

## US warns SA over EWC



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- The United States' Secretary of State, Mike Pompeo, has criticised the SA government's proposed policy of Expropriation Without Compensation (EWC).
- The US-SA commercial and diplomatic relationship is under significant strain.
- The ANC's commitment to EWC may jeopardise SA's participation in the African Growth and Opportunity Act (AGOA).

### US Secretary of State comments to the African Union

Speaking at the headquarters of the African Union in Addis Ababa on 18 February, Sec. Pompeo said:



*“South Africa is debating an amendment to permit the expropriation of private property without compensation. That would be disastrous for that economy, and most importantly for the South African people.”*

*~ US Secretary of State, Mike Pompeo*

In his remarks, Sec. Pompeo underlined the importance of the basic **rule of law**, respect for **property rights** and **regulation that encourages investment**. Sec. Pompeo is concluding a three-nation tour of the continent, which includes **Senegal, Angola and Ethiopia**, fast-growing African markets which are also considered important for strategic and military reasons. Considering SA's size and its strong commercial ties with the US, it is notable that **SA did not feature on his travel itinerary**.

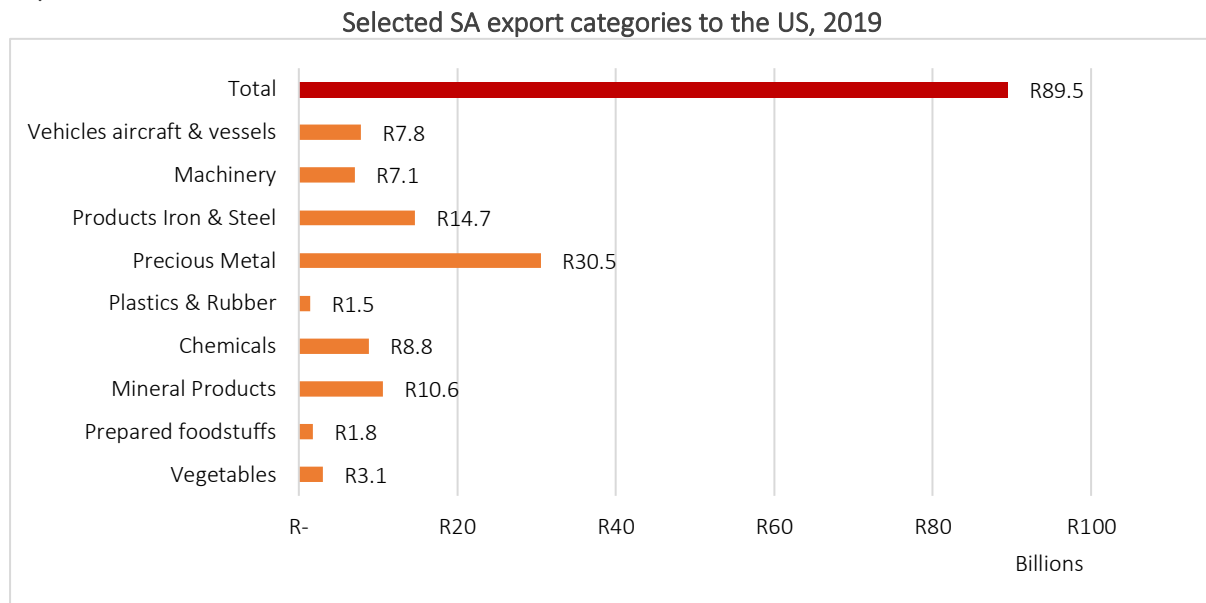
### US-SA relationship under strain

Our understanding from various engagements is that SA's relationship with the US has come under sharp scrutiny in Washington of late. This follows frustrations with SA's intransigence and outright provocations on various diplomatic issues. **SA's voting record at the United Nations**, where SA routinely **sides with despotic regimes and US opponents**, has not gone unnoticed. Recent examples include SA backing China on the Huawei matter, and Tripartite Alliance protests at the US Embassy in Pretoria in support of Iran (where cries of 'Death to America' rang out).

Trade disputes over US chicken imports in recent years have also caused consternation in Washington given SA’s preferential access to US markets under AGOA. Pompeo’s latest remarks may presage a longer term move by the US to revoke SA’s **preferential trade access to the US**.

As CRA Director, Dr Frans Cronje, noted earlier this week, the US is currently conducting two reviews of SA’s trade status. The first relates to **intellectual property (IP) rights protections** and the second to SA’s status as a developing nation under the **General System of Preferences (GSP)**.

At stake are vast trade flows that to date have been skewed heavily in favour of SA. As the chart below shows, R89.5 billion worth of exports went to the US in 2019. The US accounts for **6.9% of SA’s total exports**.



Source: SARS cumulative bilateral trade for 2019

## AGOA

EWC is being pursued even though **respect for private property rights and the rule of law** is a condition for **SA’s ongoing participation in AGOA**. The ANC’s ideological trajectory therefore puts it on a collision course with US commercial interests. It should be noted here that inclusion in AGOA is at the **discretion of the US President**. The AGOA eligibility requirements are listed in the Appendix.

## Geopolitical context

Both China and Russia are **aggressively targeting countries in Africa so as to gain a deliberate competitive advantage over the US**. The Trump administration is seeking to counter this trend through a stronger focus on Africa, including ‘soft power’ initiatives such as Prosper Africa. Africa’s importance is also reflected in the presence of US AFRICOM. Despite this, Russian and Chinese involvement in the continent continues to outpace that of the US.

## Talk to us

Please be in touch with us directly if you wish to discuss these developments in more detail.

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**Appendix: AGOA COUNTRY ELIGIBILITY REQUIREMENTS**  
**SEC. 104. ELIGIBILITY REQUIREMENTS**

(a) In General. --The President is authorized to designate, a sub-Saharan African country as an eligible sub-Saharan African country if the President determines that the country-

(1) has established, or is making continual progress toward establishing-

(A) a market-based economy that protects private property rights, incorporates an open rules-based trading system, and minimizes government interference in the economy through measures such as price controls, subsidies, and government ownership of economic assets;

(B) the rule of law, political pluralism, and the right to due process, a fair trial, and equal protection under the law;

(C) the elimination of barriers to United States trade and investment, including by-

(i) the provision of national treatment and measures to create an environment conducive to domestic and foreign investment;

(ii) the protection of intellectual property; and

(iii) the resolution of bilateral trade and investment disputes;

(D) economic policies to reduce poverty, increase the availability of health care and educational opportunities, expand physical infrastructure, promote the development of private enterprise, and encourage the formation of capital markets through micro-credit or other programs;

(E) a system to combat corruption and bribery; such as signing and implementing the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions; and

(F) protection of internationally recognized worker rights, including the right of association, the right to organize and bargain collectively, a prohibition on the use of any form of forced or compulsory labor, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health;

(2) does not engage in activities that undermine United States national security or foreign policy interests; and

(3) does not engage in gross violations of internationally recognized human rights or provide support for acts of international terrorism and cooperates in international efforts to eliminate human rights violations and terrorist activities.

b) Continuing Compliance: If the President determines that an eligible sub-Saharan African country is not making continual progress in meeting the requirements described in subsection (a)(1), the President shall terminate the designation of the country made pursuant to subsection (a).