global company. The American workforce ranks as one of



the best educated, most productive and most innovative in the world. As a place to do business the US offers a predictable and transparent legal system, outstanding infrastructure and access to the world's most lucrative consumer market.

In terms of returns on investments, the US does not offer much. In *Why Do Foreigners Invest in The United States?* (NBER Working Paper No 13908) Kristin Forbes notes that foreigners have earned lower returns on their US investments over the past five years than US investors have earned abroad - even after removing the effects of exchange rate movements and government investments. This return differential exists even within individual asset classes (equities, foreign direct investment, and to a lesser extent bonds) and after making rough adjustment for risk. South African companies would benefit more from going into joint-ventures with US companies on projects in the African continent and elsewhere. US companies have a global footprint and they have a lot of experience in dealing in various parts of the world

Whilst trading in the US might seem less complicated and more attractive compared to other countries; serious challenges do exist. The heavy subsidisation of the Agricultural Sector by the US government has made it difficult for agricultural exporters to compete in the US market. At the beginning of the global economic crisis, the US was one of the first countries to show signs of protectionism with the introduction of policies such as buyUSA that were meant to encourage purchasing of US manufactured products by any company that wanted to do business with the US government. Tariff escalation exists with primary products attracting less or no tariffs at all but secondary and finished products tend to attract higher tariffs.

United States Investments in South Africa

It is hard to estimate the value of US investments in South Africa. The US is one of the biggest investors in South Africa if not the biggest investor. According to the American Chamber of Commerce in South Africa (AMCHAM) there are more than 500 but not more than 560 US companies investing in South Africa. They invest across various sectors with 49 companies in the Information Technology sector, 22 in Financial Services and 21 Pharmaceuticals. AMCHAM estimates the turnover for US companies in South Africa to be around 9% of South Africa's GDP. US companies employ a significant number of South Africans and they have generally complied with affirmative action obligations.

Strategies for Cooperation between South Africa and the US on the rest of the African Continent

The US is the biggest and one of the most advanced economies in the world. This is evident in the widespread of US companies in the African continent and globally.



South Africa is the biggest and the most advanced economy in the African continent accounting for more than 60% of intra-African trade. SA is ranked high amongst the fastest developing economies in the world.

African countries appreciate and welcome investments by companies from any of the two countries. However they may not necessarily be comfortable to opening up to US companies which enter into their countries through South Africa. In most instances they would prefer US companies investing directly in their countries and not coming in through South Africa.

BUSA and CCA need to conduct proper research and come up with strategies of cooperation in the African continent in a way that will greatly benefit their members while at the same time trying to minimize hostility from African countries that may be hostile to US-South Africa joint ventures.

South African companies can best lead the process by being on the forefront in tendering for projects that come through initiatives such as the Millennium Challenge Corporation. This might be great platform for BUSA-CCA cooperation. Such can also be beneficial to regional integration initiatives in Africa.



Framework for Cooperation between the Corporate Council on Africa and Business Unity South Africa

September 29, 2009

Ø Mission:

The Corporate Council for Africa (CCA) and Business Unity South Africa (BUSA) agree to foster public-private cooperation in an effort to deepen economic ties between the United States and the Republic of South Africa. It is recognized that there is considerable interest in escalating relations between the private sector on both sides. The CCA and BUSA will set forth to serve as key facilitators in encouraging deeper engagement. Both parties will identify future areas of cooperation, as well as work to discuss and address challenges to deepening trade and investment between the two countries. Through strengthened cooperation the parties will inject private sector opinions into the public policy debate in an effort to encourage further engagement on both the economic and political levels between the U.S. and South Africa. A specific model to advance the mission of the parties will be agreed and implemented in the short-term in order to take advantage of the renewed commitment to growing the bilateral relationship.

Ø Objectives:

CCA and BUSA agree to strengthen their cooperation in order to pursue the following objectives:

- To provide leadership on trade and investment policy issues;
- To help members of the organizations to navigate the commercial and political environments of the U.S., South Africa and the rest of the African continent;
- To advise on significant legislative and policy developments in Washington and South Africa;
- To provide commercial information, networking opportunities, and counselling to promote and advance business activity in the U.S. and South Africa as well as in partnership in the rest of the African continent;
- To ensure access to key United States and South African government officials; and
- To provide input into the Consultative Group on Trade and Investment that was established in 2008 as part of the TIDCA agreement between the U.S. and SACU (see Article 3, Section 1F of agreement).

Ø Way Forward:

In order to advance the mission and objectives set out above, the parties will give specific consideration to the establishment of a U.S.-South Africa Business Council. The following issues related to the Council will be discussed by CCA and BUSA in the 6 months following the signing of this framework

:



- Terms of reference
- Model or structure
- Linkages with governments
- Meeting schedule
- Work plan or activities
- Priority sectors
- Reporting and communication

The initial discussions will take place with a view to establishing the Council in a reasonable period of time and launching it within twelve months of the signing of this framework.

Ø **General**

This framework does not prevent the parties from signing agreements with other organizations.

If the parties to this framework have differences over the interpretation of the text or encounter issues which have not been set out above, they should consult each other and make decisions on the way forward based on the spirit of friendship and frankness as well as the principles of equality and mutual benefit.

Signed:

On behalf of CCA

On behalf of BUSA

Stephen Hayes, President

Jerry Vilakazi, CEO

At Washington on this 29th day of September 2009.



BUSA-CCA STEERING COMMITTEE

JOHANNESBURG, SOUTH AFRICA
23-24 FEBRUARY, 2010

AGENDA

Tuesday, 23 February, 2010

Opening and Background

Venue: *Residence of the US Consul General
54 Sixth Street (off Glenhove / W of M1)
Houghton, Johannesburg*

4:30 pm Welcome Cocktail

5:00 pm Welcome remarks, (*Chairman, BUSA Steering Committee*) and
Opening remarks, Haskell Ward, Chairman, CCA Steering Committee

5:15 pm Introduction of participants, *Jerry Vilakazi, CEO, BUSA*

5:30 pm MOU briefing and mission of U.S.-South Africa Business Forum, *Jerry Vilakazi
and Stephen Hayes, President and CEO, CCA*

5:50 pm Question and answers

Dinner with US and South African Government Representatives

6:00 pm Dinner and informal remarks by US Ambassador to South Africa

Question and answer session

8:30 pm Adjournment

Wednesday, 24 February, 2010

Venue: Westcliff Hotel
67 Jan Smuts Avenue
Westcliff, Johannesburg

First Steering Committee Meeting

8:00 – 8:55 am Breakfast

9:00 – 10:45 am Session 1: Opportunities and Challenges for Trade and Investment between US and South Africa
Discussion - *SA company and US company*
Conversation to focus on supplying goods and services to SA and US government

10:45 – 11:00 am Tea break

11:00 am - 1:00 pm Session 2: Strategies for cooperation between South Africa and US on the rest of the continent
Discussion - *SA Company and US company*

Lunch with South African Economic Experts

1:00 - 2:30 pm Lunch and keynote address by *Mr Gollam Ballim, Chief Economist, Standard Bank*
“In depth analysis of South Africa’s economy and year ahead”

First Steering Committee Meeting Continued

2:30 – 4:00 pm Session 3: Discussion of key sectors and follow up
Sector Breakouts –
Information Technology session - *SA company and US company*
Financing and Tax session – *SA company and US company*

4:00 – 4:15 pm Tea break

4:15 – 5:00 pm Report back of sector sessions.
Closing and way forward, including presentation of proposed calendar and activities for 2010.
Vote of thanks - *Stephen Hayes*
Closing remarks - *Jerry Vilakazi*

SA-US Business Forum

Steering Committee Members

Johannesburg, South Africa
 February 23 - 24, 2010

S.A. Steering Committee Members

Stanley Subramoney	Deputy CEO	PWC Southern Africa
Iqbal Survé	Chairman	Sekunjalo
Vincent Maphai	Executive Director	SAB Miller
Tina Eboka	Executive Director	Standard Bank
Mthunzi Mdwaba	Deputy Chief Executive Officer	Kelly Group
Michael Spicer	CEO	Business Leadership SA
Junaid Allie	Human Resources Director	Group Five Group
Sandile Zungu	CEO	Zico
Tshepiso Mofokeng	Director	Zico (tbc)
Geoff Rothschild	Director: Government & International Affairs	Johannesburg Stock Exchange
Matome Mbatha	Marketing Manager	Wines of South Africa (tbc)
Mr Patrice Motsepe	Executive Chairman	African Rainbow Minerals*
Dr Richard Friedland	CEO	Netcare*

BUSA

Jerry Vilakazi	CEO	BUSA
Catherine Grant	Director: Trade Policy	BUSA
Sizwe Gcayi	Economic Diplomacy Programme	BUSA

U.S. Steering Committee Members

Haskell Ward	Vice President (Chair of Delegation)	SEACOM
Brian Fix	Partner	Salans
Casey Hastings	Director, Global Government Affairs	Motorola
Gary Messina	Vice President - Africa	Raytheon
George Otchere	Vice President for Small Business	SAIC*
Jay Wileman	Vice President - Africa	General Electric *
Joe Brandt	President & Chief Operating Officer	Contour Global*
Joseph Tato	Partner	Dewey, LeBoeuf Lamb
Marc Cavaliere	Vice President - United States	South African Airways
Stanislav Vecera	General Manager – South Africa	Procter & Gamble^
Timothy Baker	Senior Health Executive	Northrop Grumman Corp.*
CCA		
Michael Dignam	President - Readiness and Stability Operations	Lockheed Martin/CCA Chairman
Stephen Hayes	President & Chief Executive Officer	The Corporate Council on Africa
Mfundu Hlatshwayo	Program Manager	The Corporate Council on Africa
Rashida Petersen	Director, Membership and Marketing	The Corporate Council on Africa

*--Not participating at this meeting

^--Not attending welcoming dinner