Evaluating the Impact of Africa Growth and Opportunity Act (AGOA) in South Africa's Economy.

A Dissertation
presented to

The **Development Finance Centre (DEFIC)**
Graduate School of Business
University of Cape Town

In partial fulfilment
of the requirements for the degree
Master of Commerce in Developmental Finance

By

Simphiwe Ndlovu
(NDL011)

October, 2017

Supervisor: Dr Steven Nabieu Rogers

PLAGIARISM DECLARATION

Declaration

1. I know that plagiarism is wrong. Plagiarism is to use another's work and pretend that it is one's own.

2. I have used the recognised convention for citation and referencing. Each contribution to, and quotation in, this project from the work(s) of other people has been attributed, and has been cited and referenced.

3. This dissertation is my own work.

4. I have not allowed, and will not allow, anyone to copy my work with the intention of passing it off as his or her own work.

5. I acknowledge that copying someone else's assignment or essay, or part of it, is wrong, and declare that this is my own work.

Signature _____

Signature here

Simphiwe Ndlovu

ABSTRACT

Several studies have examined the relationship between trade liberalisation policies, economic growth and development. These existing studies have in many ways overlooked the role played by Africa Growth and Opportunity Act (AGOA) since its inception as early as 2000. This study attempts to highlight and evaluate the role of AGOA within a South African economy context through the use of inductive quantitative research technique. The auto-regressive distributed lag (ARDL) framework was used in the bound testing cointegration process, which enabled the researcher to obtain the current impact on trade liberalisation and economic growth under AGOA in South Africa. Since the study used ARDL to test AGOA benefits in human capital, capital investment, unemployment rate and trade liberation means of finding interchanging of ideas between South Africa and United State of America and importantly the improved economic growth. The results showed no improvement in human capital, stagnant unemployment rate, no evidence of South Africa economy transformed into knowledge based economy; the transfer of investment in South Africa through AGOA legislation does not show an improving economy and this could be coursed by the tertiary sector growing faster relative to other sectors. The study concludes that the AGOA deals must at least ensure the USA firms are opening new branches in South Africa which will create new jobs and with the outcome of the production of goods and services which will directly increase the demand of highly skilled work force.

TABLE OF CONTENTS

List of Tables

List of Figures

GLOSSARY OF TERMS

Trade	The expanding opportunities for consumers to be able to choose from a wider variety of goods at lower prices and for firms to grow by becoming more productive and accessing broader markets.
AGOA	A U.S. trade preference program signed in 2000 and offers eligible sub-Saharan Africa (SSA) countries the ability to export qualifying goods to the United State without import duties.
Apartheid	Apartheid refers to a policy or system of segregation or discrimination on the grounds of race, which was enforced through legislation by the ruling National Party from 1948 to 1994.

ACKNOWLEDGEMENT

I thank God almighty for the courage, strength, wisdom he has given me. This project is dedicated to my two daughters Ndalo and Azande, they are my joy and pride. I also dedicate this work to my parents and the rest of the family, loved once and my close friends and may God bless you all for love, support, understand and having faith in me and my abilities always.

To my academic friend, colleague and partner in research Mr Clearance "Prof" Moagi. Thank you for all your contribution to this project. I am blessed to know and work with you. I have benefited from your brilliant ideas may God richly bless you.

My brother Steven Ndlovu, thank you for your unselfishness and spirit for sharing your ideas with me, journals, and all the materials that assisted me to accomplish this milestone you are the best and may God richly bless you.

Ms Sbusi "Sugar" Shabalala thanks for all your contributions to this work. You played a critical role in supporting me to complete this project, understanding when I needed your inputs and never complained you are a star. I am grateful for all you that have done for me, and may God richly bless you.

Lastly a special thanks to my supervisor Dr Steven Nabieu Rogers this project was never going to be possible without your guidance, patience, experience and understanding challenges I was facing throughout the year. It is a blessing to work with you and to be guided by an intelligent researcher and humble man. I am truly blessed and lucky to end up in your supervision and may God richly bless you.

1 INTRODUCTION

1.1 Research Area

Several studies conducted examined the links between trade liberalisation and economic growth (Atkinson, 1998; Baldwin, 2004; Bhagwati and Srinivasan, 2002; Bhattacharyya, 2012), the focus on research conducted was on emerging economies such as Asia, Eastern, and South America. African countries have been ignored in particular South Africa, despite its Bretton Woods-led reforms and the premise that post China and India, South Africa is likely to be next growing economy due to its young democracy, demographics and abundance in its commodities.

There is far less attention given to African countries despite some states in the continent being financially stable. Botswana is scoring favourable across the multitude of development metrics. To illustrate the above points, there are very few published specific studies available for African countries and South Africa in particular (Black, 1998; Edwards, 2005; Fedderke and Vaze, 2001; Jonsson and Subramanian, 2001) and virtually no literature for sub-Saharan countries such as Lesotho, Namibia, Swaziland; despite their continuing attempt to spur development through participation in global process and subsequent trade reforms.

The reason behind the lack of interest according to some authors may be linked to the sub-Saharan countries including South Africa, poor economic performance which is evident through a relatively global output recorded in sub-Saharan countries, which in turn predetermined by their restrictive internal policies (Collier,1995; Rodrick, 1998; Yeats, 1997).

The other argument of this study is on the past literature which has produced inconsistent results due to the use of the outdated methods, the limited or no availability of reliable data and the heavy reliance on partial equilibriums methods and models. This paper attempts to test samples measured over a ten year period ranging from 2005 to 2015. The data for this study is derived from IMF, World Bank, Trade and Industry and the Penn world Table 9.0 national account data.

1.2 Problem Statement

A substantial body of literature has been devoted to trade liberalisation and economic growth debate in South Africa and other African countries. During the second part of 20th century, a large number of academic scholars began undertaking empirical research aimed at the structure of economies and their level of growth (Manwa and Wijeweera, 2016:12-21).

Following these studies there was a developing consensus amongst academics that strategies such as import substitution policy might not be effective as earlier perceived and trade liberalisation might play a critical role in economic growth. The development of East Asia economies that opted for outward oriented strategies, which focused on industrialisation through the growth of export in manufacturing industries, further fuelled more research to be conducted in order to examine the impacts of trade liberalisation on economic growth in South Africa.

Trade liberalization, trade policies in wealthy states still discriminate against the exports of the world's poorest countries. In nature Africa Growth and Opportunity Act (AGOA) was designed for poor countries to be able to export different products worldwide. However more products were excluded and cumbersome rules undermined the effort of poor states to finds their products useful around the world. (Manwa & Wijeweera, 2016:12-21).

There is clear evidence that less developed countries receive less attention which includes South Africa (Black, 1998). The rich states have made progress since the declaration of UN Millenuim goals in year 2000. Some of these goals were to see the introduction of duty-free quota-free benefiting business in African particularly. There is more to be achieved in order to ensure the market access objectives are met for the African countries, this may also be a strategy to include transformed rules of origin that would seek to facilitate relatively than inhibit or constrain trade (WTO, 2009).

Many studies have examined the relationship between trade liberalization policies and economic growth. However, existing studies have largely ignored looking at South Africa and United State of America trade agreement specifically under the AGOA, despite the argument that this agreement has performed admirable across a multitude of development metrics over few decades. The AGOA is a United State trade preference program. This

programme (AGOA) was officially legislation in 2000 and its intention was and still continues to offer eligible Sub-Saharan Africa (SSA) countries the ability and opportunity to export suitable products to the U.S. excluding import duties (Manwa & Wijeweera, 2016:12-21).

In order to assist developing countries like South Africa to increase and expand their exports with an objective to advance growth and reduce poverty they use a Generalized System of Preference which was launched in 1970. Globally there are many unilateral trade preferences programs and policies whereby rich states get more access to export their product to poor countries without being refused access, and at the end rich countries benefit with amazing success in enhancing their exports (Elliot, 2009:3).

The preferential tariff level and tariff level applied to African countries is different, this is another reason why African poor countries preference margins are shrinking. Two major reasons for the decrease were; non-preferential tariffs in rich countries and the rate applied to smaller and smaller countries because of the creation of the regional trade agreement in the past years (Elliot: 2009:3).

While the general tariff in wealthy states is in very low single figures, they are many other tariffs that are more than the average line, and normally they are made up of sectors that disproportionately have an effect on LCDs. Therefore some of the commercially significant regional and bilateral trade deals and LCD, are left out because of their small market share, hence there is a lack of interest or they are choosing to be left out due to local industries and local farms flooded by imports from developing economies. Profound unilateral preferences can be a solution to ease the discrimination that LCDs faces from the propagation of regional trade agreements (World Trade Organisation, 2009 & WTO, 2015).

Amongst the key developing economies, three reported to the WTO years back their intention of implementing the expanded preference programs for LCD. Furthermore Brazil declared a strategy to implement a program after the end of the DOHA round of trade conference (Birdsall, 2008:32).The implementation of duty-free market system for poor African countries would be a slight section on the entire AGOA plan. However this approach would be less expensive compared with other policies, and therefore any immediate actions would lift the struggling Doha Round of trade discussions to U.S. trade

and development policies, including those that were previously ignored by President Obama government (Birdsall, 2008:32; and Elliot, 2009:17).

The United State has provided leadership and other rich countries were on board to ensure the success of these on reforms. Canada, Japan and Korea were part of these reforms to remove remaining product exclusion. United States adopted 100% DFQF access for all LDCs. The rules of origins were reformed to ensure flexibility mostly to the European states in charge to deal with the organisation of trade policy (Birdsall, 2008:32; & Elliot, 2009:17).

1.3 Purpose and Importance of the Study

The study aims to evaluate and better understand the impact of Africa Growth and Opportunity Act legislation on the South African economy. Many of the AGOA impact, benefits, challenges and other critical issues already highlighted by the literature include: South Africa's global economic context (FDI's indicator), SA economy under Zuma administration, SA and US trade investment, US investment in SA, Approval of AGOA legislation by US, Current AGOA beneficiaries, Participation and AGOA agreement and US trade dispute on poultry with SA.

However what determine the impact of AGOA in SA economy is not clear. This research therefore attempts to better understand role of the AGOA agreement in SA's economy, how has AGOA assist in investment, the improvement of unemployment, economic growth and human capital development and training. Additionally impact of AGOA in SA by benefiting the neighbouring sub-Saharan African countries such as Namibia, Lesotho and Swaziland in receiving same eligibility status like SA, but most importantly in benefiting from Quarter Free Duty Free (QFDF) policies as their status currently fits the criteria to be AGOA beneficiaries. It is critical to understand that the main objectives of this study, which is to focusing mainly on AGOA, economic benefits and the policy shift where necessary in the next 10 years after the agreement has been renewed in 2015 till 2025.

This research will contribute academically in better understanding the impact of AGOA in South Africa's economy and how AGOA legislation can be improved beyond 2017 and

also ensuring local business sustainability to create jobs. Very little studies have been conducted in this area, which primary focus would be to do a careful assessment of AGOA policies and its impact, either long term or short term.

The study is important to understand how local businesses, industries or firms and farmers stand to benefit from AGOA. This research should be of a particular interest to government policy makers such as parliament to develop economic policies and legislation that will be friendly to local business in order to avoid things for example poultry dumping from the United State, therefore this research gives the policy makers an opportunity to also consider developing tight anti-dumping duties or policy to protect small local businesses, loss of jobs and to ensure that the South Africa economic growth is achieved in the next ten years of AGOA and beyond. The findings from the research may also be useful to benchmark this agreement against similar agreements internationally, use the findings to understand if there was an impact of jobs created during AGOA period through the AGOA initiatives , improvement of investments, involvement of FDI's, growing economy and human capital development in the past ten years.

This study also seeks to encourage other scholars to look at outward orientated strategies that will also focus on industrialisation through the growth of export and imports in the manufacturing industries and agriculture. This study is important in order to carefully examine the impact of trade liberalisation on economic growth in South Africa and perhaps other neighbouring countries. This study may also contribute to the on-going debate on trade liberalisation and growth through suggestion that possible causes for this have been use of poor liberalisation indices coupled with a lack of comparable data across countries, resulting in non-robust results depending on index of liberalisation used in this study.

Lastly the study is an important tool in addressing deficiencies with a comparative dataset from few countries selected to measure the relationship between trade liberalisation and productivity growth. This is important in order to understand or make a well thought assessment on the AGOA contributions to the economic growth of the country and what impact would the South African economy face if AGOA was not renewed beyond 2025.

1.4 Research Questions and Scope

The study seeks to evaluate the impact of the Africa Growth and Opportunity Act in the South African Economy. The following sub-questions have been asked:

1. What are is the role and impact of AGOA in South African economy?
2. Is AGOA benefiting South Africa?
3. To what extent has AGOA as legislation improved economic growth in the past ten years in the manner which benefited South Africans?
4. Why was it critical for South Africa and United State to renew the AGOA agreement beyond 2015 to 2025?

The research was conducted using the periodical figures from 2005 till the first quarter of 2016 data. Data use was collected to various sources from the International Monetary Fund to the World Bank and also the data from Department of Trade and Industry was sourced in order to ensure the study covers all angle and it also use the old and current data to test amongst other things: unemployment rate, investment (FDI's and other), Human capital development and the economic growth.

The time frame chosen is 2005 to source data because it was before the 2008 global economic downturn and it would paint a clear picture of the impact of AGOA before 2008 and after 2008. Therefore the 10 year data used in this paper is suitably enough to make analysis informed by comparing previous data and current data. The data analysis will give meaning and understanding to the current situation when looking at the economic performance of South Africa and compare such data to the data of 2005 and beyond.

1.5 Research Limitations

The following are the study limits:

The study used the data collected through various sources and there were no people interviewed. Some data was not accessed due to capacity and resources. The research findings of this study rely on the assumptions and analysis that the data used was the correct data, verifies data by credible development Finance institution and other available sources such as IMF, World Bank, Trade and Industry and the Penn world Table 9.0 national account data.

1.6 The Study Ethics

Collecting data was done after receiving permission from the University of Cape Town's Graduate School of Business' Ethics in Research Committee. This research has been conducted under the assumption that all data used is reliable verifies data by credible international development finance institutions. This research was conducted in a transparent and well thought of manner. The data was carefully selected from credible sources in order to ensure the study is a credible development finance study.

2 LITERATURE REVIEW

2.1 Introduction

The literature assessment focuses on South Africa (S.A.) economy and how it relates to the AGOA legislation. The evaluation discusses an overview of AGOA, the foreign direct investments, and the trade policy between and the United State (U.S.). Following was the approval of AGOA legislation by United State, current AGOA benefits, Participation in the AGOA agreement and the United State dispute on poultry with South Africa and many other important reviews under the same subject.

2.2 Historical Background

2.2.1 Overview

International trade is the programme that links world-wide production and consumption. This suggests that trade is primarily determined by supply and demand for traded goods and services, as well as environmentally and policy-driven "friction", which determines the transmission belt's efficiency (World Trade Report, 2013). To put into context what inspires the connection between the U.S. and S.A, it is imperative to understand the circumstance in which South Africa entered the international market. In global sense, South Africa is a small economy with only 0.5% share of the global economy; however it is the most diverse economy in sub-Saharan Africa (Sacks, 2013:4). As a result of this, and its size it holds a special place globally and on the African continent.

2.2.2 South Africa and United State of America

South Africa's relationship with the United State has survived many challenges and trying times, from a well-known healthy relationship with the apartheid government to economic sanctions, back to a healthy relationship with the post-apartheid government. South Africa was initially a British colony but gained independence from Britain in 1910 (Saule, 2014:12). The country was isolated, with the different racial groups having an unequal status but it was only with the introduction of the system of apartheid that racial discrimination was legislated. The system of apartheid began formally in 1948when the National Party won the elections where only whites were allowed to participate in the election.

This marked the foundation of legislated discrimination. Repeatedly the system initiated, faced a mild opposition from international markets. There was a lot of noise in the

international community at large, and it was the Sharpeville massacre in 1960 that carried international attention to the violent nature of the system towards the blacks South Africa.
After these elections, the United Nations called for sanctions against South African government. This intervention was a failed attempt as the Security Council members, Britain, France and the United State, successfully watered down the United Nations proposals (Saule, 2014:15).

The United States did not stop at watering down the United Nations proposal in its support for South Africa. Coleman- Adabayo (2013) critics the affiliation between the United State and South Africa accused the United State of being a "faithful ally of the racist apartheid regime. As it is well known and documented the extent of the support reported and the revelations that it was the U.S. Central Intelligence Agency (CIA), working with an ANC agent that revealed the whereabouts of African National Congress leader, Nelson Mandela, to the South African government that led to Mandela's arrest in 1962 (Coleman- Adabayo, 2013).

Moreover, US President, Ronald Reagan also called Mandela a terrorist and pursued a highly controversial constructive engagement with the white South African regime, regarding this attitude as the most actual way to encourage change, a policy which to this day finds disapproval (Ploch, 2011:18). After the UN proposal, various lobby groups in the US and Europe put pressure on their governments to impose sanctions of South Africa. Resistance against apartheid extremely and internally, continued from the Sharpeville massacre of the sixties and was at its loudest by the 1976 Soweto Uprising. The eighties era of resistance saw protests across the country coupled with threats of international sanctions and led to the institution of a state of emergency by the apartheid government in1986 (Lulay, 2008).

The efforts by the Anti-apartheid protest finally paid off when the United State congress approved a complete Anti-Apartheid Act in 1986 (Kaufaman, 2013). As a direct result of this act various international companies left South Africa and South African economy struggled with the effects of internal and external boycotts (Saule, 2014:16). This was an indication that that South Africa apartheid government was one day going to be in a position whereby their decisions would have a serious impact on the country's economy in the long run.

Table 1: South Africa average annual growth

Years	Export Volume	Import volume	GDP
1960-1970	4.5	7.8	5.7
1971-1980	0.9	1.9	3.4
1981-1990	1.4	0.3	1.5
1991-2000	5.3	6	1.9
2001-2004	1.1	6.6	3.2

Source: Edwards and Edwards

Trade protection completely blocked both export and imports, and the economy would be influenced and dependant on the favourable global commodity price developments (trends) to avoid running into an external constraint. The pattern of protection was particularly unfavourable to export of non-commodity manufactured goods (Edward & Edward, 2006). In spite of the history outlined above, South Africa and United State were certain to be trade partners. Stremlau and Mills (2000) note that the partnership was " destined by the proposition that all people are created equal" and also their history of moving from a constituted racism to a non-racial society.

South Africa's transition from apartheid to democracy was a long and difficult process. It therefore comes as no surprise that 1994, S.A. had to develop new trade relations with both old and new trade partners. It was important for old trade partners in particular, to be aware that, they were negotiating with a new country, with new goals, which were different from apartheid regime (Saule, 2014:16). Therefore this study agrees with most researchers that there is a gap between South Africa and America regarding the trade agreement. This also has an impact on the import and export duties which has a massive impact on the AGOA and the progress of small business in South Africa and job creation.

2.2.2.1 Import substitution industrialisation and economic growth – Evidence from the group of BRICS countries

Governments in various countries, irrespective of the country's level of economic growth, seek to initiate macroeconomic policies towards achieving better economic performance in order to advance level of business activities and ultimately, ensure better quality of life for the people. To achieve this, various approaches and interventions are applied in the process, but the outcomes are always different. While some of these policy interventions have culminated in the desired outcomes, quite a few have faltered on the platter of ineptness. This study also briefly discussed the importance of import substitution industrialisation (ISI) on the economic

performance of the countries in the group of BRICS (Brazil, Russia, India, China and South Africa) (World Bank, 2005). Critically looking at the data from the World Bank Development Indicators from 1960 to 2016 in econometric estimations, an argument is made that the ISI policy helped to catalyse the industrialization process of these five countries, with the effects being more convergent in the short run. It is thus seeks to recommended that less developed countries should adopt this form of economic integration and home-grown ISI policy to substitute imports in the short run, and embrace liberalisation as higher level of industrialisation is achieved in the long run.

Economic development involves all the government activities and policy initiatives that are directed towards improving the economic wellbeing of a state, through increases in inflow of investment, trade, and job creation (Shafaeddin, 2006; Adams, 2009). These initiatives and policy interventions are somewhat orchestrated based on the leadership style, country's cultural orientation, economic philosophy, global events and natural phenomenon (Hill, 2017). To cope with these issues and forces, countries review and revisit their macroeconomic policies timeously (De Souza, Burlamaqui & Barbosa-Filho, 2005). Evidence indicates that the road to industrialisation by the developed economies emerged from a series of revolutions, coupled with a series of circumstantial policy interventions (Sugihara, 2007).

Leaning on this experience, the pattern followed by the developing economies, especially economies in the group of BRICS is similar to the one adopted by similar economies in the early days of development. The policy stance of those economies were epitomised by protectionist measures that underlay import substitution industrialisation (ISI).

The motivation to investigate the economies in the group of BRICS lies in the strategic importance of these countries as industrialisation pace-setters in the developing world. More importantly, the economies of the group of BRICS developed through a series of policy initiatives that were firmly primed on ISI policy instruments that imbibed high tariffs, subsidies, targeted import control and ultimately, export orientation strategy (Makwiramiti, 2011).

The ISI industrial policy is premised on the realisation that economic development and more specifically, industrialisation can only be achieved by developing local capacity that is capable of substituting imports in order to reduce or possibly eliminate economic leakages. This policy became popular in today's developing economies shortly after the Second World

War, essentially because production resources were directed away from household manufacture to war armaments during the war by the developed economies and the cost of living skyrocketed shortly after the war, which exerted pressure on the meagre foreign reserves of the developing economies (Ahmad, 1978).

Moreover, ISI is seen as a catalyst to achieve economic diversification (Shafaeddin & Pizarro 2007). Evidence from the industrialised economies suggests that economic diversification is achievable within the policy frameworks of ISI. In that, the mechanisms deployed in the implementation of this policy (reduction of tariffs on input resources, high import duties or locally manufactured goods, exchange rates differential, and eventual abolition of export duties) help the developing economies to garner the requisite industrial experience to embark on competitive exportation of manufactured goods (Schmitz, 2007).

2.2.2.2 How trade liberalisation by Mandela's government brought SA into international economy while showed negative impact on industrial employment

The ISI experience in South Africa is similar to that of Brazil, albeit with country-specific undertone. A modification of Tisdel (2009) observation about the success of China′s macroeconomic policy explains the current state of economic development and the economic prospect of the country. For instance, while the Chinese economy is driven by a partisan blend of cultural, political and economic philosophies, the South African economy is underpinned by political history that spawned its economic philosophy. In living history, before Mandala's government South Africa is the only country where full-fledged apartheid political ideology was implemented for decades. To this extent, some understanding of the political history of South Africa is required to nuance the country's macroeconomic policy dynamics.

Documented evidence suggests that South Africa adopted the customary African-orientated economic openness. The country had well-established economic relations with Arabian and Asian countries long before the arrival of the Europeans in 1806 (Ross, 1983). The country was famous for its exports of a range of products, such as gold, copper, millet, grains, and coconut to the Middle East and Indian Ocean economies (Rugumamu, 2005). Just like other parts of Africa, by the beginning of the 19th century, local trade had existed for centuries in most parts of Southern Africa. The mineral revolution that began in 1867 when diamond was first discovered prompted a lot of Western interests in the country and, this stimulated

resource interests eventually precipitated not only European economic domination but absolute political control.

The Union of South Africa was created in 1910, headed by General Louis Botha, the first Prime Minister of the Union. Given the political advantage, the English took total control of every economic means of the country, and apartheid policy was introduced and reinforced with the promulgation of the Black Labour Relations Regulation Act 1973. Between 1910 and 1922, the Botha and Smuts governments further reinforced racial discrimination by radically tilting the social and economic structures of the country with the intent of creating conditions conducive to a successful and profitable exploitation of South Africa's mineral wealth (Moritz 1994).

To boost foreign earnings, this regime incentivised mineral exports and created a globally integrated economy. However, the oppression of the English was challenged by the election victory of socialist Labour Party combined with nationalist-orientated National Party, which strongly opposed the economic and colonial power of the English.The electoral victory of this coalition shifted the economic philosophy of the government from economic liberalisation to economic nationalism in the form of protectionism and a full-fledged ISI was adopted (Moritz 1994).

The regime advocated economic self-sufficiency through a policy of import substitution, which selectively but extensively, encouraged local industry via exorbitant import quotas. ISCOR (the Iron and Steel Corporation) was established in 1928 to boost the productivity of heavy industry (Soludo, Ogbu, & Change, 2004). Due to inherent problems associated with apartheid, especially global isolation, Prime Minister Vorster, who ruled South Africa between 1966 and 1978, strengthened the ISI economic policy as part of its industrial strategy, which was designed to lessen South Africa's dependency on foreign suppliers of strategic goods. This was achieved by implementing these ISI-related initiatives:

–The availability of large subsidy for import substitution was decided on.
–Strategic industries like SASOL and Armscor were developed and enlarged.
–Large subsidies were provided for industrial development in the homeland border areas.

These interventions were insufficient to avert the looming economic collapse, deepening economic crises the capital flight that resulted from divestment by multinational corporations

and continued political tensions. This catastrophe, inter alia, culminated the transition to a non-racial democracy in 1994 (Nattrass & Terreblanche, 1990).

The political and economic history took another dimension since the political emancipation of the country in 1994 when Mandela was elected President of South Africa. Upon readmission into the global economic community, the country adopted a series of economic reforms that are capable of engendering access to global markets and capital as dictated by the institutions of Washington consensus (Magubane, 2002).

These macroeconomic policies were primed on liberalisation of the economy to foreign competition, astringent fiscal and monetary policies, privatisation of state-owned assets, and the labour market liberalisation. More specifically, the post-apartheid era in South Africa has been characterised by an open market economy that adopts all the vestiges of export-oriented industrialisation. One may then reasonably suggest that ISI helped to develop South Africa's mining sector, supported energy and power generation to fuel the economy, and transformed the country's military capabilities as a result of her extensive participation in global trade.

2.2.2.3 Exogenous growth model

The neoclassical model states that in the long term, the growth rate of output per worker is dependent on the rate of labour-augmenting improvement in technology, which is determined by factor(s) not contained in the model (also known as exogenous factors). The model implies that all economies that use similar technology, which could improve over time, should have converging productivity growth rates (Solow 1991:398). Permanent differences in productivity levels are caused by faster/slower population growth or higher/lower savings rate. Lower productivity could be due to climate deficiencies or other factors not accounted for in the model (Solow 1991:398).The Cobb-Douglas (1928) production function, also called the neoclassical production function, is expressed as follows:

$Y = LaKbT$ where $a+b=1$ (1)

where:

Y= output

L= labour

K= capital

T= time or the rate of technological progress which changes over time.The weights a and b represent the proportion of Y that accrues to labour (L) and capital (K) respectively. The inclusion of the technology variable freed the neoclassical theory from the doomsaying of Malthus and Ricardo and formulated the ultimate destiny of mature economies in terms of the more acceptable but still rather conservative stationary state, where all real variables grow at a constant, proportional rate. Robert Solow (1970:7) remarked that "the steady state is not a bad place for the theory of growth to start, but may be a dangerous place for it to end". The simple Solow (1956:85) model depicts the output, Y, of a business, as a function of three variables: capital, K, labour, L, and knowledge or the"effectiveness of labour",

At. $Y = Ka(AtL)1\text{-}a \quad 0 < a < 1$ (2)

Knowledge or technical progress is assumed to be independent of both the capital and labour inputs and to be a non-rival good, which is free for all businesses. It appears multiplicatively with labour in (1), denoting that knowledge contributes by "augmenting" labour and not affecting capital. The exponents a and (1-a) measure the relative contribution of the two inputs of capital and "effective labour". These exponents add to unity, to comply with the constant-returns-to-scale assumption for production (e.g. doubling of factor inputs resulting in output also increasing by 100 per cent). Equation (1) describes how actual output is determined. The equation is simplified by taking logs, after which the equation indicates output growth so that:

$y = ak + (1\text{-}a)(a + l)$ (3)

Lower-case letters represent the proportional growth rates of their upper-case equivalents.

This equation may be rewritten as:

$y - l = ak' + a$ (4)

where: $y - l$ = the growth of output per worker

k' = the growth of capital per effective worker (K/AL)

To see what the neoclassical growth model predicts, we can simplify matters by assuming that there is no labour force growth (annual entry to the labour market is equal to annual retirement) - a situation not too far removed from the reality in many countries. This means that, in terms of equation (2), y equals the growth of income per worker (i.e. labour productivity).

This model has three important features which recent growth theories have challenged:

- □□□ □□□□□□□□□□□□□□□□□□□□□□□ output (i.e. a and (1-a)) are equal to their respective shares in the total income (output). For all businesses in an economy taken together, this could be approximated by the national accounts breakdown into wage and non-wage income.

- □□ □□□□□□□□□□□□□□□□□□□□□□□□□□□□□ effective worker would be constant in the long run, so that k' = 0 in (2) and per capita income growth is therefore entirely determined by knowledge growth, and

- □□ □□□□□□□□□□□□□□□□□□□□□□□□□□□ income level (permanently) by raising the growth rate of capital (and income) in the short run, but since the ratio of savings to income cannot continue to increase indefinitely, investment cannot cause income to grow permanently. Countries that invest more would be wealthier but would not grow faster since the only source of long-term growth is technical progress (or "knowledge accumulation"), which is assumed to occur at an exogenous rate. According to this model, income growth rates are beyond business and government control. This is a disappointing and dubious outcome because real-life experiences point to the contrary, especially in case of business.

2.2.2.4 Endogenous growth model

According to Romer (1994:31) "Endogenous growth embraces a diverse body of theoretical and empirical work. The empirical work does not settle for measuring a growth accounting residual that grows at different rates in different countries. It tries instead to uncover the private and public sector choices that cause the rate of growth of the residual to vary across countries." The endogenous growth theory has sparked and retained the interest of social scientists since the publication of Romer's article in 1986. This interest is witnessed by the spurt of research papers during the late 1980s and 1990s. Two mainstreams of endogenous growth theories have emerged, namely those focused on technological change and those mainly concerned with human capital.

In view of South Africa's below par education system, low skills base, high unemployment rate, exacerbated by continued job losses, the country appears to be in the grip of just such a low-level equilibrium trap. When human capital is defined as the phenomenon inherent in people, it is rival and mortal and can be lost. Human capital is therefore defined as the stock of knowledge of a business and refers to a body of endogenous technological progress. This definition of human capital obviates the human mortality and attrition problems (Lucas 1988:28; Solow 1991:401). In the endogenous growth theories it is possible for growth rates to increase indefinitely over time and for larger economies to grow faster than small ones as has been illustrated by the strong and sustained growth of Japan for many decades and by the USA in the 1990s.

2.2.3 THE SOUTH AFRICAN ECONOMY OUTLOOK

The S.A. economy is very unique and the biggest in Africa. It is well-known of producing wine and also known of trading different types of agriculture products. These products are normally wool, maize, sugar, and fruit. It is reported that the agriculture contribution in the economy is approximately three percent of GDP, while land only has ten percent that could be used for planting agriculture products. The biggest contributor in the economy is the industrial sector with thirty one percent (31 %) of the GDP. This part of Africa is producing more platinum and chromium as well gold, and diamond and also a leading in coal production (Cook, 2013:14).

South African economy is also increased by other important sectors such as moto industry, textiles and chemicals. The growth was also reported after there was an increase on chemical and foodstuff sector while steel and iron production expanded. The country's economy is service contributes the largest share of GDP, 67%. The tourism sector and the banking sector were recorded as well established and stable in South Africa. Other sectors that are well established were energy sector, legal sector and transport sector. The local cell phone companies are playing a critical role through the continent in Africa. Local industries such as SABMiller which is a company that operates at a global stage. Other report shows that the South Africa Johannesburg Stock Exchange is internationally recognised on its role (Cook, 2013:14).

According to the World Bank report (2013) SA economic challenges are common due to the decreasing saving rates, which forces the SA firms to borrow money from foreign sources.

The SA state deficit is growing recently. The reported average is about, around 0.5% of GDP since 2005- 2008. The 2009 stats recorded an average 5% of GDP from 2009 - 2012. The SA government recorded a net debt of 23% of GDP in 2008 and 34% respectively in 2008 and lastly above 34% in 2012. The entire external liability (debt stock) rose almost $114 billion in 2011.Recently the real per capita GDP growth was affected by slow growth which had an impact on the SA growth rate entirely. This review show a weak economic outlook for SA over the years and a proper trade agreement that benefit LCD's would have been ideal for all the poor countries in improving each economy and foster trade agreements that are progressive.

2.2.3.1 PERSPECTIVE OF SOUTH AFRICAN ECONOMY (HISTORICAL PERSPECTIVE)

According to Hoeffler (2000) the historic decoration of present Africa's economic growth offers an understanding to those who are interested in countries (SA) existing or current options regarding economy and policy direction. Since 1960 to 1973, after the liberation of many African countries, there was a shift in economy which was strong particularly in Sub-Saharan Africa (SSA). After this period most African countries were facing a sluggish economic growth yet again.

The sources of Africa's sluggish economic growth have always been a very important discussion among emerging economists. Research indicates a state of poor governance, the poor leadership, the political uncertainty and the past effects of colonialism that resulted in the entire Africa's current economic conditions. The reasons for the above factors were attributed to the Africa's slow growth and sluggishness were because of the lack of capital, dependence on one exported products or commodities, slow output and burdens increasing population rates (Jones, 2010). Other authors such as Arbache & Page (2007) says that from 1973 to 1980 there was a recorded huge economic decline in most African state and this situation continued until 1990s. The GDP was at its slightest place 1990s; this didn't show any improvement in late 70s until 2005. Economic growth unpredictability in SSA countries' is normal as predicted by previous trends phenomenon. The Word Bank case study report findings indicated more growth unpredictability more than any other Africa states that South Africa has experienced in recent years.

The economic challenges experienced by SA and other African stated could be direct to lack governance and the ever increasing prices on good and services worldwide (Archache and Page, 2007). The information on Africa growth showed a steady progress and recovery since 1994. However that information on growth rate was until the end of the 90s which remained far lower that the post-colonial phase (Economist, 2000).

They were also negative data on growth reported during this period in the 1990s. This data indicated that in fourty years (40) the SSA per capita income growth posted an average of only 0.9% which is 1.5% far lower than the other developing countries in Africa and which showed 3% below Botswana (Pritchett, 1998).

The analysis of each African state shows a huge difference in economic performance in recent years. Another study by World Bank found that of 36 African states only 22 states posted a acceptable growth before there was a long period of sluggishness. The other fourteen (14) states experienced a sluggish growth rate of 1.5 percent in thirty years (Langton, 2008).

The impact of slow economic progress for many African states has serious implications on the rate of unemployment which also saw an impact the progress of the standard of living in Africa as a whole. African countries are experiencing a decline on the standard of living (Easterly, 1996). Therefore historically South Africa has had many economic challenges and some of the trade agreements have not bare positive fruits since the dawn of democracy in 1994. This paper shows the gaps and more issues that better trade agreements would have addressed since democracy.

2.2.3.2 SOUTH AFRICA IN A GLOBAL ECONOMIC CONTEXT

The S.A.'s level of competitiveness at the international stage is facing problems emanating from SA's economic structural policies and the international market trends, which in turn influence the country's economic policy shift and growth patterns (World Bank, 2000). The International Monitory Fund 2013 report on exports shows that a SA has a substantial total of wealth in the economy.

Looking back in 2008 to 2009, there were many changes in the global economy that saw significant change in the international economy and indirectly affected the SA's economic

prospects. Apparently this global economic to economic crunch contributed a 1.5 percent fall in SA's real GDP, whilst the economy reported slow recovery of about 3.1 percent by 2010. Currently the world is facing yet another crisis, this time around is the European economic crisis. This crisis has been the root course of the drop in the European demand for South African goods and services. This is however seen as the overall increase to the exports, while South African firms or industries were escalating their interests in Africa especially in the finance, minerals and telecommunication industry (World Investment report, 2013).

The Foreign direct interests (FDI) opportunities have opened wide the prospect of all businesses in South Africa to find access to the international arena. Since 1990 South Africa opened its shores for the FDI's to enter in the local markets which saw an injection of about $9billion in 2008 but also dropped slightly in recent years (World Investment Report, 2013).

The World Bank report indicates that South African environment is conducive for business. This however declined when Zuma took office as the head of state in 2009. The reports of violence increase in crime, corruption and others issues such as political instability in neighbouring countries were reasons that hindered FDI growth in recent years (Cook, 2013:16).

In its pursuit to play a role in global stage, South Africa participated in the world economic forums, and hosted major sporting events. SA is a member of G20 and also a member of (Brazil, Russia, India and China (BRIC) which is established to form a strong economic bond between these countries (BRICS Summit Report, 2013). South Africa plays a critical investment role in trading and partnering with countries such as china. This relationship has also produced key economic and political collaborations with China over the past years, which saw Chine becoming SA's the greatest trading partner since 2009 (IMF report, 2009).

However, China's growing economic presence in South Africa and Africa is hardly altruistic and is guided by principle of "mutual benefits" to both sides. Beijing mobilizes its vast financial resources to invest broadly in infrastructure projects across Africa and extract natural resources in return, Moreover these, these investments generate multiple layers of benefits for China, including contracts for Chines services companies, the relocation of labour-intensive, heavy-pollution industry from China, political favors extracted from African governments on foreign policy issues at multilateral forums such as the United

Nations, and a positive image for China being a "responsible stakeholders." These motivations are true in explaining China's interest in resource-poor African countries.

This strategy will most likely will continue in the foreseeable future. In July 2012, China doubled its 2009 commitment to provide $20 billion financing to Africa to further its strategic blueprint in the next three years. The contemporary analysis of China's role in Africa is dramatically split. According to Dragon-Slayer emphasize China's selfish quest for Africa natural resources and how it sabotage international efforts to keep unpalatable Africa regimes in check. Chine enjoys unique financial and political advantage in promoting Africa's growth but neglets the increasing unemployment coursed by their strategy in reallocating of Chines nationals to local projects selling of cheap goods, governance, fairness, and sustainability of such developments. Therefore, the short-term benefits China provides to South African and the whole of Africa is intrinsically flawed and has long-term negative impact on jobs creation and economic stability.

Unemployment rose in South Africa since 1980. Meanwhile large-scale unemployment has become the prime social and economic issue in South Africa and a number of developing countries, It is a colossal waste of human potential and national product; it is responsible for poverty and inequality; it erodes human capital; and it creates social and economic tensions wherever it strikes (Snower & De La Dehesa, 1997: 1). Barker (1999: 165) defines the unemployed person as the one who is withoutwork, is currently available for work, and is seeking or wanting to work. The unemployment rate is defined as the number of unemployed persons taken as a percentage of the economically active population , which includes both the employed and the unemployed.

Human Science Research Council (1985) found that most definitions of unemployment require that a person not only wants to work but also looks for it actively. This ignores the discouraged work-seekers who may want to work at the going wage, but has given up looking because he perceives the chance of getting it to be very slim. This type of unemployment is sometimes known as hidden unemployment. Although no market signals are generated by those in hidden unemployment, it is not conceptually different from the open unemployment. engaged in second-choice non-employment activities, such as education or housekeeping primarily because job opportunities are not available either at the level of education already attained or, for women, due to social mores (Todaro,1994: 229). Educational institutions and

households become employers of last resort. Moreover, many people enrolled for higher education may be among the less able as indicated by their inability to compete successfully

In neo-classical growth models, the long-run rate of growth is exogenously determined by either the savings. rate (the Harrod Domar model) or the rate of technical progress (Solow model). However, the savings rate and rate of technological progress remain unexplained. Endogenous growth theory tries to overcome this shortcoming by building macroeconomic models out of microeconomic foundations. Households are assumed to maximize utility subject to budget constraints while firms maximize profits (Todaro, 1994: 230).

Crucial importance is usually given to the production of new technologies and human capital. The engine for growth can be as simple as a constant return to scale production function (the AK model) or more complicated set ups with spillover effects (spillovers are positive externalities, benefits that are attributed to costs from other firms), increasing numbers of goods, increasing qualities, etc

Often endogenous growth theory assumes constant marginal product of capital at the aggregate level, or atleast that the limit of the marginal product of capital does not tend towards zero. This does not imply that larger firms will be more productive than small ones, because at the firm level the marginal product of capitalist still diminishing. Therefore, it is possible to construct endogenous growth models with perfect competition. However, in many endogenous growth models the assumption of perfect competition is relaxed, and some degree of monopoly power is thought to exist.

Generally monopoly power in these models comes from the holding of patents. These are models with two sectors, producers of final output and an R&D sector. The R&D sector develops ideas that they are granted a monopoly power. R&D firms are assumed to be able to make monopoly profits selling ideas to production firms, but the free entry condition means that these profits are dissipated on R&D spending (Todaro, 1994: 229).

The main implication of recent growth theory is that policies which embrace openness, competition, change and innovation will promote growth. Conversely, policies which have the effect of restricting or slowing change by protecting or favouring particular industries or firms are likely over time to slow growth to the disadvantage of the community.

Peter Weenerlol notes: Sustained economic growth is everywhere and always a process of continual transformation. The sort of economic progress that has been enjoyed by the richest nations since the Industrial Revolution would not have been possible if people had not undergone wrenching changes. Economies that cease to transform themselves are destined to fall off the path of economic growth. The countries that most deserve the title of "developing"are not the poorest countries of the world, but the richest. [They] need to engage in the never-ending process of economic development if they are to enjoy continued prosperity.

One of the main failings of endogenous growth theories is the collective failure to explain conditional convergence reported in the empirical literature. Another frequent critique concerns the cornerstone assumption of diminishing returns to capital. Some contend that new growth theory has proven no more successful than exogenous growth theory in explaining the income divergence between the developing and developed worlds (despite usually being more complex).

Table 2: GDP and Other key Economic Indicators 2007-2012

Indicator/Year	2007	2008	2009	2010	2011	2012
GDP (Current Rand Billions	2016.2	2256.5	2406.4	2659.4	2917.5	3155.2
GDP (Current U.S. dollars, Billions	285.8	273.5	285.2	363.2	402.2	384.3
Real GDP Growth (Annual % Change; Constant Rand"	5.5	3.6	-1.5	3.1	3.5.	2.5
Real GDP Growth Per Capita (Annual% Change, Constant Rand)	3.4	2.5	-2.6	2	2.2	1.3
Inflation, Consumer Price (Annual% Change)	7.1	11.5	7.1	4.3	5.0	5.7
Unemployment (Annual;% of Total Labor Force)	23.3	22.9	24	24.9	24.9	25.2

Source: International Monetary Fund, World Economic Outlook Database, April 2013 update.

a) Annual percentage change in GDP in constant (i.e., inflation-adjusted) Rand, with 2005 as base year.

b) CRS calculation of annual percentage change in per GDP measured in constant rand,using 2005 as a base year.

c) IMF estimate for 2012

Table 3: Key Trade Indicators, 2007-2011

Indicator	2007	2008	2009	2010	2011
Exports of Goods and Service					
Current U.S. $ Billion, BoP	90.3	98.9	78.6	99.7	117.7
Annual % Growth	5,9	2.4	-19.5	4.5	5.9
Value as % GDP	31.3	35.8	27.4	27.3	28.8
Imports of Goods and Service					
Current U.S. $ Billion, BoP	98.1	107.5	80.8	100.3	120.1
Annual % Growth	9.0	1.4	-17.4	9.6	9.7
Value as % GDP	34.2	38.8	28.3	27.5	29.4

Source: World Bank, World Development Indicators database.

The stats above indicated that South Africa can improve in the global market if there could be positive shifts on trade and the support of FDI. It is evident that SA is a relatively friendly country to do business and investors see the country as a future Africa economic hub.

2.2.3.3 SOUTH AFRICAN TRADE PROGRAMME SINCE 2008

After the election of President Zuma as the head of state, his government began a free-market reforms and private sector driven economic approach. This strategy was motivated an urge to push economic growth, goods and services and the creation of employment. This kind of investment would support the expansion on infrastructure programs, skills development, community development programs (Nevin, 2012).

The government launched a medium-term growth plan, This plan was termed " The New Growth Path". The focus of this plan is the revolution of the industrial policy framework, intended to ensure that SA's economic expansion output of producing about 5 million work opportunities is achieved in the next 3 years. These plans would also reduce 25 percent to 15 percent by 2020. This plan main focus is public infrastructure investment and they were five key priorities, namely: Energy, transport, communication, water and housing. They are many other programmes to be funded by the government that were aimed at developing human resources and investment in order to create employment and productivity in the green economy sector. This sector is made up of but not limited to, solar power, wind power, biofuels, agriculture, tourism and other (Nevin, 2012).

Nevin (2012) argues that in order for economic reform, SA needed to think about the establishment of state owned mining company. This firm would solely focus its resources on value added processing to push for the greater resource exploitation in order to remain a key

player in the sector dominated by mineral resources industries. The key features in this new plan were the proposals for wage cap and bonuses. Proposal was seen as a threat to hence union rejected it which feared that private sector bonuses cap may discourage FDI's

According to Cook (2013) and Nevin (2012), the growing public expenditure replicated over trillion of rands as reported in the budget of 2012/2013. The state may expand the development finance institutions roles, thereby pushing for the economic friendly funding models. Some scholars have asked if the state owned enterprises can deliver such massive projects without capacity challenges which may course major delays, costs overruns and lack of expanding monies allocated for massive infrastructure projects (Cook, 2013:17).

The biggest threat for the government in order that may hinder the access to financing public investments would be labour unrest and corruption. During 2012 the country was facing economic risk by being downgraded by Moody's Standards and Poor as well as Fitch, which in turn resulted on very expensive public investment finance and forced government to find other sources such as China (Lourie et al, 2012).

During 2011 South Africa received $805.6 million from EX-IM as a loan to finance the expansion of coal power plant for ESKOM. Another agreement was signed in 2012 which would see South Africa purchasing $2 billion worth of U.S. technology to produce clean energy as well as the government infrastructure initiatives (Lourie et al,. 2012).

Since 2008 after the world economic crisis the SA government has been battling to introduce economic policies that will help the country to reform its economy. The paper has highlighted the challenges that the country is facing and under the current leadership more reforms on trade policy could be a possible direction to improve the economy in the next 10 years. The improvement in infrastructure projects such as roads, rail network, communications network and water (constructions of dams) is a positive step and will improve SA's economy.

2.2.3.4 S.A. AND U.S. TRADE AGREEMENT

South Africa does not have mineral resources such as oil, but is the large U.S trade partner U.S as per the 2012 ratings and followed by Nigeria (Cook, 2013:20). The FDI's in South Africa have expanded since year 2000. In 2011 FDI's in South Africa provided funds for manufacturing , chemicals, transport equipment , wholesale trade, professional , scientific

services and technical service, non-banking (Cook, 2013:20). The FDI's role in the economy is crucial. South Africa economy could improve significantly according to the above review analysis if more foreign investment were a primacy to the current administration.

Table 4: U.S. Trade with South Africa, 2008-2012

($billions; totals may not add up due to rounding

Year	2008	2009	2010	2011	2012
Total Trade (U.S. Exports and Imports)	20.1	13.8	18.0	21.4	16.2
U.S. Trade deficit	-2.7	-0.1	-1.8	-1.2	-1.1
U.S. Exports					
Goods	6.5	4.5	5.6	7.3	7.6
Private Services	2.2	2.4	2.5	2.8	na
Export Totals	8.7	6.8	8.1	10.1	7.6
U.S. Imports					
Goods for Consumption	10.0	5.9	8.2	9.5	8.7
Private Services	1.4	1.1	1.7	1.8	na
Imports Totals	11.4	7.0	9.9	11.3	8.7

Source: Good trade data: International Trade Commission (ITC), Trade Data Wed and CRS calculations. Service exports: Bureau of Economic Analysis (BEA), Commerce Department, "Private Services Trade by Area and country, 1992-2011."

Table 5: South Africa: U.S. FDI and Related Indicators Trends

Indicator/Year	2008	2009	2010	2011
U.S. FDI Stocks ($billion, historical-cost basis	5.00	5.81	6.47	6.55
U.S. Financial Flows into South Africa ($ millions without current-cost adjustment)	306	410	779	722

Source: BEA, "U.S. Direct Investment Abroad: Selected Items by Detailed Country, 2007-2011"; and CRS calculations using data from BEA, "U.S. Direct Investment Position Abroad on a Historical-Cost Basis, 2011."

2.2.3.5 TRADE AND INVESTMENT AGREEMENTS (U.S. & S.A.)

The United State and South Africa have an agreement to partner in improving the exchange of goods and services through collaborations. The very first was Trade and Investment Framework (TIFA) signed in 1999 and amended in 2012. This was followed by the U.S.-South Africa Council on Trade and Investment dealing with investment related issues and meets annually (Trade and Investment Policy report, 2012). The second instalment of trade agreements was motivated by the nature of scope of the potential trade liberalization. These agreements was signed in 2000 namely the U.S and S.A. After these developments, the U.S. used taxation agreement benefiting countries and was agreed upon in 2007 (Jones & Brooks, 2013).

Jones and Brooks (2013) also argue that the significance of S.A. trade in AGOA at some stage took a dive, but subsequently increased recently. The value of SA's commodity peaked in 2011, at $2.5 billion. South Africa posted 80 percent of exports mainly cars (automobiles). This was followed by another category which included mineral resources, agriculture and farming. The study showed that these goods were nearly 95% of AGOA exports.

Therefore South Africa lacks proper trade policies and strategies that will foster ties and better trade relations with America. This paper highlights the gap on policy and the export and imports figure points to a challenge on policies including the AGOA.

2.2.3 SOUTH AFRICA: REGIONAL HEGEMON OR MIDDLE POWER?

South Africa has constantly performed better than other African states in FDI. S.A markets attraction began in 2003 and drawing the attention of about one fifth of all investments in to the world, more than double its closest African rival. The FDI flows, serve to cement the country's status as one of the most desirable partners in the continent for many countries. The country's economic size also means South Africa has strong trade relationships with a number of countries on the African continent, with some countries even making its top 5 export and import countries (Saule, 2014:73).

South Africa on the other hand is the biggest Foreign Direct Investor in Southern Africa having invested in countries as diverse as Tanzania, DRC, Zimbabwe and Mozambique (Alden & le Pele, 2009:36). Trade on the continent has risen by more than 300% since 1994 although trade is still in favour of South Africa with more exports from South Africa than imports from the continent.

Table 6: South Africa's top five receivers of exports in Africa

South Africa Top Five Trade Partners- Africa										
South Africa Trade by Country										
Country	**Imports to world in (R Million)**					**Rank**		**Proportion**		**Annual growth**
Country	2013	2012	2011	2010	2009	2013	2012	Total%	Cum%	2012-2013
Botswana	44 496	41 645	33 177	30 451	29 263	4	4	4.78	30.19	6.85
Namibia	40 961	33 534	31 147	28 276	23 891	6	6	4.40	39.06	22.15
Mozambique	27 373	19 316	17 486	13 766	13 402	10	12	2.94	51.72	41.71
Zambia	26 282	21 784	17 225	12 624	11 960	11	10	2.82	54.55	20.65
Zimbabwe	23 196	19 850	17 636	15 543	13 307	13	11	2.49	59.56	16.85

Source: Department of Trade Industry (SA) Trade Data

Table 7: South Africa relationship with the African continent

South Africa Trade by Country										
Country	**Imports to world in (R Million)**					**Rank**		**Proportion**		**Annual growth**
Country	**2013**	**2012**	**2011**	**2010**	**2009**	**2013**	**2012**	**Total%**	**Cum%**	**2012-2013**
Nigeria	34892.74	30546.411	22654.261	16079.707	15634.452	7	7	3.503703	52.629142	14.22708169
Angola	18919.874	22999.846	11514.243	14600.554	11659.012	13	9	1.8998366	67.194177	-17.73912446
Mozambique	12212.542	10377.728	7425.596	3843.7232	3508.7886	19	19	1.2263208	76.530911	17.68031043
Swaziland	11251.716	9482.4728	6790.875	7219.8934	6251.7517	20	25	1.1298395	77.660751	18.65803467
Namibia	6657.9217	5341.7145	5325.6589	4976.1125	3814.419	31	33	0.6685543	87.491007	24.64016328

Source: Department of Trade Industry (SA) Trade Data

The above tables analyse the South African relationship with the continent and it has gone from being the main regional destabiliser, which the other countries have to co-operate against the main source of economic growth, with which they have to co-operate. During apartheid, South Africa role as a hegemon was undermined by external factors and the political situation.

South Africa role of being a leader in African conflict resolutions has been recognised by many. Ploth (2004), describes SA as a country with a "government that has played an active role in the promoting regional peace and stability". Ploth (2004) further indicated that "South Africa is poised to have a substantial impact on the economic and political future of Africa." South Africa is the only Africa member of the G20, the premier forum for international economic cooperation, a big achievement for the country and the continent.

South Africa's motivation for the activities highlighted above has always been clearly articulated as part of the plan or fight for the eradication of poverty and the economic empowerment of the South, translating into its economic liberation within the context of an increasingly globalizing world (Field, 2000).

Adebajo and Landsberg (2000) describe how former South Africa president Thabo Mbeki spearheaded the African Renaissance project with then Nigerian President Olusegun Obasanjo. Today the country is recognised internationally and is one of Africa's investment destination. The role that the leaders of S.A. at the time played through peace efforts and the African Renaissance efforts were a clear direction of where was the country economically is

heading under the leadership of Mandela and Mbeki.. South Africa has an advantage of strong FDI's and economy compared to other African states. This should help the SA and the rest of the continent to have more reforms and benefit more on foreign investment and development. Foreign investment will be encouraged by the continent policies on trade and political stability.

2.2.4.1 SOUTH AFRICAN CUSTOM UNION (SACU)

Sanoussi (2001) defines SACU as a group of traders who has one mission to give each other preferential treatments to trade. This block intention is to remove all the exchange obstacles with member states. The regional trade is when neighbouring states are having trade deals with each other and made up of South Africa, Botswana, Lesotho, Namibia and Swaziland.

The SACU agreements between members make the whole region a Free Trade Area (FTA) with no internal barriers. SACU was founded in 1910 and the original agreement was signed between the then government of Bechuanaland (present day Botswana), Swaziland, and Basutoland (present day Lesotho) and the Union of South Africa (present day South Africa), (Draper et al., 2007). Under SACU, the five member states maintain a common external tariff, share customs revenue, and co-ordinate policies on trade issues (Lehloenya, 2009).

Members of SACU have the advantage of ensuring that the trade policies are well coordinated and developed to improve the trade amongst members. The other advantage is the ability to have free trade areas without any barriers which can also allow the SACU members to determine trade values and economic goals.

2.2.4.2 THE SACU ECONOMIC INTERGRATION

The US began negotiating a FTA with SACU in 2003. Different analyses provide different reasons for the existence of the TIDCA which began as a Free Trade Agreement negotiation (Langdon, 2008). Fergusson and Sek (2003) suggest that SACU's economic integration is the reason behind the US-SACU TIDCA.

Draper and Khumalo (2007) and Lehloenya (2009) agree and argue that in fact the prize for the U.S. was access to South Africa that also brought SACU's smaller members with it as a bonus in order to counteract the SA-EU deal. They argue that for the United States, the agreement was a reaction to South Africa's trade agreement with AU, which resulted in

companies from outside the EU having limited access to South Africa and in turn BLNS, since they have a common trade tariff. The United State 2004 Trade Policy Agenda and 2003 Annual Report also shows that this is amongst the reasons for attempting to go into an FTA with SACU. There are indications that other industries from Europe were receiving preferential status from South African market which shows that the U.S. was aware of this and possibly wanted to counter this effect (Draper & Khumalo, 2007:20). According to American official Langdon, the FTA was meant to eliminate tariffs overtime, reduce barriers, protect intellectual property rights, and provide technical assistance and achieving all set objectives of signed agreements (Langdon, 2008).

According to Draper and Khumalo (2007) the aim of SACU is to influence the FTA power as a strategy to achieve AGOA liberalisation in pushing for the extension of more profitable market entry. This would see the issue of tariff barriers affecting U.S. export, regional integration with SACU members and strengthening relationship with U.S. as a priority. This would protect relations in case Doha Rounds failed.

According to Langdon (2008) the U.S. also sought the same benefits. The FTA was going to be the first of such agreement with Sub-Saharan Africa. At the time of negotiation, SACU was the largest U.S. partner in whereby $2.5 billion of U.S. export in 2002 was completed. Another important reason for the deal was that the U.S. sought to use the FTA to force SACU to harmonize its investment and regulatory regime which were not uniform, in order to making trading easier. This agreement would be a framework to control the significant matters regarding the joint economic efforts with the assets and intellectual property rights.

The process of negotiating was fraught with fear from the onset with many analysts in the region warning SACU to tread carefully as the U.S. has a reputation for not backing down on intellectual property. It was therefore no surprise when the first stalling happened in 2004 over disagreement on intellectual property rights. A year later, talks began again and policy makers spoke of conducting negotiations issues by issues as the December 2004 deadline came and passed. By April 2006, however, the whole process was suspended in favour of pursuing a trade and investment agreement. The blame-game ensued with the U.S. blaming SACU and SACU blaming the U.S. for the failure (U.S.-SACU bilateral, 2006), (Draper & Khumalo, 2007).

The U.S. credited its failure to negotiate due to absence of coordinated exchange and investment policies within SACU. These African neighbouring blamed the U.S. inflexible approach, its comprehensive negotiating template, which includes many new general issues such as investment that the US was not keen to engage in (Draper & Khumalo, 2007).

The United State was wooing various individuals SACU members with the goal of creating bilateral agreements. Washington also hoped to create a trade and investment agreement that would eventually become a Free Trade Agreement (FTA). BLNS countries refused to sign on a version of the SACU-US agreement that was not satisfactory to them, as a result of their experiences with the European Union- South Africa trade agreement (Lehloenya, 2009).

During February 2007, both sides agreed to enter into a Trade, Investment and Cooperation Agreement (TIDCA) instead of the FTA that was initially sought out. On 16 April 2008, the U.S. and SACU finally engaged on a TIDCA deal. According to SACU, signatures of the 2008 agreement were aimed at promoting investment and expenditure and diversifying trade between SACU and the USA. The highlight of the deal was the formation of a consultative group on investment but little else was conceded outside of the benefits South Africa was already receiving from the U.S (Lehloenya, 2009).

The analysis of SACU-US agreement shows that the U.S. wanted the agreement to effectively compete with the European Union who had a trade deal with South Africa. The U.S.-SA agreement did have some gains but was not powerful enough to give access to whole region. To solve this, the U.S, pushed for a SACU deal, particularly an FTA. It stands to reason then that the U.S-SA TIDCA did not have a negative impact on BLNS.

In fact, it seems the lessons learnt by BLNS in the EU-SA negotiations made them better negotiators. They made the point clear that only way to gain access to their markets is not through signing an agreement with SA as the EU did, but rather to sign a SACU deal. One key criticism of the SACU-US TIDCA is that it does not go any further than merely political statements' and does not provide any more benefits than what SACU members South Africa, gets via AGOA and GATTS (Phiri, 2009). The US obsession in controlling SACU relationships with other member states is an indication how the US undermines African countries. Therefore the review paints a picture of U.S that has no interest to see SACU member benefits from other countries trade agreements and improved trade deals.

2.2.4.3 THE HISTORY OF U.S. OF TRADE PARTNERSHIPS WITH SOUTH AFRICA

All the people of Africa share common dreams for a better Africa. They want a continent that its aspirations will be directed through building the world best trading environment. Those are sentiments shared by people who are interested to see business friendly policies towards Africa. These aspirations potentially will improve trade and commerce between Africa and other countries. Some of the bilateral interests between U.S and S.A on business deals began after 1994 when South Africa received its liberation (Langton, 2008).

When South Africa was moving to a constitutional democracy and ending apartheid, U.S was the first country through President Clinton to institute several processes to assist SA in trade investment negotiations. Immediately after 1994 election, President Clinton declared a $600 million support and economic package for the country. The was followed by another proposal in late 1997 which gave birth to AGOA and this partnership gave the country many other advantages and benefits which dependant on SA's economic reform indicators (Langton, 2008).

At the same time U.S Congress was initiating various policies and legislation development in order to improve the U.S trade with African continent. After 1994 U.S implemented a Uruguay Round multilateral trade agreement, similarly Congress requested the state to prepare a detailed growth and development trade policy for the rest of Africa.

Draft document did not meet the expectations and some members ordered the administration to produce another legislation that will push the authorisation of a new investment agreement for S.A. The new legislation was approved in May 2000 which was AGOA. The new legislation offered new opportunities to do business, trade choices and other more monetary benefits but only to beneficiaries. This also was a positive step towards ensuring that SSA countries will improve their progress towards achieving progressive business environment and, protect the rule of law and human rights (Langdon, 2008). Therefore this paper shows that the AGOA deal has been signed many years ago but its benefits are not obvious when one carefully analyse the role of this agreement thus far and AGOA economic gains.

2.2.5 THE AGOA LEGISLATION BY THE U.S.

The final policy document was approved as legislation on AGOA in May 2000; this would the beginning of improve relations, trade benefits as well as the economic benefits. This move would see improved economic growth plans in place for sub-Saharan Africa countries that had met the requirements to do business with the United State.

2.2.5.1 CURRENT AGOA BENEFICIARIES

There were 41 Africa countries that received AGOA-eligible status and automatically received trade benefits. Out of the 41 list there were only twenty six (26) countries in Africa that were found to be AGOA eligible and met all the necessary and additional requirements. Meeting these criteria's meant that these countries would then obtain duty-free treatment status on the material as known as textile and clothing industry (Langton, 2008:14).

Table 8 shows African countries and their status under AGOA.

Status	Countries
Not Designated to Eligible (7 countries)	Central African Republic; Cote d'Ivoire; Equatorial; Guinea; Eritrea; Somalia; Sudan ; Zimbabwe
AGOA Eligible Only; Not Eligible under Apparel Provision (15 countries	Angola; Burundi; Comoros; Republic of Congo; Democratic Republic of Congo; Dijibouti; Gabon; The Gambia; Guinea-Bissau; Liberia; Mauritania; Sao Tome and Principe; Seychelles;Togo
AGOA Eligible, Eligible for Apparel Provision, Special Rule Does Not Apply (2 countries)	Mauritius ; South Africa
AGOA Eligible, Eligible for Apparel Provision, Special Rule Applies (24 countries)	Botswana' Benin; Burkina Faso; Cameroon; Cape Verde; Chad; Ethiopia; Ghana; Kenya; Lesotho; Madagascar; Malawi; Mali; Mozambique; Namibia; Niger; Nigeria;Rwanda; Senegal; Sierra Leone; Swaziland; Tanzania; Uganda; Zambia

Source: AGOA website maintained by the U.S. Department of Commerce and USTR at [http://www.agoa.gov].

2.2.5.2 THE AGOA AGREEMENT

During 2013 the AGOA recipients successfully sold and profited on more than $1 million worth goods to U.S. Since most of these countries enjoy the LDC eligibility for the duty-free treatment on export, they also have the advantage on flexible rules of origins which directly gave these countries an competitive advantage over producers particularly on textile industry.

They are very few countries known for producing apparel products, in the list there is Kenya, Lesotho and Mauritius. These products and countries where they are produced also benefits from AGOA. In future Congress should or may request to investigate the reasons behind the progress of using preference program and also to investigate if possible modifications that could help to produce similar successes under AGOA LDC's (Williams, 2015:17). There is a potential risk of limiting the preference programmes as the AGOA reforms to other African countries. The success of LCD's is important and dependant on the Congress interest preference program to assist other countries.

2.2.5.3 AGOA: TRADE CAPACITY BUILDING (TCB)

According to the GAO report (2015), there are number of problems that local exported are facing. These problems are; inadequate and poor infrastructure development and scarcity of skilled labour force. The USAID in particular has set out more comprehensive objectives for Trade Capacity Building (TCB) and managed through different agencies. An amount of $5billlion was distributed to TCB to fund all beneficiaries by different U.S. agencies such as USAID and MMC. .

After careful analysis in 2011 GOA submitted a report which found that USAID was in need for assessing the TCB programs. Benefiting countries must also be given assistance to advance the utilisation of the program through the appropriate execution of the WTO Trade Facilitation Agreement. Congress must decide to deliberate on how the program should allocate its TCB funding. This must be done in order to support the implementation processes (GAO: 2015). Importantly countries who are AGOA benefactors will gain from Congress depending on the level of development each country has. Infrastructure development such as roads and rail are key African countries, as they are moving towards aggressive trade policy approach to ensure that AGOA policies are effective.

2.2.5.4 FEATURES OF AGOA AND ITS ELIGIBILITY

The AGOA regulation stipulates that the U.S. president is designated to approve SSA states on annual bases to be suitable for the duty-free treatment status (Jones, 2010:12).

The U.S, legislation on the AGOA program requirements stipulates few criterions that member countries must ensure they are meeting in order to qualify for the benefits. Importantly countries must be working towards market based economic strategy,

constitutionally sound environment, no trade barriers, poverty eradication policies, fighting corruption systems, human rights laws and protection of U.S security (Jones, 2010:12).

The importance of stability is critical to AGOA benefits. This paper highlight the role AGOA played in forcing democratic changes in parts of Africa and this can only benefit all those countries who wants to continue in benefiting from AGOA and those who want to be AGOA members in years to come.

2.2.5.5 THE AGOA ADVANTAGES

Countries that are members of the program have exported billions of good to the U.S. since 2012. It is also reported that to date exports rose to 300% since the program was signed to law. However most of these products were petroleum, agriculture and moto vehicles (Dans, 2013). However the programme is not without its critics. One of the main criticisms is that the programme has created a high dependence on the U.S. for trade, such that countries like Lesotho and Swaziland are vulnerable to global economic changes (WTO report, 2009).

It has also been criticised for only resulting in a tiny portion of African exports going into the U.S. compared to the full access for U.S. companies that it demands in return. Only 2% of the total imports into the U.S. are products that come in under AGOA, with South Africa being the biggest benefactor outside of oil, and one with the most diverse range of products (William, 2013).

South Africa role as the biggest non-oil benefactor of AGOA forms the basis of the argument by American companies lobbying for the removal of South Africa. They argue that the country has a middle income status and should not be benefiting from U.S. market access more than poorer countries like Bangladesh for example (Marias, 2016:16).

AGOA has also been criticised and accused of being an instrument use by America and its companies to force the hands of AGOA recipients to fulfil programme to be extended by another 15 years (Dans, 2013). Only time will tell if AGOA will be extended beyond 2025 since it was renewed for South Africa in 2015 for another 10 years ending in 2025. The fact that there are few exports that African countries can send to U.S., while U.S have unlimited access to African markets pause a threat to local businesses. The AGOA agreements is one sided and countries will not benefit the way they should if their products were not limited to

enter the U.S. market. This paper clearly points out a raw deal for developing or emerging markets participating on the AGOA.

2.2.5.6 AGOA TREATMENT ON SA GOODS AND SERVICES

The AGOA treatment on products is very critical to South Africa because of the DFQF to U.S. imports. To date 5200 products that are already duty free under the U.S. schedule and also U.S. granting AGOA beneficiaries 86% duty-free on U.S. products. Although most of manufactured goods are included under AGOA, however some remain excluded in particular agriculture products because of the high competition (Elliott, 2014).

Farming goods which are included in AGOA are subjected to tariff-rate quotas (TRQs) and only restricted volume may enter duty-free. It was recommended that Congress consider the inclusion of other good/products and quantities under AGOA in future. This could assist in allowing AGOA recipients to take a great advance on the trade preferences programs (Elliott, 2014).

Elliott (2014) also argues that another useful method that will help to deal with the U.S. import sensitivities would be the reallocation of current quota as a substitute or alternative method to increase agriculture market access to AGOA countries. It is reported that products such as chocolate are not allocated to a specific country for trade therefore and may go unfilled. Therefore the reallocation of proportion to benefiting states could be administratively possible. This would reassure downstream production in other benefiting states. There are views that changing quota allocation may also require the WTO to approve this move, and consequently regulating possibilities (Inside U.S. Trade, 2014).

Another challenge facing tariffs and quotas especially the agriculture industry in Africa is the inability to meet the U.S. food and safety standards. There are suggestions that TBC funding may help these exporters to meet the standard requirements.

2.3 AGOA GUIDELINES

In contrast with other preference programs, AGOA guidelines are substantial in nature. For instance, the regulation on third-country fabric permits certain quantity of AGOA textile exports to be manufactured from yarns and fabric of origin. Unlike GSP, AGOA allows for unique cumulation, therefore that various AGOA beneficiaries will contribute towards 35%

required for product regional value content, the U.S. can fund at least 15% of the 35 (Williams, 2015:18).

Notwithstanding this current flexibility and limitations which other people may like to ease. It is wildly reported that other participants pursue for example, the increased acceptable worth of content attributes to the U.S. or relaxing technical restrictions on what costs amount towards cumulation

Certain AGOA benefiting states have debated that current rule of origin thwarted canned tuna from qualifying for AGOA preference, and have sought a common adjustments of the rules on a product-specific allowance. The debate point of departure is simple difficulties regarding reaching 35% threshold because the majority of cost of the canned tuna is the fish itself. It was wildly reported that the U.S. fish canning industry rejected such changes (Inside U.S. Trade report, 2014). Therefore it means the canned tuna industry according to this review is regulated by U.S. This cannot be beneficial to South Africa as the qualifying criterion is specified; while U.S. industry receives protection from the trade agreement to export it tuna canned products.

2.3.1 TRADE DISPUTE ON POULTRY

It was wildly speculated that certain section of Congress member who were in favour of AGOA, were also worried about South Africa's stance on imposing anti-dumping on U.S, poultry exports. Congress members supported AGOA on condition that there should be a resolution seeking the consideration on strengthening AGOA in stopping South Africa from benefiting from duty free preferences, whereas S.A continues reject and discriminate poultry from the U.S. The current set minimum criteria for eligibility include the making progress regarding the establishment of exclusion of berries (Inside U.S. Trade, 2016). The poultry industry is very sensitive, the export and import levies are critical since they will decide the survival of South African poultry industry and employment thereof.

2.3.2 TRADE AND DEVELOPMENT AGENCY (TDA)

According to the US annual trade report of 2006, Trade and Development Agency responsibility may not be directly on AGOA, however it draws its existence in ensuring that capacity building goals in Africa are possible. TDA achieve goals through initiatives such as

the funding of project planning studies, other related training programmes feasibility studies and orientation visits.

The aim of TDA is to meet some of its objectives for example, to produce substantial and potential export market for the U.S. by facilitating the access to these markers and ensuring countries with natural resources potential are targeted for the U.S, host nations and international development efforts. During the last quarter of 2006 financial year TDA implemented 62 projects worth a total $10.6 million (Development Agency, 2006). South Africa needs trade capacity in order to assist other developing economies in Africa. TDA and FDI's are the future solutions for development in order to have more access to natural resources. As this paper illustrate the need to fund 62 projects could be a positive move for SA's economy.

2.3.3 AGOA: CURRENT AND FUTURE CHALLENGES

According to Langton (2008) and CRS report (2008), there are five well documented current and future AGOA challenges.

The dissolution of the multi-fibre agreement

Some sections on the international market articulated their fear that such move would end the African textile clothing industry. Local markets would find it difficult to compete internationally without the quota-free advantage. The has been a huge decline on textile industries in South Africa over the past 10 years, however the industry is not completely out of business (CRS report, 2008 & Langton, 2008).

Expansion of AGOA Exports, Although clothing industry is making a good progress in U.S. under imports on AGOA, these imports dwarfed by AGOA imports for the petroleum and mining sectors well as the manufacturing industry makes up a growing part of U.S. imports under AGOA, these imports dwarfed by AGOA imports from the energy and mining sectors. Unfortunately these industries are extremely exploited and would not in any form produce needed job opportunities for African people.

The other challenges are that AGOA benefits are only concentrated in very few African countries, reportedly 85% of import during 2005 come from Nigeria, Angola and Gabon. Furthermore few AGOA-eligible countries export very little under the program. The ultimate goal of the program should be to see African countries participation; this can be achieved

through capacity building. Agriculture is a critical source of income for African people. If AGOA can expand agriculture exports this may raise income and improve economic growth. Strategically African countries may start by exporting light products; improve capacity, infrastructure and police to promote international investment.

2.3.4 AGOA TRADING DEVE LOPMENTS

The trading trend indicates that imported goods under AGOA consist of an increasingly substantial amount of U.S. imports coming from the South African markets and has a potential of growth over the next few years. Trends shows that as from 2007, AGOA imports were around $51.1 billion of the entire U.S., meanwhile imports from sub-Saharan Africa posted approximately $66.9 billion imports (Langton, 2008: 15).

The recent indicators in trade shows that between 2005 and 2007 AGOA imports were mostly energy related products. The sector reportedly contributed 93% of AGOA imports during 2007 similarly with previous years. This is indeed not a surprise since energy sector is by far the main product imported under AGOA. Nigeria is primarily producing oil and majority of its oil is supplied under AGOA (Langton, 2008:15).

As long as the imports exceed the exports the S.A markets will fail to create jobs and stabilise unemployment. As much as the paper shows stats regarding the increase on imports it did not do comparisons on the percentage of exports and its direct effect on employment and economic growth.

2.3.5 AGOA BENEFITS

Subtitle B of the programme stipulate that benefits may include preferential duty free treatment under the GSP. This is another form of unilateral exchange arrangement which permits a wider range of different products for poor countries to enter U.S. market freely. The GSP program includes 3400 goods and provides 1400 additional products preference for the least developed states (Schneidman and Lewis, 2012:4).

Approximately 6400 products are qualifying for duty free and quota free status if AGOA is linked to GSP. Other groups of products are import sensitive under GSP and therefore are meeting the criteria. The U.S, President has the prerogative to determine products deemed not import sensitive based on the international trade commission views and inputs. The other

group of GSP products have import limits. Countries benefiting from the program are excused from certain GSP limits waiver for competitive needs limitation. " (Ibid, 2011:12). The power of U.S in deciding on products that are import sensitive could be another challenge to South Africa exports markets. Therefore S.A and other AGOA countries may face these product limitations and the AGOA product eligibility status remains in question.

2.4 SOUTH AFRICA AND AGOA

Draper and Khumalo (2007) went so far as to suggest that apart from the World Trade Organisation (WTO)'s most favoured nation (MFN) tariff system, two important preferential trade schemes govern the bulk of South Africa's export to the US: the Africa Growth and Opportunity Act and the GSP. The challenge, however, is that these two schemes are unilateral in nature and can be theoretically withdrawn at any time.

Williams (2013) also defines the AGOA as "a non- reciprocal trade preferences program that provides duty-free treatment to US imports of certain products from eligible sub-Saharan African (SSA) countries". In 2000 when the programme was started, Africa was not an important trade partner but it is increasingly becoming an important player in the global economy with increasing competition from regions outside the U.S. The programme also aims to improve trade, increase investment and employment opportunity between the US and African countries. In 2002, AGOA II was launched and aimed for "substantially improved access to imports from beneficiary sub-Saharan African countries (Trade and policy agenda. 2004).

US officials believe that, "by providing duty-free entry into the United States for almost all African products, AGOA has helped expand and diversify African Export to the United States, while at the same time fostering an improved business environment in many African countries (Trade and policy agenda. 2010). During the first 10 years of AGOA created approximately 300 000 new jobs in Africa at an average of over 30 000 new jobs per year. South Africa is the biggest non-oil beneficiary, with the most diversified export, of all of AGOA's thirty seven eligible countries (Marantis, 2011:181).

Since the beginning of AGOA, U.S. exports to South Africa have grown to US$7.5 billion (Firsing, 2012). According to Peez, et al. (2010) South Africa also benefited in other ways

such as, automotive vehicles, machinery, iron, steel, platinum, diamonds, and ores as well as citrus fruit, wine, footwear are the biggest export from South Africa to the U.S; South Africa went from having only US$417 Million in export in 2001 to having about US$1.7 billion dollars by 2008 (Ibid); Customs procedures have been standardized; Diversification export to include agriculture products, an achievement most Africa countries are still grappling with; and Automobile and transport related export from South Africa to the US have risen from US$ 148 million to US$ 1.9 billion.

South Africa is not the only benefactor of AGOA. It has been important to the economy of Sub-Saharan Africa as a whole. Its main effect is that "during the last 10 years, on average more than 70 percent of Sub-Saharan Africa's exports to the U.S. have been duty free under AGOA or GSP (Schneidman and Lewis, 2012).

In Lesotho, AGOA spurred a vibrant textile and apparel industry that is the country's largest private sector employer with 36,000 workers (Dans, 2013); Lesotho and Swaziland became leading exporters of apparel and textile to the U.S. (Schneidman and Lewis, 2012:9); The Lesotho garment industry produces over 26 million pairs of jeans to service the US and South African markets. The industry has existed in Lesotho for three decades placing Lesotho at first position in supplying the US market with garments; and Botswana's beef and cattle sector was strengthened. Trade data indicates that in the period of 2001- 2008 alone, Botswana went from no trade to US $16 thousand, whilst Lesotho went from US$ 129 million to US $ 339 million, Namibia went from zero trade to US $ 28 million in 2007 and Swaziland went from US$ 8 thousand US$ 124 million (Dans, 2013).

2.4.1 OVERALL AGOA SUCCESSES

The volume of AGOA imports has increased 500 percent, from $8.15 billion in 2001 to $53.8 billion in 2011, and non-energy AGOA imports have increased 275 percent, from $1.2 billion to $4.5 billion (Schneidman and Lewis, 2012). According to the Department of Trade and Industry analysis, South Africa export that entered the United State under AGOA and GSP make up 43% of the total export in 2012. This means that almost half of South Africa's goods

entered the country duty free and or had zero rated tariff duties.

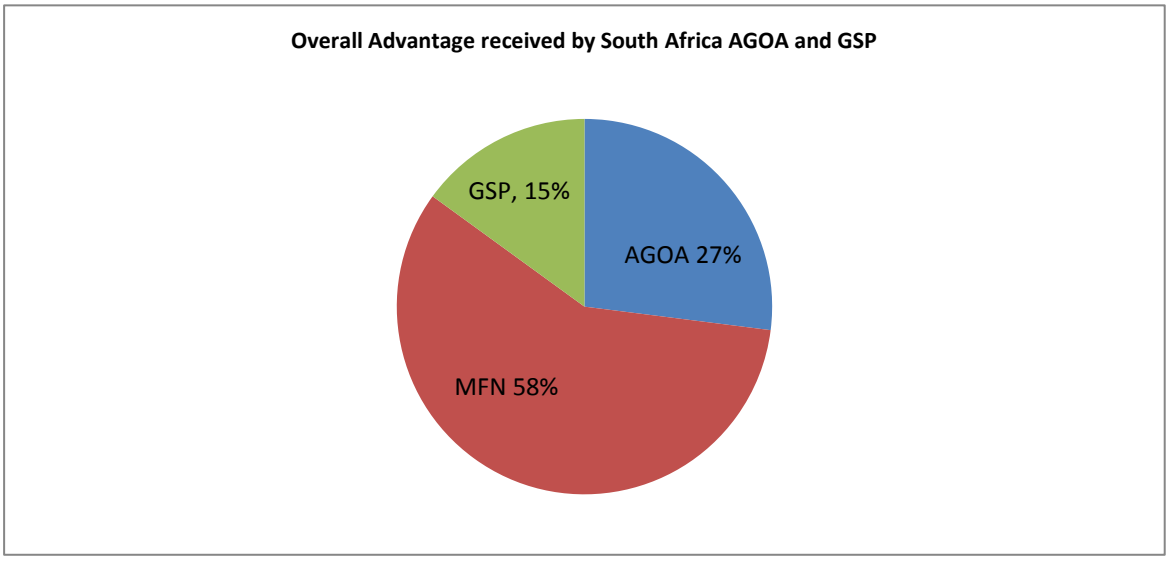


Figure 1: South Africa export to the US under AGOA, MFN and GSP in 2012 source: US international Trade commission.

The impact of these two instruments is huge, as a result of them, "South Africa's tariff line fell from over 12 000 at the beginning of the 1990s to 6500 in 2006 (Edwards, 2009:151-178).

2.4.2 CURRENT PERSPECTIVE FOCUS ON SOUTH AFRICA PERFOMANCE

South Africa's fiscal performance indicates that the country may have reached a breakthrough over the past years in its pursuit for a sustainable growth. SA's economic performance from 1995 to 2005 "reverse the collapses in 1975-1985 and the stagnations in 1985-1995" (World Bank, 2007).

The country fiscal growth since 2000 was around 4% and again in 2005. This is compared with 1% less in 1990, but there was increase by 5.6% after 2006. The growth figures recorded during this period was unpredictable and more evenly distributed in other African states. Of the fourthly eight countries only twenty two had an average growth rate of 4% or more in the past five years. The growth was firstly noticed in 2006, whereby a 5% increase was recorded. This improvement in the economy may have been the reflections and fruits of better governance, increasing trade flows, stronger commodity prices, rising aid flows and dent forgivers (The world bank, 2007).

Notwithstanding these encouraging developments, most African countries including South Africa failed to achieve the (MDG) in reducing poverty by 2015 without doubling their growth rate (Patillo et al, 2006). The World Bank had predicted that sub-Saharan Africa would achieve the real GDP growth rate by 5.8% by 2007 and respectively in the following year 2008. The World Bank predicted the growth rate of the world to be projected around 4% by 2006 and forecasted a 3.3% increase by 2007 (World Bank, 2007). The MDG goals were not met because growth rate was low and the unemployment rate has not improved as expected. Then it means SA and other countries may look for alternative approach on trade policies.

2.4.3 TRADE INVESTMENTS DEVELOPMENTS PARTNERSHIPS

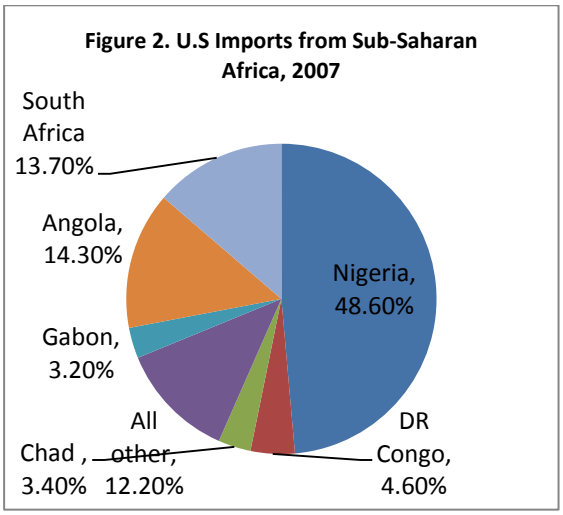
The trade between United State and South Africa is a small friction when comparing with other countries such as China. The trade statistics shows that during 2007 U.S. exported about $13.9 billion of goods to South Africa. On the other hand the U.S. imported $66.9 billion from the region. Therefore the total trade of exports and imports between the two countries increased in 1990 and 2007, from $17billion. Nonetheless the U,S. trade with S,A as s portion of total U.S. trade did not increase in that period (1990-2007), from 1.9% in 1990 to 2.7% in 2007 (Patillo, 2006). This indicates that more drastic actions were needed to ensure that the trade investment development is a strategy that works for these two countries as the AGOA has been renewed for another 10 years.

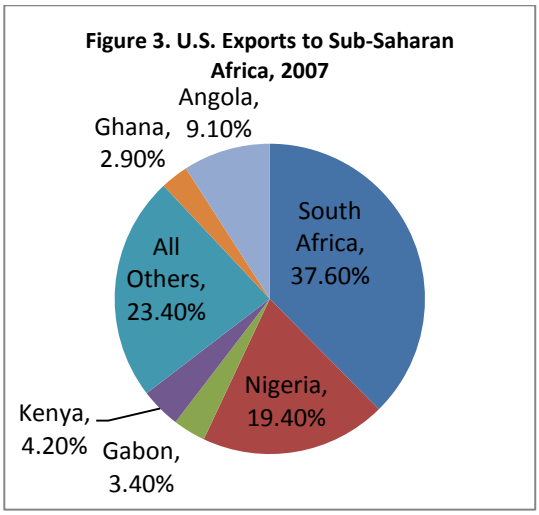
2.4.4 AGOA CURRENT PROGRESS IN SOUTH AFRICA

Although the country economic performance has improved slightly, the economic challenges still remain as the main problem facing South Africa. Factors such as volatile weather conditions, prices of goods and political instability and events around the continent will remain a threat and has a huge impact on the economic conditions. Under normal circumstances the S.A's economic performance depends mainly on commodity exports, therefore this leaves the country exposed to external factors. Because of poor understanding of savings this led to the country facing yet another challenge of little investment opportunities. In order for African countries to achieve sustainable growth at least countries must dedicate at least 25% of its GDP to investment (United Nations Africa report, 2007).

Yet the World Bank records shows that GDP investment (public and private) in South Africa merely accounted for 19% of GDP in 2005 (African Development Indicators, 2007).

Net foreign direct investment (FDI) at $11.3 billion was the equal of 2% of GDP in 2004. Whereas FDI internationally remains steady, FDI flows from almost 25% in 1970 to 5% in 2004 (World Bank Indicators Online, 2006).The U.S.trade with South Africa and the rest of Africa remains with a insignificant percentage. About 81% of U.S. imports from the region is coming from three SSA countries during 2007, namely Nigeria, Angola and South Africa. Exports were equally focused at 66% of U.S. exports to three countries such as South Africa, Nigeria and Angola. (Refer to figure 2 and 3)





Source: U.S. International Trade Commission data website at [http://dataweb.usitc.gov].

Ordinarily resources are dominated by U.S imports from sub-Saharan Africa. Almost all U.S, imports are either energy products of which 81% were almost completely energy and metals (see Figure 4). Nigeria is still the largest oil producer and supplier to U.S. It reportedly supplied about 60% of its oil from the region and amounted to 9% of total global U.S. oil imports (Zoellick, 2007).

Notwithstanding the constant control of mineral resources by U.S. the imports from South Africa and other few countries, indicates some positive growth in the variety of goods imported.

In 2004 a recorded value of $76 million in 1998 was from the transportation equipment mainly coming from S.A .and that increased in 2005 to $ 605 million. There was also a

decline in some of the imported goods in 2005 by $295 million, simple because of the appreciation of the rand (Langton, 2008:8).

There was a similarity of imported textile goods from SSA, where a trend indicates that $523 million in 1998 to $1, 757 million in 2004. There was a slight decline in 2005 of about $1,460 miilion and another decline of $1,291 million in 2006. This resulted an end to world quota regime for textile as per WTO agreement to Textile and Clothing.

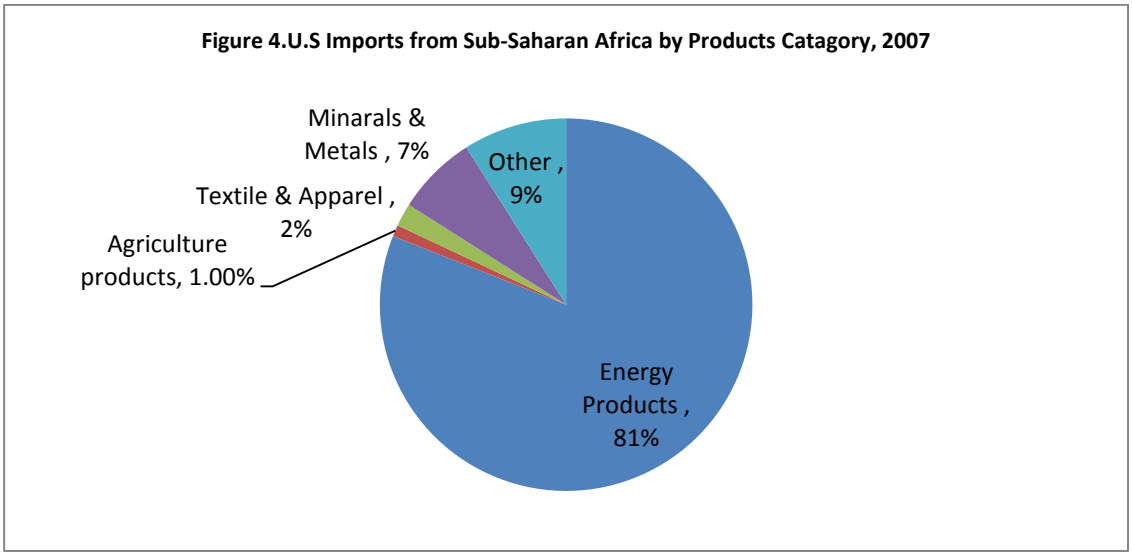
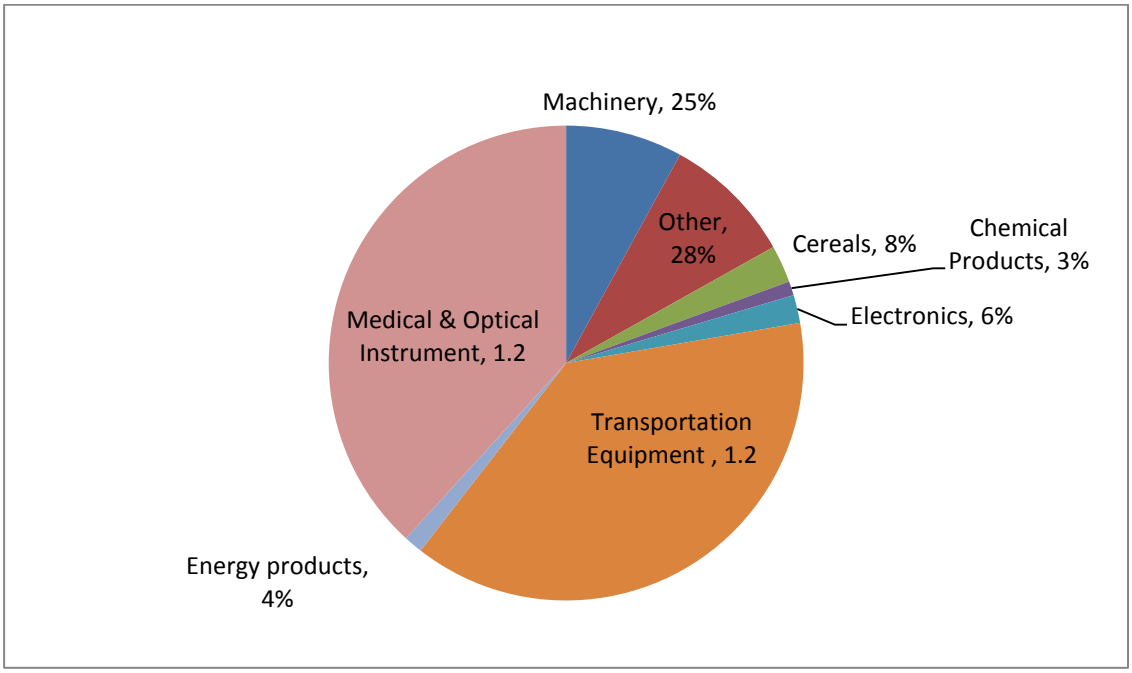


Figure 5:U.S Exports to Sub-Saharan Africa by Products Category, 2007



Source: U.S. International Trade Commission data website at [http://dataweb.usitc.gov/]

South Africa and U.S. shows the most diverse exports. The leading exports in 2007 were machinery and mechanical appliances. This was followed by transportation equipment, cereals and electrical machinery. As seen in the other analysis mining equipment was the leader in exports followed by automobile (see Figure 5)

The poor weather conditions in South Africa needs a better approach in ensuring that AGOA products are not affected since the agriculture sector seemed to have taken a huge knock in the past two years of heavy draught. Therefore it remain to be seen that what would South Africa do in ensuring growth through this tough season and to ensure less job losses that may occur due draught which forces South Africa to import more foreign products and this will have an impact on dumping duties.

2.5 CONCLUSION

After the democratic elections in 1994, which saw an end to apartheid, South Africa was in a mission to build economic relations in Africa and with the rest of the world. Coming to the economic aid of South Africa was firstly seen when President Clinton introduced measures that would deal with investments, trade, debt relief, political stability and other interventions. Congress mandated that U.S. to develop a trade and development strategy and policies for South Africa. Today South Africa is facing many economic challenges which are very serious in nature. This is different when comparing to South Africa during the 60's to 1973, where by economic growth rate was well below other developing states.

Economic progress gained since 1994 is hampered by the issues such as HIV and AIDS and also the burden of debts which are limiting economic growth. The new S.A and U.S. trade and investment policy AGOA was approved in 2002. This opened an investment and trade between the two countries which is saw 1-2% contribution to U.S. total world trade.

The advantage of AGOA is that it offers preferential treatment to imports only to eligible countries in pursuit for progressive market reforms. Economic data shows that the U.S. imported mostly energy products. The AGOA rules also created a platform for regular meeting between U.S. officials and their South Africa counterparts to discuss policy and trade and thus far six of these meeting were held which also had extended AGOA deal to 2025.

.

There important stakeholders who plays a critical role in AGOA. These include the technical support and trade capacity support provided by U.S. government. There are also government agencies such as the U.S. Agency for international development, the Assistant U.S., Foreign commercial service and Trade Development Agency. These agencies are critical in ensuring that South Africa receives the attention and support to achieve trade and investment goals.

Additionally there are bilateral programs whereby the U.S. is a member of few multilateral institutions that offer capacity building to AGAO beneficiaries.

The free-trade agreement declaration by Congress is a positive move and has been part of negotiations between U.S. and South Africa. The discussions on free-trade agreement with SACU began in 2003 and were suspended in 2006.

The 110th congress deliberated on important topics regarding AGOA oversight and the amendment of the legislation in future. Some of these amendments included the increase on AGOA member countries to ensure more people benefits, the diversification of exports, effect trade capacity building and to consolidate the link between poverty reductions plan in S.A through effective and efficient economic tie and AGOA beyond 2016.

Several topics were critically important to the 110th Congress in the oversight of AGOA and in potential legislation amending the act. These issues concern expanding the number of beneficiary countries which use AGOA benefits; diversifying AGOA exports away from primary commodities such as oil; making trade capacity building more effective for AGOA beneficiaries; and strengthening the link between poverty reduction in South Africa through effective economic ties and AGOA beyond 2016.

The literature review conducted does not focus on the impact of AGOA in South Africa, on the positive outlook of employment or similarly the negative outlook that maybe coursed by this agreement. The reviews conducted also did not show how was the South African markets status before AGOA and after the AGOA agreement and lastly the AGOA QFDF policies effects on the economy currently and the future outlook.

This paper therefore intends to answer some of these research questions indicated in the above summery by focusing on the analysis of the AGOA benefits to South Africa. This paper also seeks to look at the AGOA impact on job creation, the GDP and to look at other benefits and disadvantages posed by products selected to be exported in U.S. market. The

paper notes that the U.S. industries have no product limits to export to African countries, however African countries can export set limited number of products with strict market access rules. This research also acknowledges that the current export levy duties are meant to protect U.S, businesses, while South African businesses are suffering from this policy. This is another challenged on antidumping duties which have destroyed S.A industries particularly the poultry industry.

3. RESEARCH METHODOLOGY

3.1 Research Approach and Strategy

This research study adopted a quantitative method approach. Creswell (2003) suggests that a quantitative approach to research is usually adopted when the researcher seeks to develop a theory or a pattern through the use of numerous individual experiences, data analysis to list few methods, in order to gain a full understanding of the topic. An inductive approach was considered to be suitable for this research as it aims to identify distinct patterns in the research. According to Leedy & Ormrod (2010) the adoption of an inductive approach to quantitative research allows the researcher to develop specific analysis, observation and then draw inferences about the larger and more general phenomena.

By utilizing this research approach, the researcher ultimately aimed to better understand the research problem from the perspective of an identified sample of global economic date, local economic data and other relevant available data to assist understand the impact of Africa growth and opportunity act and the trade liberalisation and the economic growth (Manwa & Wijeweera, 2016).

3.2 Research Design, Data Collection Method, Frequency and Choice of Data

3.2.1 Research Design

The theoretical foundations of the model used in this study is based on the endogenous growth literature, where long-run economic growth is described as resulting from forces that are operating within the economy. The endogenous growth model is defined as economic growth as the function of total factor, human capital, physical capital and labour. The equation below is an augmented aggregate production function, is used to estimate the impact of trade policy on long-run economic growth, following Manwa and Wijeweera, (2016).

$$\boldsymbol{y = AL^{\alpha_1}K^{\alpha_2}HC^{\alpha_3}LIB^{\alpha_4}\varepsilon^{\delta_t}}$$

Such the y denote GDP per capita, A denote technology which is total factor productivity, L denote labour K is physical capital, HC denote human capital and LIB is trade liberazation.

Equation (A) converted into logs

$$\boldsymbol{log(y_t) = \alpha_0 + \alpha_1 logL_t + \alpha_2 logK + \alpha_3 logHC + \alpha_4 logLIB + \varepsilon_t}$$

The test conducted here above is for co-integration to determine if there is long run equilibrium, thereafter, from ARDL method used to ensure that the error correction term which measures speed of adjustment to long run equilibrium after the deviation in the short run was conducted or tested. According to Pesaran et al (2001) ARDL model has advantages

that are unique to other models, it allows to I(0) and I(1)(respectively they mean integrated to first order, and integrated of second order) variables on the same regression, however, when variable that are I(2) are included the model is unstable to effectively estimate elasticities. The order of the variables to determine if they are I(0), I(1) or I(2) was conducted and tested successfully.

In addition the to the first main advantage is that the ARDL approach is applicable irrespective of whether the underlying regressors are purely I (0), purely I(1) or mutually cointegrated. Thus, because the ARDL approach does not depend on pre-testing the order of integration of the variables, it eliminates the uncertainty associated with pre-testing the order of integration. Second, the UECM is likely to have better statistical properties than the two-step Engle–Granger method because, unlike the Engle–Granger method, the UECM does not push the short-run dynamics into the residual terms (Pattichis, 1999; Banerjee et al. ,1993, 1998). The other major advantage of the ARDL approach is that it can be applied to studies that have a small sample size. It is well known that the Engle & Granger (1987) and Johansen (1988, 1995) methods of cointegration are not reliable for small sample sizes, such as that in the present study.

3.2.2. Data Collection Method and Research Instrument

According to Bryman (2014) quantitative descriptive methodologies includes the collection and analysis of data (word, pictures and actions). This also gave the researcher an opportunity to successfully apply structured approach to the research efforts. The quantitative study was conducted to make academic inputs in the research area around the issues of global development finance and then look at the case study of South Africa in order to make an informed conclusion on the research paper.

3.2.3 Data Sampling and Collection

The sample data is taken from the period of 2005 q1 to 2016 q1 which is the period AGOA has been in existence, 2005 is the time AGOA was initially implemented up until 2016 first quarter which is the last period data was available during collection, data is collected from various credible data sources IMF, Fed Reserve of S't Louis and World Trade Organisation**.**

The trade date is used to ensure that the trade trends in the past 10 years are analysed and compare with various sources of other data collected from various sources different sources as indicated above. Unemployment data was used, Capital, Human capital data was also used, and the GDP data was also used.

3.2.4 Data Analysis Methods

The data is broken down into four quarters, each year is broken down into four parts (i.e. three months), movement of the variable used is summed for respective three months then an average is taken. The data start from the 1st quarter of 2005 to the 1st quarter of 2016, the nature of the data is time series. Data is collected from various data sources since it was not possible to collect it all from one source, Fed of S't Louis, IMF and WTO, the study uses secondary data. Data analysis was done through econometrics and using tools such as ARDL model, PP model and ADF model.

3.3 Research Reliability and Validity

According to Bryman et al (2014), the reliability of the study addresses the question of whether the results of the study are reliable, while validity seeks to make a conclusion on verification of the results from the research study. This study will fit both the validity and reliability criteria since it's a quantitative study that used data collected in various sources such as IMF and others. The conclusion should strengthen the integrity of the study and recommendations that could be used by scholars and other researchers for future research under the same subject, the impact of AGOA trade policies in Africa.

3.4 Limitations

The study limitation is based on the limited resources to conduct a full study. There is also not enough work conducted and concluded under the subject matter, which create a challenge for future references and more conclusions based on a thorough research conducted. It seems like there would be difficulties to conduct a study such as quantitative study under this subject, simple because there would be a need to target a high number of participants, which may be very difficult to reach because this subject is not popular subject matter that many people are exposed to.

4. RESEARCH FINDINGS, ANALYSIS AND DISCUSSION

4.1 Research Findings

The data on the trade liberalisation and economic growth impact on South Africa economy under AGOA legislation was identified through this research. The findings have been highlighted below

Table 9: Show the stationary of variables at level using PP and ADF unit root test.

	Unit root test			
	ADF		PP	
Variable	Intercept	intercept+Trend	Intercept	intercept+Trend
Hc	-0.782102	-2.090604	-0.298776	-7.078219***
K	-0.68158	-2.050465	-5.594261***	-8.346771***
L	-0.850487	-2.301491	-2.462019	0.0029***
Lib	-3.884686***	-3.669246**	-3.91733***	-3.731229**
Grw	-3.646311***	-4.008568**	-3.570005***	-3.9745***

The table shows unit root testing for variable before monotonic transformation is done where ***, **, * respectively refer to 1%, 5% and 10% level of significance.

Table 9: shows stationary of variables at level using PP and ADF unit root test, from the results of the test it was establish that Human Capital, Capital and unemployment rate are insignificant based on the conclusion of intercept or interception only. Using the same variable but now introducing an intercept and trend significance of the variables changes variable become significant at 1% level of significant. Trade libarazation and economic growth are significant when using intercept only or including an intercept and trend. The PP test shows that capital investment is significant when including an intercept only which contradict the ADF results, a Kwiatkoski-Phillips-Schmidt-Shin was done to establish which results to take and it was insignificant as in the results of ADF.

Unit root test results for HC at level for intercept only using ADF are insignificant and the estimated statistic is small at 0.7821 when the intercept with a trend was included the test statistic increased in value but still remained insignificant at – 2.0906. The PP unit root test was employed to see if result will be consistent with the ones obtained when using ADF, running the test including an intercept we establish that test statistic is insignificant with a

value -0.2987. Intercept with a trend is included to the test statistic value increases the value is 7.0782 and it is significantly different from zero at all significant levels. K was also tested using both ADF and PP to determine if there is unit root at levels, staring with ADF the test statistic value is -0.6816 and insignificant using intercept only, when including an intercept and a trend test statistic value changes to -2.0505 but remains insignificant. Applying PP unit root test statistic is 5.5942 and is significantly different from zero when including an intercept only. When including an intercept with trend the value changes to 8.3468 and is significant at all conventional levels of significant.

L test statistic was -0.8505 and is insignificant when an intercept only is used, including an intercept and a trend test statistic value changes to -2.3015, however the statistical significance does not change the even when an intercept and a trend are included. Next PP unit root test is employed to L variable when including an intercept only the statistic is -2.4620 the value is not different from zero. Then an intercept with a trend was included the test statistic value became significantly differently from zero with the value of 0.0029.

The forth variable LIB was tested at level test statistic was 3.8845 including a trend the variable was significantly different from zero, when including an intercept with a trend test statistic becomes 3.6692 and it is significant at 5% and 10%. Testing using PP using an intercept only it is found that test statistic is 3.9177 is significant at all conventional levels of significance, if intercept with a trend is included the test statistic values slightly changes to 3.7312 but is only significant for 5% and 10% levels of significance.

ADF test on grew using an intercept only returns significantly different from zero, the value of a test statistic is 3.6463, by including an intercept with a trend it is established that test statistic value changes to 4.0085 significantly at 5% and 10% conventional levels of significance. The PP test statistic when employing an intercept only is significantly 3.5001, it slightly changes to 3.9745 when an intercept and a trend are included and it remains significant at all levels of significant.

Table 10: Human Capital Unit root testing and Variables

	Unit root test			
	ADF		PP	
Variable	Intercept	intercept+Trend	Intercept	intercept+Trend
Lnhc	-1.469581	-1.035786	-0.585178	n5.708328***
Lnk	-1.827561	-2.772115	-5.686308***	n9.106961***
Lnl				
Lnlib				
grw2	-5.409308***	-7.244336***	-5.476232***	-7.250982***

The table is for variables after they have been converted into logs, variable some variables are not included because they are already rates, we test for unit root on the variables where 1%, 5% and 10% level of significance is denoted by ***, ** and * respectively.

In table 10: variable are logged but this is limited into variable that are volumes, and unit root test log of human capital is insignificant when running unit root test including an intercept only. Testing the same variable but now including the intercept and a trend still using a ADF it insignificant. The results shown by the PP test on the log of human capital when there is an intercept only or when there is intercept and a trend are contradictory. When the test is run including an intercept only result are insignificant but when a trend is included the variable becomes significant. Unit results of the log of capital the result are the insignificant when ADF is run but it is significant when PP is used.

Lnhc is statistically insignificant with a test statistic of -1.4696 using ADF by including an intercept only, inclusion of the intercept and a trend result into a change on the test statistic value to -1.0358 results are insignificant. When testing using PP test for intercept only test statistic is -0.5851 and the value is insignificant, when including an intercept with a trend test statistic changes to -5.7083 results become statistically significant at all levels of significance. Then unit root test was done on the lnk using ADF unit root test, the test statistic was -1.8276 and the test statistic is insignificant, then intercept with a trend is included the resulting test statistic becomes -2.7721 and the value is insignificant. Next PP unit root test is employed to the same data generation process result give a test statistic of 5.5863 and are significant at all conversional levels of significance using an intercept only. Then an intercept with a trend is included the variable is significantly different from zero test statistic is 9.1070.

Lnl and lib were not transformed into logs since they are already rates; grw is transformed in logs since it is collected in volume. The variable grw including intercept test statistic is significantly 5.4093 al all conventional levels of significance. While testing unit root using ADF test intercept with trend is included test statistic significantly changes to 7.2443. Then PP unit root test is used to confirm validity of the results when we use the intercept only test statistic becomes 5.4762 and is significant at all levels of significant, if intercept and trend are included test statistic changes to -7.2509 the statistic is significant at all conventional levels of significance.

Table11: Lag Selection

	Lag selection
Variable	number of lags
Lnch	4
Lnk	4
L	4
Lib	1
lngrw2	1

This table is for lag selection based on VARSOC command.

Since the study uses the Augmented ARDL it become important to test do lag selection, we use VARSOC a strata built command which automatically chooses an optimal amount of lags to be used. Lag of human capita 4 lags, lag of capital investments 4 lags, unemployment rate 4 lags, trade liberazation 1 lag and lag of economic growth 1 lag.

Table 12: Economic Growth

	ARDL	
Variable	Coefficient	Prob.*
LNGRW2(-1)	-0.503416573	(0.02)
LIB	0.007631492	(0.22)
LIB(-1)	0.013862735	(0.04)
LIB(-2)	-0.000190765	(0.98)
LIB(-3)	0.000337908	(0.95)
LIB(-4)	-0.007702559	(0.12)
LNHC	36.79688917	(0.26)
LNHC(-1)	-51.69012821	(0.14)
LNHC(-2)	-79.47922602	(0.03)
LNHC(-3)	-59.97654438	(0.04)
LNK	-1.172701052	(0.02)
LNK(-1)	-0.200010985	(0.65)
LNK(-2)	-0.653876286	(0.23)
LNK(-3)	0.288778947	(0.58)
LNK(-4)	1.052118926	(0.11)
L	-0.435022281	(0.01)
L(-1)	0.13495555	(0.38)
L(-2)	0.334684072	(0.03)
L(-3)	-0.126500248	(0.37)
C	-66.02773697	(0.05)
@TREND	0.675043321	(0.00)

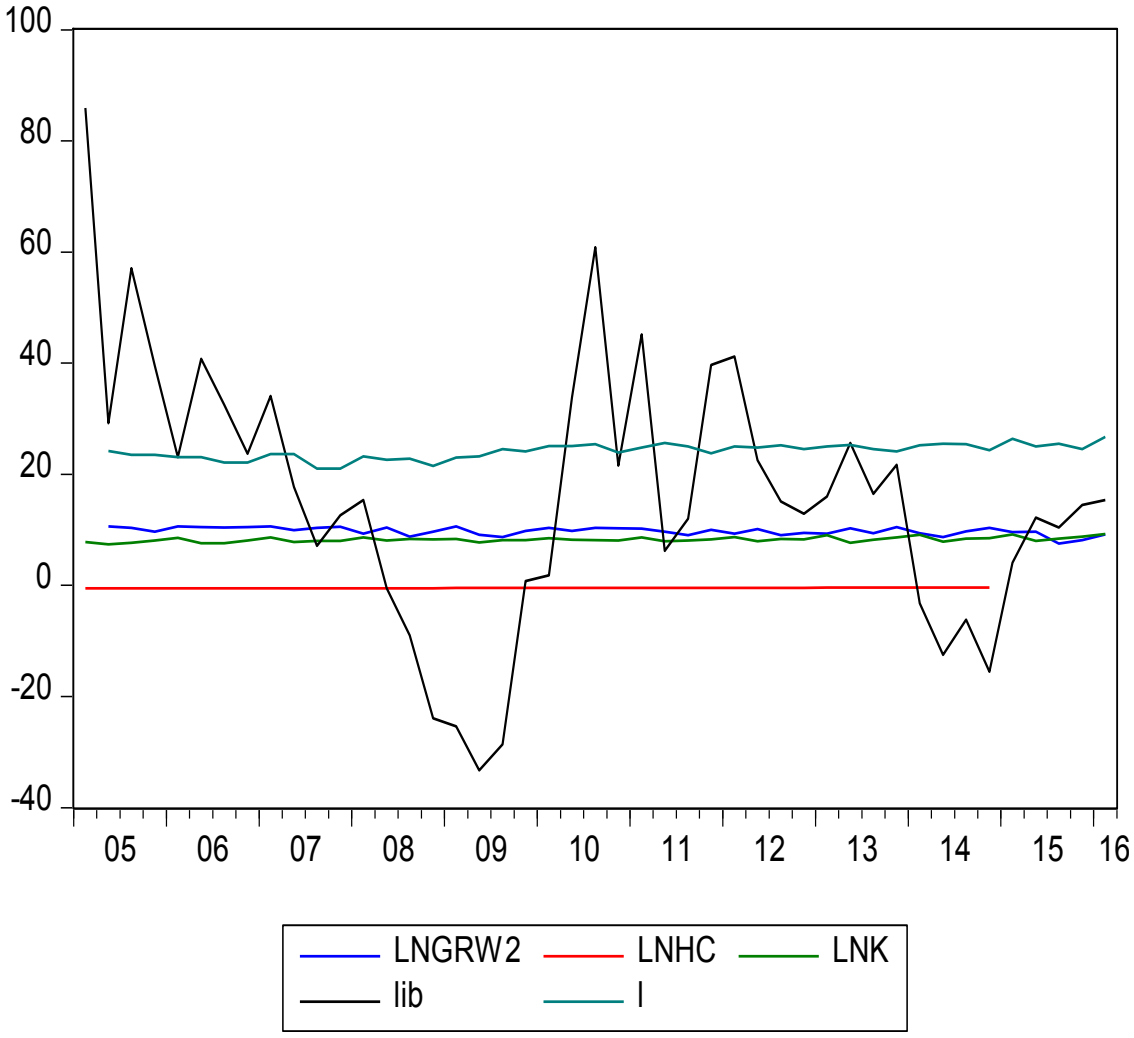
The table represents Augmented ARDL model which estimate the relationship between the economic growth and a set of explanatory variables, values in the parenthesis present probability values to indicate significance.

Table 11 shows the regression of log economic growth as a function of lags of itself, log of human capital, trade libarization, lag of capital investment, unemployment rate, lags of these variables and trend. All lags are insignificant with an exception of log of economic growth. If

log of economic growth in the previous period increased by 1% economic growth falls by 0.5 percentage points in the current period, this is significantly different from zero all levels above 2%. This relationship is not as expected it is contrary to economic theory since economic theory would predict that we if there is economic growth in the last period aggregate demand will increase which increases income therefore economic growth should continue to increase.

Trade liberization is insignificant, log of human capital is insignificant, but if unemployment increases by 1% economic growth significantly decreases 0.14 percentage point. The sign of the direction is expected and consistent with economic theory, when unemployment increases economic productivity falls, income decreases and aggregate demand falls. The trend is significantly differently from zero.

Figure 6: Economic Growth graphic



Then log of economic growth is fairly stable over the period of analysis with slight fluctuations and slightly declining, capital investment is also stable over time and it appears to be fluctuating slightly in the early years, from mid-2007 until late 2010 it is stable and thereafter it continues to fluctuate but on a downward sloping trend.

The log of human capital is constant throughout the years under the period of analysis. Trade has been increasingly becoming more liberal until 2009, from 2009 boarders were closing this might be result of nations prioritising consumption of locally produced goods since at this period economies of the world were trying to exit global economic crisis. In 2010 trade was becoming more liberal until more recently. Line showing economic activity growth rate is above the threshold for the whole period under analysis, there is a slight deep of economic growth rate in 2005 for a quarter then the economy returns to its previous growth rate until the second quarter of 2006. Economic growth rate fluctuate within a narrow band (of which we cannot determine in since it is beyond focus of this study) it fluctuate until the end of first quarter of 2009. Then after economic growth rate fluctuate until the end of the period of analysis.

Human capital has remained constant throughout the period under analysis there is no trend of it growing or declining over the period under analysis. Flow of capital into the country also shows fluctuations of from quarter to quarter in each year but from the first quarter of 2005 to the third quarter of 2008 fluctuations are moderate fluctuations. From 2009 there is a constant trend until 2011 where fluctuations become relatively volatile compared to earlier periods until the end of the period of analysis.

Trade liberalisation is very volatile but declining over the period of 2005 to 2009 decreasing means trade is becoming freer, from 2009 trade liberalisation became less open until 2010. From 2010 it declined but there was some volatility, in 2014 it declined again and went up again in 2015. Unemployment rate is fairly stable over the period under analysis but with slight fluctuations from third quarter throughout the period but from second quarter of 2014 unemployment fluctuated more compared to other periods.

5. Research Analysis and Discussion

The unit root testing shows that the variables have a trend with is evidence these variables can be used to study the effect of economic growth in the long run resulting from a trade policy. Variables are significant at different levels some are I(0) and some variables are I(1) where variables are I(0) it is not possible to determine long-run relationship because when a variable is stationary at level it means there is no information of it carried to future periods.

The number of lags chosen indicates relevance of previous information on what is happening in the current period, event that happen on the past do shape future thinking. It is noticeable that unemployment rate and economic growth rate consist of one lag. Estimating results reveals that there is no evidence that shows AGOA is benefiting the economy and these variables have signs that are contra to economic theory.

South Africa has recorded few truly self-inflicted recessions. For the most part, when the country has entered recession, it has been due to external factors. Domestic factors, however, can restrict the ability of the country to react to the changing economic landscape, thus limiting options to reduce or even reverse recessionary pressures. Some of the domestic factors which contributed to this challenge are the electricity capacity, skills shortage and labour unrest.

"High quality education and appropriate competences and capabilities held by both individuals and firms are a prerequisite for growth, development and citizenship. Skills development, therefore, continues to remain top of the national development agenda and will remain so for the foreseeable future. It is important for the greater economic development of our country, but also to foster greater inclusion and restore dignity among our citizenry."
Human Sciences Research Council (HSRC), 2012.

Beyond the general benefits of improved skills, higher skill levels can also aid an economy in recession by easing the movement of resources from newly unprofitable economic sub-sectors to ones with more potential in the current landscape. South Africa, however, has a limited capacity to engage in this type of shift, as the country is challenged by a skills shortage.
According to HSRC (2009), the correct skills are required for workers to adapt to new realities. High unemployment rates correlate with unmet demands by employers for skilled

labour. This suggests that many new labour market entrants lack the skills required for employment. New skills are particularly important for venturing into new industries. An example of this is the green economy, as discussed by the International Labour Organisation (ILO) in its Skills for Green Jobs in South Africa (2010) publication. According to the report, the realisation of the potential of the green economy, such as environmental benefits and increased employment, is being held back by a lack of skills. Shifting resources idled by the recession into green projects could have helped South Africa to recover from the recession more rapidly and currently could speed economic growth and improve job creation.

There is no evidence of knowledge changing which means labour is not learning new skills; hence, productivity has not changed. If there is no change in Human capital therefore marginal productivity of labour will fall which lead to a decline on demand for labour. There is evidence unemployment rate has not changed it has remained stable during the entire period of analysis. Capital investment has also remained stagnant since there is not development in human capital it means there is no need to invest on provision of capital because knowledge and skill of labour will not match requirements of new capital.

Building from literature in the previous sections the study discussed and examined how trade liberalisation contributed to economic growth in South Africa for the past decade. This method was correctly applied as a preferred method of estimation for researchers due to shorter time frames that was available. This method assisted the researcher to reach a conclusion that would show a relationship between trade liberalisation policies of South Africa and economic growth in the past decade.

6. RESEARCH CONCLUSIONS

The analysis in chapter four (graphs) shows that trade became more liberal but empirically it is insignificant which implies, for our sample period and chosen the set of variables trade liberalisation does/ did not function as international trade theories suggest. Human capital is not significantly different from zero, during the period under study there is no evidence that shows that the economy has transformed into a knowledge based economy.

Therefore AGOA has not resulted in to interchanging of ideas and insight between South Africa and USA; this is not surprising since South Africa export raw materials and the USA import raw materials. A country that is importing raw materials builds an economy fundamentally knowledge based economy because it requires highly skilled labour to process these raw material, whereas in order to have an improved economy it is clear that for South Africans it is critical to focus on the educated labour, which will have to apply their skills on the country's economy in a long run and therefore they will be limitation in the South Africa economy if such issues are not addressed.

The transfer of investment into South Africa is on the other hand significantly different from zero but investment flowing into the country is inversely related to the economic growth. There appears to be something polling against the flow of investment since inflows of investment in theory should work to improve economic growth, but the reason for inverse relationship might be that South African tertiary sector is growing faster relative to other sectors of the economy (Banerjee et al: 2008).

If the tertiary sector is growing faster, then more money that flows into South Africa as investment, flows in as capital flow into the stock market, however, this is beyond focus of this study. The rate of unemployment has remained stagnant over the years and estimated results indicate that if unemployment increase economic growth falls significantly.

Furthermore the study recommends that recommended that less developed countries should adopt this form of economic integration and home-grown ISI policy to substitute imports in the short run, and embrace liberalization as higher level of industrialization is achieved in the long run.

7. RECOMMENDATIONS FOR FUTURE RESEARCH

The AGOA deal must ensure that USA firms are going to open new branch in South Africa, that will create new jobs and it will result into those firms producing some of the goods in South Africa which will increase demand for highly skilled workers. The relocation of the production process will move the economy from being highly capital intensive to being capital and knowledge intensive. There must be real demand for South African product in USA to induce economic productivity and therefore growth.

Future studies should perhaps focus on analysis on the impact of duty-free quota-free system if it has an impact in the economic growth of South Africa and would produce needed economic improvement. The research would be useful to determine ideas such as the reviewing some of the policy issues that are hindering Africa to export their entire product and last the anti-dumping duties.

South Africa poultry industry is facing serious challenges, whereby some of the poultry firms are closing shops and jobs being lost. This is due to the dumping of chickens in South Africa by the Unite State. A detailed study is necessary to assessment the impact of U.S. dumping of poultry policy in South Africa, its impact on business, its impact on creating unemployment due to industries closing because it is no longer possible to run business.

7.1 The key limitation

The researcher notes that one of the critical limitations of this study is data availability. The study in future must be conducted using larger sample. This study would require more time, funding and technology. Also other key limitation fundamentally based on the length of the available data since AGOA is relatively new. The length of policy has been in the existence for a short period of time which affects availability data. It would be more interesting to do analysis on a larger sample size when it becomes available. Available data is enough to show effect of the policy so far. To overcome stated limitations ARDL was employed, ARDL is powerful enough to handle small sample.

References

Abass, A. (2004). Regional organizations and the development of collective security-beyond chapter VII of the UN charter. Hart Publishing.

Arbache, J.S., & Page, J. (2007). Patterns of long term growth in Sub-Saharan Africa." World Bank.

Arbache, J.S., & Page, J. (2007). "More growth or fewer collapses? A new look at long run growth in SSA."

Atkinson, G. (1998). The political economy of liberalization and regulation: Trade policy for the New era. J Econ. Issues 32 (2), 419-426 (Association for Evolutionary Economics).

Barker, F. (1999) South African labour market: Critical issues for renaissance. Pretoria: J.L. Van Schaik Publishers.

Baldwin, R. E. (2004). Openness and growth: What's the Empirical Relationship? NBER Working Papers. National Bureau of Economic Research.

Banks, J., Ingram, G., Kimenyi, M., Rocker, S., Schneidman, W., Sun,Y, & Warner, L.A. (2013). Top five reasons why Africa should be a priority of the United State. Africa growth Initiatives at brookings. 1775 Massachusetts Ave., NW Washington, D.C. 20036

Banerjee, A., Galiani, S., Levinsohn, J., McLaren, Z. & Woolard, I. (2008). Why has unemployment risen in the new South Africa? 1. *Economics of Transition Journal*, *16*(4), 715-740.

Bhagwati, J., Srinivasa, T.N., (2002). Trade and poverty in poor countries. Amer. Econ. Rev. 92 (2), 180-183.

Bhattacharyya, S., (2012). Trade liberalization and institutional development. J. Policy Model. 34 (2), 253-269.

Black, A. (1998). The impact of trade liberalization on the South Africa automotive industry. Trade and Industry Policy Secretariat (TIPS). Cape Town, South Africa: TIPS Policy Forum.

Bryman, A. (2006). Integrating Quantitative and Qualitative Research*:* How is it done*?* Qualitative Research, 6: 97-113.

Collier, P. (1995). The marginalization of Africa. Int. Labour Rev. 134 (4-5), 541.

Cook, N., (2013). South Africa: Politics, Economy, and U.S. Relations. Congressional Report Service. Pp 24

Cook, N. (2007). *AIDS in Africa*. The CRC Report RL 33584

Cooper, D.R., and Schindler, P.S. (2001). Business Research Methods. New York, United State of America: McGraw-Hill Companies, Inc.

Creswell, J. W. (2003). Research Design: Qualitative, Quantitative, and Mixed Methods Approaches, Second ed., Sage Publications, Thousand Oaks.
Draper, P., Halleson, D., & Alves, P. (2007). SACU, Regional intergration and the overlap issue in Southern Africa: From Spaghetti to Cannelloni? Trade Policy Report No 15. South African Institute of International Affairs.

Draper, P., & Khumalo, N. (2007). One size doesn't fit all. Deal breaker issues in the failed US-SACU Free trade negotiations. Pg78.

Du Plessis, S., & Smit, B. (2006) Economic growth in South Africa since 1994. Stellenbosch Economic Working Papers Vol 1.pg1-33.

Edwards, S. (1998). Opennes, productivity and growth: What do we really know? Economic Journal.108 (447), 383-398.

Edwards, L. (2005). Has South Africa liberalised its trade? S. Afr. J Econ. 73 (4) 754-775.

Edwards, L.E. (2006). *South African Trade Policy Matters:*Trade Performance and Trade Policy. Working Paper 12760. National Burea of Economic Research. Cambridge, Massachusetts. Retrieved from http://www.nber.org/paper/w12760.Pp5

Edwards, L, Cassim R, Seventer, D. (2009). Trade policy in South Africa. (Eds)

Elliot, K.A., (2014). AGOA's Final Frontier: Removing US Farm Trade Barriers, Centre for Global Development. Retrieved from http://www.cgdv.org/publication/ft/agoa-final-frontier-removing-us-farm-trade-barrier.

Elliott, K.A., (2010). Open Markets for the Poorest Countries. Trade Preference that Work; The Center for Global Development Independent Research and Practical ideas for global prosperity.

Field, S., (2000). *From, Polecat to Leader of the South: A review of South Africa's Foreign Policy since 1994.* Prepared for the Presidency: Policy Co-ordination and Advisory Service. Institute for Global Dialogue.

Fabricius, P. (1997*) U.S. South Africa relations: A view from both sides in US South Africa relations and the Pariah States.* SAIIA Reports No 2, pp 26.

Fedderke, J., Vaze, P. (2001). The nature of South Africa's trade patterns by economic sector, and the extent of trade liberalization during the course of the 1990's S.Afr.J Econ. 69 (3), 436-478.

Firsing, S.T. (2012). Special Report: Hillary Clinton in South Africa-Unpacking US-South Africa relations. Accessed from http://www.saila.org.za/opinion-analysis/special-report-hillary-clinton-in south-africa-%E2%80%93%unpacking-us-south-africa-relations Retrieved from 17 May2916.

GAO- 15-393R African Growth and Opportunity Act. (2015). AGOA: Lessons Learned from Other Countries' Trade Arrangements with Sub-Saharan Africa.

Gross domestic investment in now labelled gross fixed capital formation by the World Bank, but the definition remains the same. From World Bank, *Africa Development Indicators (2007)*.

GAO, (2009). Options for Congressional Consideration to Improve U.S. Trade Preference Programs, Prepared Statement for Hearing, GAO-10-262T, p.4.

Hoeffler, A. (2000). "The Augmented Solow model and the Africa Growth Debate," CSAE, University of Oxford.

Ian, F., Fergusson, I., & Sek, L.M. (2003). Trade and Investment Relationship with Sub-Saharan Africa: The African Growth and Opportunity Act and Beyond. Pp 1-30

Joint United Nations Program on HIV/AIDS. AIDS *Epidemic Update,* December 2007

Jones, V.C. (2010). U.S. Trade and Investment Relationship with Sub-Saharan Africa: The African Growth and Opportunity Act. Specialists International Trade and Finance.

Jones, C. and Williams, B. (2012). U.S. Trade and Investment Relations with sub-Saharan Africa and the Africa Growth and Opportunity Act. Retrieved from http://www.fasorg/sgp/crs/row/RL31772.pdf on 16 August 2014.

Jonsson, G., Subramania, A. (2001). Dynamic gains from trade: Evidence from South Africa. IMF Staff Pap.197-224.

July (2013). South Africa's Trade Agreements. Key Policy Parameter for Negotiations. Prepapare by International Trade and Economic Development. Pp9

Kaliba, A.R. (2012). Economic potential and limitation of AGOA in Sub-Saharan Countries *(*Ithaca, NY: Strategies and Analysis for Growth and Success.

Keita,Y. (2013). "Africa growth and opportunity Act: Economic Impact and Future Prospects" CBL Economic Review.

Langdon, D., (2009). United States-Southern African Customs Union (SACU) Free Trade Agreement Negotiations: Background. and Potential Issues. Analyst in International Trade and Finance Foreign Affairs, Defense, and Trade Division. US Congress.

Leedy, D.P. and Ormrod, E.J. (2005). *Practical Research: Planning and Design*, 8th ed., Merrill Prentice Hall, Upper Saddle River.

Lehloenya, P.M. (2009). The failed SACU-USA free trade agreement in hindsight: A Lost Opportunity or Disaster Averted? Journal of International Commercial Law and Technology, Vol 4, Issue 2.pp 117-127

Lucas RE. 1988. On the mechanics of economic development. Journal of the monetary economics, 22 (1):3–42

Lulat, Y. G-M., (2008). U.S. African Americans and South Africa. 1949-2008. In United States Relations with South Africa. ACritical Overview from the Colonial Period of the Present.

Lourie, G.(2011).“ South Africa Signals Shift in BEE Laws-Paper,” Reuter.
Manwa, F. & Wijeweera, A. (2016). Trade liberalisation and economic growth link: The case of Southern Africa Custom Union countries. Economic Analysis and Policy 51 (2016) 12-21.

Magubane, Z. Globalisation and the South Africa transformation: The impact on social policy Project Muse, 4 (49) (2002), pp. 89-110

Mbeki, T., (2000). Address to the Commonwealth Club, World Affairs Council and US-SA Business Council Conference, Sam Francisco. United States. In The Reality behind the rhetoric: the United States, South Africa and Africa. South Africa Institute of International Affairs and the Centre for Strategic and International Studies.

Mc Donald, S. & Walmesley, T. (2003). Bilateral Free Trade Agreements and Customs Union: The Impact of the EU Republic of South Africa Free Trade Agreement on Botswana. GTAP Working Paper No.29.

McCormick, R. (2006). *The Africa Growth and Opportunity Act*: The Perils of Pursuing Africa Development through U.S. Trade Law.

Meltzer, J.P., (2015). Reforming the African Growth and Opportunity Act to Grow Agriculture Trade. Africa Growth Initiatives at Brookings.

Mevel S., Lewis Z,A.(2013). Kimenyi M,A., Karingi S,. Kamau A,. *The Africa Growth and Apportunity Act. An Empirical Analysis of the Possibilities Post-2015,* Africa Growth Initiatives at Brookings.

Mills,G. and Stremlau, J. (2000). The Really behind the rhetoric: the United State, South Africa and Africa. South Africa Institute of International Affairs and the Centre of Strategic and International Studies.

Paez L, Karingi S, Kimeyi M, & Paulos M, (2010). A Decade (200-2010) of Africa-US Trade under the Africa Growth Opportunity Act (AGOA): Challenge, Opportunities and a Framework for Post-AGOA Engagement. Pp19.

Page, J., & Moyo, N. (2011). “*Supporting Deeper Regional Integration in Africa.”*

Patillo C, Gupta, S & Carey, K. (2006). "Growing Pains," *Finance & Development.*

(International Monetary Fund.

Pattom, M. Q. (1990). *Qualitative Evaluation and Research Methods*. Newbury Park, CA: Sage.

Peterson L.E. (2006). South Africa's Bilateral Investment Treaties: Implications for Development and Human Rights. Dialogue of Globalisation. Occasional Papers. No 26. Geneva .pp3.

Phiri, D. (2009). The SACU-US TIDCA: South African Private Sector Perspective Unity South Africa. 1st draft.

Pritchett, L. (1998). "Patters of Economic Growth: Hills, Plateaus, Mountains, and Plains," World Bank Paper.

Rodrik, D. (1998). Trade policy and economic performance in Sub-Saharan Africa (No.w6562). National Bureau of Economic Research.

Romer PM. 1994. The origins of endogenous growth. The Journal of economic perspectives, 8(1):3–22.

Rose, A.K. (2004). Do WTO members have more liberal trade policy? J. Int.Econ. 63 (2), 209-235).

Sanoussi, B., (2001). "Trade blocs", R. Jones (ed). In *Encyclopaedias of International*

Economy. Routledge.

Saule, A. (2014). The impact of the United State (US) and South Africa's (SA) trade relationship on Botswana, Lesotho, Namibia and Swaziland (BLNS) [1999-2013].

Schneidman, W, & Lewis, Z. (2012). The African Growth and Opportunity Act: Looking Back, Looking Forward. The Brookings Africa Growth Initiative. Brookings Institution.

Schneidman, W. (2012). *The African Growth and Opportunity Act*: Looking Back, Looking Forward. Africa Growth Initiative Brooking Institution.

Shafaeddin, M. Towards an alternative perspective on trade and industrial policies Development and Change, 36 (6) (2006), pp. 1143-1162

Shafaeddin, M, Pizarro, J. (2007). From export promotion to import substitution; Comparative experience of China and Mexico (Munich Personal RePEc Archives (MPRA)(Paper 6650) University Library of Munich, Germany.

Snower, D.J. and De la Dehesa, G. (1997) Unemployment policy: Government options for the labour market. Great Britain: Cambridge University press

Schneidman,W. (2010). "U.S. Policy Towards Africa: An Initial Assessment." Statement to U.S. House of Representatives. http://foreignaffairs.house.gov/111/sch032410.pdf.

See CRS Report RL33584, *AIDS in Africa*, by Nicolas Cook.

Sekaran, U. (2003). *Research Methods for Business*: A skill Building Approach. Singapore: John Wiley and Sons Inc.

Soludo, C., Ogbu, O. & Change, H. (Eds). (2004).The politics of trade and industrial policy in Africa: Forced consensus?New Jersey: Africa World Press

Solow RM. 1991. Growth theory. In: Greenway D, Bleaney M and Stewart I (ed)1991. Companion to contemporary economic thought, 393–415. Routledge: London and New York. ISBN 0–415–02612–1.

Sugihara, K. (2007). Labour-intensive Industrialisation in Global History. Center for Southeast Asian Studies, Kyoto Working Papers on Area Studies No. 1.

The United Nation, Economic Report on Africa 2002, pp.37.

The World Bank, Africa Development Indicators, (2007).

The World Bank, Global Development Finance, (2006 and 2007)

The World Bank,. (2006). Africa Development Indicators.

Tisdel, C. (2009). Economic reform and openness in China: China's development policies in the last 30 years Economic Analysis and Policy, 39 (2) (2009), pp. 271-294

Trade and Policy Agenda and 2009 Annual Report. Retrieved from

Trade statistics are based on CRS calculations using Global Trade Atlas Navigator database and the U.S. international Trade Commission Trade Dataweb.

Trade Statistics,. (2007). The Global Trade Atlas Navigator database and U.S. International Trade Commission Trade Dataweb.

Todaro, M.P. (1994) Economic Development. Fifth edition. Singapore: Longman Publishers
United Nations Conference on Trade and Development. *World Investment Report 2002:Transnational Corporations and Export Competitiveness*, p.51.

USAID Policy Framework 2011-2015. Washington: U.S. Agency for International Development, 2011.

"U.S. (2014).Faces Key Questions as It Mulls Adding Ag Products to AGOA," Inside U.S. Trade.

"U.S. Export Fact Sheet," (2011).U.S. Department of Commerce, International Trade Administration, Exports Statistics Released July 12, 2011

U.S International Trade Commission, U.S. Trade Investment with Sub-Saharan Africa: Third

U.S. Trade and Development Agency, 2006 *Annual Report.*

United States International Trade Commission, United States. Congress. House. Committee on Ways, Means, & United States. Congress. Senate. Committee on Finance. (1991). *The likely impact on the United States of a free trade agreement with Mexico* (Vol. 2353). United States International Trade Commission.

USAID Trade Capacity Building Data, [http://www.qesdb.cdie.org/tcb/index.html];
Van der Staak, S. (2006). Trade liberalisation and financial compensation: BLNS state in the wake of the EU-South African trade and development agreement. African Studies Centre. Research report 84.

Williams, B. (2013). Africa Growth and Opportunity Act. (AGOA): Background and Reauthorization. Congressional Research Services.

William, B.R., CRS Analysis in International Trade and Finance.

Wood, J. (2012). Econometric analysis for scenario-based planning. Manager, Strategic Analytics Deloitte Service LP. The World Bank,. (2007). Africa Development Indicators.

World Trade Organisation. (2009). Trade Policy Review Body Report by the Secretariat: South Africa Customs Union. (pviii)

WTO. (2009). Trade Policy Review-Southern African Customs Union (SACU). WTO Trade Policy Review. Geneva: World Trade Organisation.

World Investment Report (2012). *Toward a new Generation of Investment Policies*, United Nations Conference on Trade and Development. Geneva: United Nations, 2012; see also "Development: *Aid to developing countries falls because of global recession"* Organization of Economic Co-operation and Development, April 4, 2012

Yeats, A.J., (1997). Did domestic policies marginalize Africa in international trade? (World Bank Publications.

Online References

(2010).http://www.ustr.gov/2010-trade-policy-agenda Retrieved on 20 June 2014.

(18 February 1999). Agreement Concerning the Development of Trade and Investment between the Government of the Republic of South Africa and the Government of the United State of America. Accessed from http://www.ustr.gov/sites/default/file/uploads/agreement/tifa/assets_upload_file224_7728.pdf Accesses on 20 April 2013

(2002). Southern Africa Customs Union (SACU) Agreement, Accessed from http://www.sacu.int/main.php?include=docs/legislation/2002-agreement/main.html, Retrieved on April 2014

(2004). Trade and Policy Agenda 2003 Annual Report Retrieved from http://www.sice.oas.org/ctyindex/USA/2004Rep_e.pdf Reprieved on 20 May 2014.

(9 April 2011). Government agencies brainstorm over SACU revenue threat. Accessed from http://trademarksa.org/news/govt-agencies-brainstorm-over sacu-revenue-threat Accessed on 20 April 2015

(2013). African Countries of the future 2013/14 winners. FDI Africa Countries of the Future 2013/4 Accessed from http://www.fdiintelligence .com/Rankings/Caribbean-and-Central-American-Countries-of-the-Future-2013-14?ct=true on 17 June 2014

"Africa," Office of the United State Trade Representative. http://www.ustr.gov/countries - regions/africa

African Countries of the future 2013/14 winner. FDI African Countries of the Future 2013/4 Retrieved from http://www.fdiintelligence.com/Rankings/Caribbean-and-Central-American-Countries-of-the-Future-2013-14?ct=true on 13 January 2015

Apartheid and limits non-violent resistance 1948-1960. Accessed from http://sahistory.org.za/liberation-struggle-south-africa/apartheid-and-limits-non-violent-resistance-1948-1960 Accessed on 6 June 2013

BRICs Monthly, 11 (05) (2011), pp. 1-4

Coleman-Adebayo M. (2013). *Eyewitness to America Betrating Mandela's South Africa: The Gore-Mbeki Commission.* Truthout. Op-Ed Section. Retrieved from http://www.truth-out.org/opinion/item/205997-eyewitness-to-america-betraying-mandela-south-africa-the-gore-mbeki-commission on 19 April 2015

"Daily chart: Africa's impressive growth," *The Economist*, January 6, 2011. http://www.economist.com/blogs/daily-chart/2011/01/daily-chart

Dans, P. (2013). Mauritius and other African countries push for 15 more years AGOA trade benefits. Accessed from http://www.lenauricien.com/article/view-washington-and-other-african-countries-push-15-more-years-agoa-trade-benefits Accessed on 22 July 2015.

Disinvestment moves by two major companies. Accessed from http://www.sahistory.org.za/dated-event/disinvestment-moves-two-major-companies. Retrieved on 12 January 2015

Generalised system of preferences. Retrieved from http://www.ustr.gov/trade-topics/trade-development/preference-programs/generalized-system-preference-gsp Retrieved on 13 January 2013

HSRC. (1985) Labour market participation and unemployment. University of Natal:

HSRC

Jones, J., (1997). The United State and South Africa In An Interdependent World: A Partnership of Mutual Benefits. International Policy Update. No.I. Speech by James Joseph, United State Ambassador to South Africa to Durban Branch of SAHA in November 1997 Retrieved from http://dspace.cigilibrary.org/jspui/bitstream/

Kaufman, S., (2013). *Pressure to End Apartheid Began at Grass Roots in U.S.* Retrieved from http://iipdigital.usembassy.gov/st/english/article/2013/12/20131216288978.html?CP.rss=true#xzz38PcPQnPH 12 January

Langdon, D., (October 2008). US Trade with Sub-Saharan Africa: AGOA and beyond. CRS Report for congress. Retrieved from fpc.state.gov/documents/organization/112461.pdf Retrieved 20 July 2016

Makwiramiti, M.A. (2011). BRICS: A Friendship of Convenience? Consultancy Africa Intelligence. Available at: 〈 http://www.consultancyafrica.com/index.php?Option=com_content&view=article&id=789:brics-a-friendship-of-convenience-&catid=87:african-finance-a-economy&Itemid=294〉 Accessed 2013/09/03.

Marantis, D. (2011). AGOA: The foundation of US-SA Trade. Accessed from http://www.saila.org.za/presentations-speeches/agoa-the-foundation-of-us-sa-trade-ambassador-demetrois-marantis. Accessed from 20 March 2016.

Marias, J. (2014). Free Trade Deal in the Line. Business Day. Accessed from http://www.bdlive.co.za/business/trade/2016/03/10/free-trade-deal-on-the-line 28May 2016

Ploch, L., (2011). *South Africa: Current Issues and U.S. Relations.* Congressional Research Service. Pp 18 Retrieved from http://www.fas.org/sgp/crc/row/RL31697.pdf on April 2015.

Sharpville Masacre and its Historical Significance. Retrieve from http://www.sahistory.org.za/archive/sharpeville-massacre-its-historic-significance-struggle-against-apartheid on 14 June 2014

Sacks, G., (2013). *Two decades of freedom. What South Africa is doing with it and what needs to be done.* Pp4 Retrieved from http://www.goldmanssachs.com/our-thinking/focus-on/growth-markets/colin-coleman/20-years-of-freedom.pdf 12 June 2016.

U.S. Department of Commerce, Bureau of Economic Accounts, at [http://www.bea.gov/international/di 1 usdbal.htm].

U.S.-SACU bilaterals, Accessed from http://bilaterals.org/?-US-SACU-Retrieved on 29 May 2015

WTO. (2015). Tariffs [Online]. Geneva, Switzerland: World Trade Organisation. Available: https://www.wto.org/english/tratop_e/tarrifs_tarrifs_e.htm. Retrieved 19 October 2015.

World Trade Report. (2013). Retrieved from http://www.wto.org/english/res_e/publications_e/wtr13_forum_ehtm 09 June 2016

World and African history: Africa, Colonialism, arts, protest, independence. Retrieved from http://www.sahistory.org.za/world-and-african-history/africa-colonialism-arts-protest-independence on 17 March 2015

APPENDICES

Date	lib	L	k	Hc	gdp	grw	grw2
2005/01	85.9		2469	0.571412325	2308029		
2005/02	29.2	24.2	1564	0.571412325	2349448	-41419	41419
2005/03	57.1	23.5	2201	0.571412325	2381486	-32038	32038
2005/04	39.5	23.5	3167	0.571412325	2397433	-15947	15947
2006/01	23.1	23.1	5124	0.581952035	2439551	-42118	42118
2006/02	40.8	23.1	2005	0.581952035	2474200	-34649	34649
2006/03	32.5	22.1	1942	0.581952035	2508372	-34172	34172
2006/04	23.7	22.1	3120	0.581952035	2543057	-34685	34685
2007/01	34.1	23.6	5586	0.592686057	2584351	-41294	41294
2007/02	17.7	23.6	2459	0.592686057	2605530	-21179	21179
2007/03	7.1	21	2969	0.592686057	2636065	-30535	30535
2007/04	12.6	21	3044	0.592686057	2673414	-37349	37349
2008/01	15.4	23.2	5543	0.603618085	2684648	-11234	11234
2008/02	-0.5	22.6	3124	0.603618085	2717424	-32776	32776
2008/03	-9	22.8	4391	0.603618085	2723918	-6494	6494
2008/04	-23.9	21.5	4036	0.603618085	2708410	15508	15508
2009/01	-25.4	23	4260	0.614751756	2666281	42129	42129
2009/02	-33.3	23.2	2302	0.614751756	2657131	9150	9150
2009/03	-28.6	24.5	3510	0.614751756	2663293	-6162	6162
2009/04	0.8	24.1	3348	0.614751756	2681051	-17758	17758
2010/01	1.8	25.1	4824	0.626090825	2711577	-30526	30526
2010/02	33.8	25.1	3689	0.626090825	2730077	-18500	18500
2010/03	60.9	25.4	3548	0.626090825	2760428	-30351	30351
2010/04	21.6	23.9	3320	0.626090825	2789950	-29522	29522
2011/01	45.2	24.8	5484	0.639428616	2816474	-26524	26524
2011/02	6.2	25.6	2811	0.639428616	2832667	-16193	16193
2011/03	12	25	3187	0.639428616	2841114	-8447	8447
2011/04	39.7	23.8	4046	0.639428616	2862777	-21663	21663
2012/01	41.2	25	6119	0.64900291	2874224	-11447	11447
2012/02	22.5	24.8	2831	0.64900291	2900027	-25803	25803
2012/03	15.1	25.2	4101	0.64900291	2908700	-8673	8673
2012/04	12.9	24.5	4063	0.64900291	2921353	-12653	12653
2013/01	16	25	8301	0.65878731	2932338	-10985	10985
2013/02	25.6	25.3	2133	0.65878731	2961131	-28793	28793
2013/03	16.5	24.5	3709	0.65878731	2972746	-11615	11615
2013/04	21.7	24.1	5603	0.65878731	3008509	-35763	35763
2014/01	-3.2	25.2	8823	0.668987632	2996422	12087	12087
2014/02	-12.5	25.5	2533	0.668987632	3002500	-6078	6078
2014/03	-6.2	25.4	4447	0.668987632	3019209	-16709	16709
2014/04	-15.5	24.3	4945	0.668987632	3050017	-30808	30808
2015/01	4.1	26.4	9840		3065116	-15099	15099

2015/02	12.2	25	2947		3049495	15621	15621
2015/03	10.4	25.5	4615		3051403	-1908	1908
2015/04	14.5	24.5	6248		3054754	-3351	3351
2016/01	15.4	26.7	10048		3045229	9525	9525

Code	Unit Of Measure	Description
KBP6006D	R millions	Gross domestic product at market prices (GDP)
View all on single Graph		

Date	KBP6006D Gross domestic product at mark ...
2005/01	2308029
2005/02	2349448
2005/03	2381486
2005/04	2397433
2006/01	2439551
2006/02	2474200
2006/03	2508372
2006/04	2543057
2007/01	2584351
2007/02	2605530
2007/03	2636065
2007/04	2673414
2008/01	2684648
2008/02	2717424
2008/03	2723918
2008/04	2708410
2009/01	2666281
2009/02	2657131
2009/03	2663293
2009/04	2681051
2010/01	2711577
2010/02	2730077
2010/03	2760428
2010/04	2789950
2011/01	2816474
2011/02	2832667
2011/03	2841114
2011/04	2862777
2012/01	2874224
2012/02	2900027
2012/03	2908700
2012/04	2921353

2013/01	2932338
2013/02	2961131
2013/03	2972746
2013/04	3008509
2014/01	2996422
2014/02	3002500
2014/03	3019209
2014/04	3050017
2015/01	3065116
2015/02	3049495
2015/03	3051403
2015/04	3054754
2016/01	3045229

Title:	Index of Human Capital per Person for South Africa
Series ID:	HCIYISZAA066NRUG
Source:	University of Groningen, University of California, Davis
Release:	Penn World Table 9.0
Seasonal Adjustment:	Not Seasonally Adjusted
Frequency:	Annual
Units:	Index
Date Range:	1950-01-01 to 2014-01-01
Last Updated:	2016-06-29 12:32 PM CDT
Notes:	Index of human capital per person, based on years of schooling (Barro/Lee, 2012) and returns to education (Psacharopoulos, 1994) Source ID: hc When using these data in your research, please make the following reference: Feenstra, Robert C., Robert Inklaar and Marcel P. Timmer (2015), "The Next Generation of the Penn World Table" American Economic Review, 105(10), 3150-3182, available for download at www.ggdc.net/pwt For more information, see http://www.rug.nl/research/ggdc/data/pwt/.

DATE	VALUE
1950-01-01	1.6523576975
1951-01-01	1.6699706316
1952-01-01	1.6877712011
1953-01-01	1.7057615519
1954-01-01	1.7202901840
1955-01-01	1.7340933084
1956-01-01	1.7350234985
1957-01-01	1.7359541655
1958-01-01	1.7368853092
1959-01-01	1.7378169298
1960-01-01	1.7387491465
1961-01-01	1.7442209721

1962-01-01	1.7497102022
1963-01-01	1.7552165985
1964-01-01	1.7607403994
1965-01-01	1.7662814856
1966-01-01	1.7718400955
1967-01-01	1.7774162292
1968-01-01	1.7830097675
1969-01-01	1.7886210680
1970-01-01	1.7942498922
1971-01-01	1.8013254404
1972-01-01	1.8084287643
1973-01-01	1.8155602217
1974-01-01	1.8227196932
1975-01-01	1.8299074173
1976-01-01	1.8371235132
1977-01-01	1.8443681002
1978-01-01	1.8516412973
1979-01-01	1.8589429855
1980-01-01	1.8662736416
1981-01-01	1.8703895807
1982-01-01	1.8745145798
1983-01-01	1.8786487579
1984-01-01	1.8827919960
1985-01-01	1.8869442940
1986-01-01	1.8911060095
1987-01-01	1.8952766657
1988-01-01	1.8994566202
1989-01-01	1.9036457539
1990-01-01	1.9078440666
1991-01-01	1.9249558449
1992-01-01	1.9422211647
1993-01-01	1.9596413374
1994-01-01	1.9772177935
1995-01-01	1.9949518442
1996-01-01	2.0128448009
1997-01-01	2.0308985710
1998-01-01	2.0491139889
1999-01-01	2.0674929619
2000-01-01	2.0860366821
2001-01-01	2.1245133877
2002-01-01	2.1636998653
2003-01-01	2.2036092281
2004-01-01	2.2442543507
2005-01-01	2.2856492996
2006-01-01	2.3278081417
2007-01-01	2.3707442284
2008-01-01	2.4144723415
2009-01-01	2.4590070248
2010-01-01	2.5043632984
2011-01-01	2.5577144623
2012-01-01	2.5960116386
2013-01-01	2.6351492405

2014-01-01	2.6759505272

Code	Unit Of Measure	Description
KBP4181K	R millions	National Government: Net cash flow from investment in non- financial assets: Purchases of non-financial assets
View all on single Graph		National Government: Net cash flow from investment in non- financial assets: Purchases of non-financial assets

Date	KBP4181K National Government: Net cash ...
2005/01	2469
2005/02	1564
2005/03	2201
2005/04	3167
2006/01	5124
2006/02	2005
2006/03	1942
2006/04	3120
2007/01	5586
2007/02	2459
2007/03	2969
2007/04	3044
2008/01	5543
2008/02	3124
2008/03	4391
2008/04	4036
2009/01	4260
2009/02	2302
2009/03	3510
2009/04	3348
2010/01	4824
2010/02	3689
2010/03	3548
2010/04	3320
2011/01	5484
2011/02	2811
2011/03	3187
2011/04	4046
2012/01	6119
2012/02	2831
2012/03	4101
2012/04	4063
2013/01	8301
2013/02	2133
2013/03	3709

2013/04	5603
2014/01	8823
2014/02	2533
2014/03	4447
2014/04	4945
2015/01	9840
2015/02	2947
2015/03	4615
2015/04	6248
2016/01	10048

Code	Unit Of Measure	Description
KBP7019K	Percentage	Official unemployment rate

View all on single Graph

Date	KBP7019K Official unemployment rate ...
2005/02	24.2
2005/03	23.5
2005/04	23.5
2006/01	23.1
2006/02	23.1
2006/03	22.1
2006/04	22.1
2007/01	23.6
2007/02	23.6
2007/03	21
2007/04	21
2008/01	23.2
2008/02	22.6
2008/03	22.8
2008/04	21.5
2009/01	23
2009/02	23.2
2009/03	24.5
2009/04	24.1
2010/01	25.1
2010/02	25.1
2010/03	25.4
2010/04	23.9
2011/01	24.8
2011/02	25.6
2011/03	25
2011/04	23.8

2012/01	25
2012/02	24.8
2012/03	25.2
2012/04	24.5
2013/01	25
2013/02	25.3
2013/03	24.5
2013/04	24.1
2014/01	25.2
2014/02	25.5
2014/03	25.4
2014/04	24.3
2015/01	26.4
2015/02	25
2015/03	25.5
2015/04	24.5
2016/01	26.7

		Unit root test		
	ADF		PP	
Variable	Intercept	intercept+Trend	intercept	intercept+Trend
Hc	-0.782102	-2.090604	-0.298776	n7.078219***
K	-0.68158	-2.050465	n5.594261***	n8.346771***
L	-0.850487	-2.301491	-2.462019	0.0029p***
Lib	n3.884686***	n3.669246**	n3.91733***	n3.731229**
Grw	n3.646311***	n4.008568**	n3.570005***	n3.9745***

The table shows unit root testing for variable before monotonic transformation is done where ***, **, * respectively refer to 1%, 5% and 10% level of significan

		Unit root test		
	ADF		PP	
Variable	Intercept	intercept+Trend	intercept	intercept+Trend
Lnhc	-1.469581	-1.035786	-0.585178	n5.708328***
Lnk	-1.827561	-2.772115	n5.686308***	n9.106961***
Lnl				
Lnlib				
grw2	n5.409308***	n7.244336***	n5.476232***	n7.250982***

the table is for variables after they have been logarised, variable that are not included is because they are already rates, we test for unit root on the varia respectively.

	Lag selection	
Variable	number of lags	

Lnch	4	
Lnk	4	
L	4	
Lib	1	
lngrw2	1	

this table is for lag selection based on VARSOC commande.

Code	Unit Of Measure	Description
KBP4592E	R millions	National government tax revenue: Total taxes on international trade and transactions

View all on single Graph

Date	KBP4592E National government tax revenu ...
2005/01	85.9
2005/02	29.2
2005/03	57.1
2005/04	39.5
2006/01	23.1
2006/02	40.8
2006/03	32.5
2006/04	23.7
2007/01	34.1
2007/02	17.7
2007/03	7.1
2007/04	12.6
2008/01	15.4
2008/02	-0.5
2008/03	-9
2008/04	-23.9
2009/01	-25.4
2009/02	-33.3
2009/03	-28.6
2009/04	0.8
2010/01	1.8
2010/02	33.8
2010/03	60.9
2010/04	21.6
2011/01	45.2
2011/02	6.2
2011/03	12
2011/04	39.7
2012/01	41.2
2012/02	22.5

2012/03	15.1
2012/04	12.9
2013/01	16
2013/02	25.6
2013/03	16.5
2013/04	21.7
2014/01	-3.2
2014/02	-12.5
2014/03	-6.2
2014/04	-15.5
2015/01	4.1
2015/02	12.2
2015/03	10.4
2015/04	14.5
2016/01	15.4