South Africa has a population of over 45 million people and an estimated GDP (PPP) of US$ 524 billion in 2010 (CIA, 2011). The country employs a mixed economy to address the legacies of apartheid, with the state’s role being dynamic, shifting emphases to meet the changing developmental needs of society. It is the economic powerhouse of Africa, with a GDP four times that of its Southern African neighbours, and accounts for approximately 30 percent of the continent’s GDP. Its industrial output and mineral production is 40 percent and 45 percent of total output in the continent respectively, and the country generates over 50 percent of Africa’s electricity (DTI, 2010).

South Africa enjoyed an exceptional sixty-two quarters of uninterrupted economic growth from the first quarter of 1993 to the second quarter of 2008, however, as the effects of the global crisis hit, GDP contracted in the last two quarters of 2008, officially plunging the economy into its first recession in 18 years. Higher interest rates, power shortages and weakening commodity prices were also contributory factors. Real GDP has, however, recovered from -1.7 percent in 2009 to 2.8 percent in 2010 albeit, below the estimated potential of around 4 percent per annum for South Africa. According to the African Economic Outlook (2011) GDP is expected to grow at a rate of 3.6 percent in 2011 and 4.3 percent in 2012.

Over the review period South Africa has also managed to keep inflation within the target range of between 3 percent and 6 percent per annum. Current inflation indicators reveal that South Africa’s inflation for 2011 is expected to be about 5 percent year-on-year (Nedbank Group, 2011). Despite achieving budgetary discipline and contained inflation, South Africa still faces the daunting task of reducing inequalities and enhancing growth performances seventeen years after the end of apartheid.

Looking at the trade policies adopted by South Africa over the past few decade, we note that historically, South Africa’s trade policy was guided by three interrelated strategies, that is, import substituting industrialization, the development of strategic industries (in arms, oil and coal) – due to imposed sanctions – and the development of minerals-related exports. This was aided by heavy incentives to develop and sustain these industries (Lewis, 2001).

Accession to the WTO increased the pace of trade policy reform where the key aspects of liberalization were contained in an offer to the WTO of phased tariff-reduction measures. The tariff reform programme took effect early 1995 signalling the commitment of the new government to trade reform,
which resulted in reduction of the average tariff from about 15 percent in 1996 to below 7 percent in 2011. To date, South Africa has shifted its policy towards market-led supply-side support measures that are in line with WTO rules to facilitate industrial restructuring, technology upgrading, investment and export promotion as well as SMME development.

**South African initiatives in Africa**

South African businesses have made great strides in Africa, and particularly in southern Africa. This expansion of South African companies into African markets has displayed the vast opportunities that Africa has to offer in terms of investment. Joint ventures, Greenfield investments, and mergers and acquisitions characterise South African business presence throughout Africa. Key to the success of South African investments has also been State’s promotional role through entities such as the Industrial Development Corporation (IDC) and the Development Bank of Southern Africa (DBSA) which not only provide funding but also share the risk by taking a direct stake in some projects.

We therefore expect South Africa’s role as a major investor in the region to continue assuming that the trend seen over the past decade prevails. For instance, more than 22 percent of FDI flows received by the South African Development Community (SADC) between 1994 and 2004 were from South Africa, with the share in some years exceeding 40 percent (WIR, 2004). Between 2005 and 2009, South Africa increased investments in Africa by around US$ 13 billion, from US$ 3 billion in 2005 to US$ 16 billion in 2009 (WIR, 2011). Again the bulk of this has been in neighbouring countries, where South African companies have continued to establish a visible footprint.

Six main sectors of the South African economy can be identified that have taken the lead in terms of investing in Africa. Companies from the mining, retail, construction/manufacturing, financial services, telecommunications, and tourism sectors have ensured that South Africa is clearly visible as a major investor in Africa. In the past decade, investments that were usually concentrated in mining have tended to move into other, mainly services, sectors. According to the WIR (2004), “since 2000, 8 of 21 major investments by South Africa in Africa were in natural resource sectors; 8 in services, 1 in utilities (electricity), and 2 in basic industries.” In recent years however, South Africa has also become prominent as an investor in telecommunications, financial and retail sectors in Africa as reflected by the expansion and increased appetite for investment into Africa by major players in these particular sectors.
Countries where South Africa has a visible footprint include: Angola, Botswana, DRC, Namibia, Mozambique, Swaziland, Tanzania, Zimbabwe (all SADC), Cameroon, Ghana, Guinea, Mali, Nigeria, Rwanda and Uganda. The big investors are MTN, Vodacom, Eskom, Sasol, SABMiller, Shoprite, Protea, Multichoice, Standard Bank, ABSA and, recently, FNB, among others.

**South Africa trading relations with Africa**

The figure below shows the trade patterns between South Africa and the rest of Africa from 2002 to 2010 – the latest available trade data year. The picture depicted clearly highlights the increased interest or cooperation between this regional economic giant and the African continent.

![Graph showing South Africa's trade with Africa from 2002 to 2010](image)

*Source: World Trade Atlas*

An analysis of the trade flows reveals the following:

- Between 2002 and 2010 the compounded growth of South Africa’s total trade (imports + exports) with Africa increased by 17% with imports and exports increasing by 25% and 15% respectively. The global financial crisis had an impact on South Africa’s trade with Africa where during the 2008/2009 period, the value of total trade between South Africa and Africa decreased by 24% from approximately US$ 21.2 billion in 2008 to approximately US$ 16 billion at the end of 2009. Imports from Africa were affected the most, declining by 40% while exports to Africa declined by a relatively smaller 13% over the same period. In value terms, imports declined by approximately US$ 3.5 billion while exports declined by approximately US$ 1.6 billion during this period.
However, we have witnessed a recovery in 2010 where growth in total trade increased by an estimated 17% annual growth from US$ 16 billion in 2009 to US$ 18.8 billion in 2010.

The bulk of South Africa’s current trade with Africa is concentrated with a few countries for both imports and exports. The chart below depicts South Africa’s respective African trading partners for both imports and exports in 2010 together with the market share of each country.

Among the major trading partners, trade is concentrated among just a few countries. For imports, Nigeria (35%); Angola (32%) and Mozambique (8%) account for about 75% of total trade, while in terms of exports Zimbabwe (17%), Mozambique (16%); and Zambia (14%) account for about 47% share.

The top 10 products South Africa imported from Africa in 2010 accounted for 91% of South Africa’s total imports from Africa over this period. There is a greater concentration of trade in a few products as reflected by South Africa’s composition of imports, in which the top three products accounted for 85% of total imports from Africa. Mineral Fuel, Oil (76%) accounted for the bulk of imports.

In terms of exports, the top 10 products South Africa exported to Africa during the same period represented about 35% of total South African exports to Africa. The products traded are relatively diversified and to a certain extent processed products comprised of: Machinery (14%); Mineral Fuel, Oil, etc (9%), Vehicles, Not Railway (9%); Iron & Steel (9%); Iron or Steel product (6%); and Electrical Machinery (6%). Together, these products accounted for over 53% of total exports. Table below highlights the product composition of South African trade with Africa.

Source: World Trade Atlas
South Africa Imports from Africa | South Africa Exports to Africa
---|---
HS | Description | 2010 | % share (2010) | HS | Description | 2010 | % share (2010)
- | - | - | - | - | - | - | -
27 | Mineral Fuel, Oil Etc | 4,765.57 | 76 | 84 | Machinery | 1,715.27 | 14
71 | Precious Stones, Metals | 360.77 | 6 | 27 | Mineral Fuel, Oil Etc | 1,175.01 | 9
74 | Copper+Articles Thereof | 171.58 | 3 | 87 | Vehicles, Not Railway | 1,127.02 | 9
84 | Machinery | 82.41 | 1 | 72 | Iron And Steel | 1,071.78 | 9
52 | Cotton+Yarn, Fabric | 68.94 | 1 | 73 | Iron/Steel Products | 812.88 | 6
85 | Electrical Machinery | 62.06 | 1 | 85 | Electrical Machinery | 730.07 | 6
24 | Tobacco | 57.17 | 1 | 39 | Plastic | 602.38 | 5
61 | Knit Apparel | 54.89 | 1 | 48 | Paper, Paperboard | 411.65 | 3
9 | Spices, Coffee And Tea | 51.36 | 1 | 22 | Beverages | 315.71 | 3
62 | Woven Apparel | 46.58 | 1 | 38 | Misc. Chemical Products | 243.1 | 2
| OTHER | 540.22 | 9 | | OTHER | 4,345.10 | 35

Source: World Trade Atlas

Sources:


