Columbia FDI Profiles

Country profiles of inward and outward foreign direct investment
issued by the Vale Columbia Center on Sustainable International Investment
May 8, 2013

Editor-in-Chief: Karl P. Sauvant
Editor: Padma Mallampally
Managing Editor: Maree Newson

Inward FDI in South Africa and its policy context

by
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South Africa's natural resource endowments, its market size and improved macroeconomic fundamentals since its first democratic elections in 1994 should serve as much-needed incentives to attract inward foreign direct investment (IFDI) that could contribute to its economic development and offset its low domestic savings rate. The attractiveness of South Africa as a destination for IFDI has, however, been mixed due to its prevailing "dual economy", where an economy comparable to that of an industrialized nation co-exists with one similar to that of a developing country. South Africa's sound regulatory and legislative environment for investment, its sophisticated business sector and globally competitive financial markets, are juxtaposed against pervasive poverty, high income inequality, challenges in healthcare and education, and inefficient labor markets. Coupled with these seemingly contradictory conditions, the South African Government's vacillation around some key economic policy issues (like the nationalization of strategic resources and industries called for by some groups) continues to create uncertainty for investors and has meant that South Africa remains an enigma to many foreign investors. South Africa was somewhat shielded from the recent global economic and financial crisis due to the flow of portfolio investments into large emerging markets, including South Africa, and the unabated demand for commodities in China, India and other emerging markets. IFDI patterns in South Africa are changing, with broader geographic origins and with non-mining industries attracting investment from countries other than Europe and the United States in recent years.

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Trends and developments

Country-level developments

Since the 1960s and through the early 1990s, South Africa had been an increasingly isolated economy due to sanctions imposed against its apartheid policies. Following the end of apartheid in 1994 and the country's first democratic elections, expectations were that foreign direct investment (FDI) inflows into South Africa would grow strongly. This view gained traction based on the notion that South Africa was seen as the gateway to sub-Saharan Africa (SSA) with its potential consumer base of some 900 million people. Having a financial system more aligned to those in developed economies than to those in emerging markets, improved macro-economic fundamentals in several respects and a relatively extensive infrastructure also added to an expectation that South Africa's economic reach could stretch beyond SSA, giving further impetus to inflows of FDI.

South Africa's attractiveness as a destination for FDI has, however, been mixed. This is in part due to its prevailing "dual economy"[1] which is comparable in several respects to an industrialized economy but in several others resembles a developing one. South Africa has a sound regulatory and legislative environment for investment, a sophisticated business sector and globally competitive financial markets, [2] but it also has pervasive poverty,[3] high income inequality,[4] challenges in health care and education, and inefficient labor markets. An inadequately educated workforce, restrictive labor regulations, poor labor-employer relations and low levels of productivity relative to the cost of labor constitute some of the most problematic challenges facing business in South Africa.[5] Furthermore, South Africa, with a gross national savings rate of 16.5% of GDP, ranks 87th (out of 144 countries) in terms of the savings rate and compares poorly with its companion economies in the BRICS group.[6] In Africa, fifteen countries have a higher gross national savings rate than South Africa. IFDI is thus much needed to offset low domestic investment and to finance technological transformation. These differing conditions and the policy

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[1] The existence of a "dual economy and society" in South Africa was first mooted by President Thabo Mbeki during his 2003 State of the Nation address, available at: http://www.info.gov.za/speeches/2003/03021412521001.htm.

[2] South Africa's auditing and reporting standards and the regulation of its securities exchange rank number one in the world and its banks have been ranked second in terms of their soundness. See World Economic Forum, *The Global Competitiveness Report 2011-2012* (Geneva: World Economic Forum, 2011).

[3] Half of South Africans live on less than R500 (approximately $60) per month. See "Poverty and inequality in South Africa," *Mail and Guardian*, September 16, 2011, available at: http://mg.co.za/article/2011-09-16-poverty-and-inequality-in-south-africa.

[4] South Africa's Gini index, at 63.1 (in 2005), is the second highest in the world. See United States CIA, *The World Factbook,* available at: https://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html.

[5] Out of a survey of 144 countries, South Africa ranked 144th in terms of poor cooperation in labor-employer relations, 140th in flexibility regarding wage determination, 143rd in its hiring and firing practices and 134th in terms of productivity relative to levels of pay. See World Economic Forum, *The Global Competitiveness Report 2012-2013* (Geneva: World Economic Forum, 2012).

[6] In the other countries of the BRICS group, savings as a percentage of GDP were: Brazil 18.4%; Russia 28.6%; India 31.6% and China 51%. See World Economic Forum, *The Global Competitiveness Report 2012-2013*, op. cit.

challenges and uncertainties accompanying them have resulted in South Africa remaining an enigma to many foreign investors.

In the late 1980s, South Africa's stock of FDI fell to lows in the region of US$ 8 billion as a result of the economic sanctions imposed on the apartheid Government. Subsequent to its first democratic election in 1994, South Africa's stock of FDI has demonstrated the anticipated upward trajectory, rising from US$ 15 billion in 1995 to US$ 132 billion in 2010, although there was a small decline (to US$ 130 billion) in 2011 (annex table 1). Nevertheless, in 2011, the ratio of FDI stock to GDP was lower in South Africa (32%) than in four of the five comparator countries considered in annex table 1 – Poland (38%), Malaysia (41%), Hungary (60%), and Chile (64%).[7]

South Africa's annual FDI inflows averaged less than 1.5% percent of GDP during 1994-2002, performing poorly in comparison with Asian and Latin American economies and/or with economies with similar sovereign credit ratings, which have averaged FDI inflows of between 2% and 5% of GDP annually.[8] In 2011, South Africa continued to perform relatively poorly as against most of the comparator countries considered, with IFDI flows at 1.4% of GDP, compared to 2.9% in Poland, 3.6% in Hungary, 4.3% in Malaysia and 7.0% in Chile.[9]

In mitigation of possible criticism that South Africa is not attracting a larger share of world FDI, it may be noted that the depth and sophistication of the country's financial markets – cited as positive factors in the *World Competitiveness Yearbook 2010*– suggest that foreign multinational enterprises (MNEs) interested in shoring up their operations in South Africa need look no further than local capital markets for funding,[10] which would be less vulnerable to volatile exchange rate movements than FDI. This possibility may distort somewhat the accurate capture of total investment in foreign affiliates by data on FDI stock and on IFDI flows reported by the South African Reserve Bank.

During the decade preceding South Africa's democratic elections in 1994, the country experienced a net outflow of capital due to the perceived political uncertainties. Political unrest in 1984 and 1985 contributed to significant capital outflows and panic selling of the Rand precipitated the declaration of a debt standstill by the South African Government. South Africa's indebtedness as at August 31, 1985 was $23.7 billion (41.4% of GDP), and $13.6 billion of this amount was deemed to be affected by the debt standstill. South Africa made an initial repayment of 10% in February

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[7] 2010 GDP figures used for deriving ratios of FDI stock to GDP for South Africa and the comparator countries, viz. Chile, Hungary, Malaysia, Poland, and Turkey, were sourced from the World Bank's World Development Indicators database, available at: http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP.pdf. The comparator countries were selected on the basis of having similar investment profiles in terms of historical risk rating and size of economy.
[8] A. Arvanitis, "Foreign direct investment in South Africa: Why has it been so low?" in M. Nowak and L.A. Ricci, eds., *Post-Apartheid South Africa: the First Ten Years* (Washington, D.C.: International Monetary Fund, 2005).
[9] GDP figures used for deriving ratios of IFDI to GDP were sourced from the World Bank's World Development Indicators database, available at: http://data.worldbank.org, op. cit. IFDI figures were sourced from UNCTAD's FDI/TNC database, available at: http://unctadstat.unctad.org/. Turkey's FDI flow relative to GDP was 1.2% for 2011.
[10] IMD, *IMD World Competitiveness Yearbook 2010* (Lausanne: IMD International, 2010).

1994. Some 40% of the debt was repaid between 1994 and 1998 and 60% between 1999 and 2001, with the last repayment made on August 15, 2001 heralding a positive turnaround in South Africa's international credit rating.[11] The settlement of the debt standstill also signaled the net inflow of capital during the latter part of the twentieth century and into the first decade of the new millennium (except for 2006 when there was an outflow of capital).

Annex table 2 illustrates the high degree of volatility in FDI flows into the country. In 2000, when South Africa was recovering from the economic crisis that besieged most markets in 1998, FDI inflows were modest at US$ 887 million. In 2001, the country attracted US$ 6.8 billion, but then, by 2003 and 2004, FDI flows fell to below US$ 800 million. This volatility can be ascribed in part to movements in the rand exchange rate. In 2001, for instance, the domestic currency unit lost some 37% of its value against the U.S. dollar, of which some 17% was lost during the month of December 2001 alone, consequent to the risk-aversion toward, and withdrawal of funds from, emerging markets following the 9/11 attacks on the United States.[12] Exaggerated weakness in the rand exchange rate would have been a compelling reason for the acceleration in IFDI over this period.

In 2005, South Africa's IFDI flows went up to US$ 6.5 billion, but plunged to US$ 527 million in 2006 (annex table 2). Thereafter, inflows responded well to the commodities boom, until 2009-2010, when they dropped significantly. Data for 2011, however, reflect a significant four-fold increase in flows to US$ 5.8 billion (up from US$1.2 billion in 2010), equal to 7.5% of the country's total fixed investment for the year.[13] This increase is in line with continued high investor appetite for opportunities in rapidly growing emerging markets despite an anticipated slowdown in FDI due to the Eurozone crisis.[14]

On the African continent, South Africa was the second-largest recipient of FDI in 2011, after Nigeria, and ranks ahead of Ghana, the Democratic Republic of the Congo and Algeria. This southward drift of FDI to sub-Saharan African economies comes on the heels of FDI inflows to North African economies, like Egypt and Libya, which traditionally received one third of the continent's FDI inflows, having slowed to a trickle due to political turmoil.[15]

Historically, South Africa has attracted FDI mainly into the natural resources sector of the economy, especially mining, with manufacturing following at some distance,

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[11] Republic of South Africa, "South Africa makes final repayment in debt standstill net", *National Treasury*, September 3, 2001, available at: http://www.info.gov.za/speeches/2001/0109031145a1002.htm (accessed 23 April, 2013).

[12] Between January 1 and August 31, 2001, the rand fell by 10.7%, but in the period between September 1 and December 31, 2001, it fell by 42%. This dramatic fall in the external value of the South African currency prompted the Government to appoint the Myburgh Commission of Inquiry into the Rapid Depreciation of the Rand and Related Matters. The commission released its report in August 2002 and attributed the decline in the value of the rand to a number of factors. See, Commission of Inquiry into the Rapid Depreciation of the Exchange Rate of the Rand and Related Matters, *Final Report* (2002) available at: http://www.justice.gov.za/commissions/comm_rand/final%20report.htm and http://www.info.gov.za/speeches/2002/02052414461002.htm.

[13] Ethel Hazelhurst, "Foreign investment into SA soars," *Business Report*, July 6, 2012.

[14] Sure Kamhunga, "Slowdown will not stop investors – UN," *Business Day*, July 18, 2012.

[15] Hazelhurst, op. cit.

and service industries at even more. Smaller investments in mining have continued in the decade after 2000, and mining accounted for a third of total IFDI stock in 2001 as well as 2010 (annex table 3). This, however, represents relatively slow growth in light of the rising world-wide demand for commodities over most of the period, and is the consequence of a stifling regulatory and investment climate,[16] which resulted in South Africa missing out on the commodity boom on more than one occasion. At a policy conference of the ruling party, the African National Congress (ANC), held in June 2012, the introduction of a mining windfall tax on certain commodities, as well as the possibility of nationalizing the industry, were discussed.[17] Whilst these proposed initiatives did not constitute official government policy and have been described in some quarters as populist rhetoric in the run-up to party elections that were held in December 2012, investors had been "worried by the persistent demands of the ruling ANC's powerful Youth League for nationalization".[18] Thus, while the global mining industry grew by nearly 5% between 2001 and 2008, the South African mining industry declined by 1% over the same period.[19] Technically, an important sector of the economy had been in recession, having contracted by three consecutive quarters in 2011 – by seasonally adjusted rates of -4.2% in the first quarter, -4.2% in the second quarter and -17.2% in the third quarter of 2011. Gold, coal and other mining products accounted for 38% of export earnings in 2011. The combined effects of mine closures and strikes had, however, resulted in mining output contracting by 16.8%.[20]

With the removal of Julius Malema as leader of the ANC Youth League in November 2011 and his eventual expulsion from the party in April 2012, the disruptive calls for nationalization were somewhat dissipated. This was confirmed at the ANC's elective conference held in Manguang in December 2012, when it was stated that any nationalization in the mineral sector would focus on beneficiation and identified natural resources, including shale and other natural gases, iron ore and coal.[21] In President Zuma's State of the Nation Address in February 2013, there was further confirmation that the issue of nationalization was, for the time being, no longer on the

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[16] Inefficient government bureaucracy, an inadequately educated workforce and restrictive labor regulations were cited in the World Economic Forum's 2011-2012 report on global competitiveness as the primary obstacles for doing business in South Africa; see World Economic Forum, *The Global Competitiveness Report 2011-2012*, op. cit.. The International Finance Corporation's *Doing Business 2012* report ranked South Africa 35th (out of 183 economies), with difficulties in trading across borders and obtaining access to electricity as the key challenges to businesses; see World Bank and IFC, *Doing Business 2012: Doing Business in a More Transparent World* (Washington, D.C.: World Bank, 2011). The South African Chamber of Commerce and Industry (SACCI) conducted an ease of doing business survey in the second quarter of 2012 which reflected that negative perceptions of proposed amendments to labor legislation, a complex tax regime, obstructive government bureaucracy, and poor municipal service delivery impacted negatively on overall business confidence in South Africa; see I-Net Bridge, "Ease of doing business lowest since Q42010," *MoneyWeb*, July 11, 2012, available at: http://www.moneyweb.co.za/mw/content/en//moneyweb-south-africa?oid=576309&sn=2009+Detail.

[17] Mike Cohen and Andres R. Martinez, "South Africa's ANC targets mining taxes in policy meeting," *Bloomberg*, June 26, 2012.

[18] "Resource nationalism in Africa: wish you were mine," *The Economist*, February 11, 2012.

[19] Peter Leon, "South Africa's mining industry can be placed on new path to attract investment," *Mining Weekly*, September 10, 2011, available at: http://www.miningweekly.com/article/south-africas-mining-industry-can-be-placed-on-new-path-to-attract-investment---peter-leon-2010-09-10.

[20] Cohen and Martinez, op. cit.

[21] Niren Tolsi, Nickolaus Bauer and Virashni Pillay, " Nationalisation of mines dead and buried," *Mail and Guardian*, December 20, 2012, available at http://mg.co.za/article/2012-12-20-nationalisation-of-mines-dead-and-buried.

agenda when he stated: “We believe that at a policy level we have managed to bring about certainty in the mining sector. The nationalisation debate was laid to rest in December at the ruling party’s national conference.”[22]

In 2008, South Africa was ranked 49th out of 71 countries for “Economic Freedom” by the influential Fraser Institute in its annual survey of mining companies, but by 2010 its ranking had dropped to 67 (out of 79 countries), from position 61 (out of 72 countries) in 2009. South Africa improved its ranking to 54th (out of 93 countries) in 2011. The financial crisis coupled with the unstable regulatory environment led to large-scale retrenchments in the mining industry and the closure of many shafts that were previously marginal.[23] The mining industry continues to operate under severe pressure, and the problems were exacerbated by the events at the Lonmin platinum mine in Marikana in August 2012, when wild-cat strikes for higher pay turned violent and the South African Police Service opened fire on protesting miners. Unrest became widespread and several major mines across the gold and platinum industries were affected. This led to both temporary and permanent shaft closures and the laying off of thousands of workers. It is in this milieu of even greater investor uncertainty that the Minister of Finance, Pravin Gordhan, vowed to facilitate a supportive policy climate and a stable regulatory framework. He acknowledged the importance of the mining industry to employment, its share of some 50% of country’s exports and its potential impact on the current account during his budget speech in February 2013. The Finance Minister also addressed the issue of increases in mining taxes that had been hinted at in some quarters, and he emphasized that any decision would be delayed pending the upcoming review of South Africa’s tax regime.[24]

Despite the decline in South Africa’s mining output over the period 2001-2008, noted above, and the relatively slow growth in IFDI in mining when viewed in the context of the commodity boom, FDI stock in mining and quarrying in the economy more than doubled (from US$ 15 billion to US$ 35 billion) during 2001-2009 (annex table 3). There was also significant growth in FDI in other sectors.

In manufacturing, the stock of IFDI rose from US$ 11 billion in 2001 to US$ 29 billion in 2009 (annex table 3). Since 2008, a number of foreign manufacturing MNEs have expanded their activities in South Africa; for example, Daimler AG injected some US$ 290 million into its operations in South Africa[25] and BMW invested a similar amount to expand its facilities, primarily to cater to the export market (BMW South Africa accounts for about 25% of all current “3-series” models manufactured

[22] “SA: Jacob Zuma: Address by the President of South Africa, during the State of the Nation Address 2013, Parliament, Cape Town (14/02/2013),” Polity.org.za, February 14, 2013 available at http://www.polity.org.za/article/sa-jacob-zuma-address-by-the-president-of-south-africa-duing-the-state-of-the-nation-address-2013-parliament-cape-town-14022013-2013-02-14.

[23] F. McMahon and M. Cervantes, *Fraser Institute Annual Survey of Mining Companies 2011/2012*(Vancouver, BC: Fraser Institute, 2012), available at: http://www.fraserinstitute.org/uploadedFiles/fraser-ca/Content/research-news/research/publications/mining-survey-2011-2012.pdf.

[24] SAPA, “Gordhan mum on mining taxes,” *Business Report*, February 27, 2013, available at http://www.iol.co.za/business/budget/gordhan-mum-on-mining-taxes-1.1478007#.UXCCPaVpufQ.

[25] “Daimler invests in South African Plant,” *Financial Times*, December 8, 2010, available at: http://www.ft.com/intl/cms/s/0/42bba152-02b6-11e0-a07e-00144feabdc0.html#axzz1pTynXbfq.

globally).[26] South Africa has had a well-developed auto assembly industry since the 1970s, which includes firms such as Ford, GM, VW, Toyota, and Nissan.[27] The South African Government has supported investment in the motor vehicle industry through incentive programs that encourage production for the global market. The motor vehicle industry continues to be a valuable source of export earnings for South Africa.[28] In addition to the creation of jobs, the South African automotive sector is an important area for technology transfer to South Africa, with benefits spilling over into related and supporting industries such as original equipment manufacturing parts.[29] Other significant new investments in manufacturing have come from Nestle, Tata and Heineken.

The services sector accounted for a larger share of FDI in South Africa than the primary and secondary sectors in 2001 as well as 2009. The IFDI stock in the sector rose from US$ 19 billion in 2001 to US$ 40 billion in 2009 (annex table 3). By far the largest FDI activity in that sector has been in financial services. South Africa has a highly developed financial services industry with deep skills and sophisticated regulations in place. The industry has had to develop advanced credit and risk management systems to service a diverse customer base. The implementation of the National Credit Act in 2007, which established rules compelling both banks and consumers to comply with stricter credit criteria, is thought to have assisted South Africa in overcoming the sub-prime credit problem that undermined more developed markets in the United States, United Kingdom and the Euro-zone. In addition, local banks are well regulated and well capitalized, and scheduled to be complying with Basel III[30] liquidity requirements by 2018.[31]

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[26] Irma Venter, "BMW to invest R2.2bn in Rosslyn plant, supplier network," *Engineering News*, October 2009, available at: http://www.engineeringnews.co.za/article/bmw-to-invest-r22bn-in-rosslyn-plant-supplier-network-2009-10-05.

[27] For a more detailed history of motor industry incentives in South Africa see: A. Black, "Location, automotive policy and multinational strategy: The position of South Africa in the global industry since 1995," unpublished paper, University of Cape Town, Cape Town, South Africa, 2008.

[28] Speech at the launch of the new 3-series production, Rosslyn, by Mr. Ebrahim Patel, Minister of Economic Development, February 20, 2012, available at: http://www.info.gov.za/speech/DynamicAction?pageid=461&sid=25218&tid=57096.

[29] For detailed information regarding government policies affecting the manufacturing sector refer to: (i) Republic of South Africa, "Industrial Policy Action Plan (IPAP) 2012/13 - 2014/15," Department: Trade and Industry, 2010, available at: http://www.info.gov.za/view/DownloadFileAction?id=162797. The IPAP is a policy and action plan designed to build South Africa's industrial base in critical areas of production and value-added manufacturing, with the objectives of reversing the decline in manufacturing capacity and alleviating chronic unemployment; (ii) Deloitte, "Deloitte Automotive – Navigating the draft Automotive Production and Development Programme (APDP) – First edition", *Deloitte and Touche*, October 2012, available at http://www.deloitte.com/assets/Dcom-SouthAfrica/Local%20Assets/Documents/Navigating%20the%20Automotive%20Production%20and%20Development%20Programme.pdf. The APDP focuses on enabling light motor vehicle manufacturers to increase production volumes and component manufacturers to expand value addition, with the objective of creating jobs; (iii) Republic of South Africa, "Programme Guidelines – Enterprise Investment Programme: Manufacturing Investment Programme," Department: Trade and Industry, July 2011, available at http://www.thedti.gov.za/financial_assistance/docs/mip_guidelines.pdf. The Manufacturing Investment Programme (MIP) is an incentive scheme designed to stimulate investment growth in manufacturing in line with South Africa's National Industrial Policy Framework by supporting projects requiring upfront grant funding.

[30] Basel III is a new set of capital and liquidity standards that banks must adhere to and is a response to the banking crisis. A good summary of the requirements and targets is available from Moody's Analytics, "Basel III New Capital and Liquidity Standards – FAQs" available at:

Another recent development is the increase in infrastructure-driven FDI by firms from Europe, India and the United States. These firms are beginning to build their presence in South Africa following increased infrastructure investment by the South African Government and other governments in the region.

FDI in South Africa has become more diversified in its geographic sources of origin, which include Japan, China and India, as well as the United Kingdom, Germany, Netherlands, and the United States. While, traditionally, the United Kingdom and other European economies have been the largest sources of FDI in South Africa, there has been a significant increase in investment from Asia and, especially, China, which was the largest Asian source-economy with an FDI stock of US$ 5.1 billion in 2010 (annex table 4). Despite this increase, the United Kingdom is still the home economy with the largest IFDI stock (US$ 69 billion – more than half of the total) in South Africa.[32]

The corporate players

The largest twenty foreign affiliates in South Africa in terms of revenue earned, according to information available in 2012, are listed in annex table 5. They include firms in diverse sectors with investments from a variety of sources. Affiliates of Vodaphone (United Kingdom), Walmart (United States) and Anglo American PLC (United Kingdom) top the list, which also includes affiliates of firms based in other European economies, India, Kuwait, Japan, and Malaysia.

Large volatility in FDI flows to South Africa has been due partly to a series of large mergers and acquisitions (M&As). The most notable recent M&A deals are in the banking, telecommunications and retail industries. Barclays PLC's acquisition of 55.5% of Absa in 2005[33] for US$ 3.1 billion was followed by the acquisition by the Industrial and Commercial Bank of China (ICBC) of a 20% stake in the Standard Bank Group for US$ 5.5 billion in 2007.[34] During 2009, Vodaphone purchased a further 15% of shares in Vodacom, the largest mobile service provider in South Africa from its joint venture partner Telkom, South Africa's telecommunications utility, for US$ 2.4 billion. The top 10 deals in 2010 are listed in annex table 6; the largest was the acquisition in October 2010 of Dimension Data by Nippon Telegraph and Telephone Corporation (NTT) for US$ 3.1.billion. Most recently, in 2011, Walmart acquired a 51% stake in Massmart for US$ 2.4 billion.[35]

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http://www.moodysanalytics.com/~/media/Insight/Regulatory/Basel-III/Thought-Leadership/2012/2012-19-01-MA-Basel-III-FAQs.ashx.

[31] René Vollgraaff, "South Africa already a Basel 3 star," *Business Day*, January 27, 2013, available at http://www.bdlive.co.za/business/financial/2013/01/27/south-africa-already-a-basel-3-star.

[32] Reporting on IFDI from China into South Africa is not always consistent. For a discussion of the topic see Stephen Gelb, "Foreign direct investment links between South Africa and China," paper prepared for the African Economic Consortium Project on China-Africa Economic Relations, The EDGE Institute, Johannesburg, 2010.

[33] Absa Group Limited, "Absa overview – profile," available at: http://www.absa.co.za/Absacoza/About-Absa/Absa-Group/Absa-Overview.

[34] Standard Bank, "Standard Bank – History," available at: http://www.standardbank.com/Highlights.aspx.

[35] Devon Maylie, "Wal-Mart gets nod in Africa," *The Wall Street Journal*, June 1, 2011, available at: http://online.wsj.com/article/SB10001424052702303657404576357132239525222.html.

The largest greenfield FDI projects in South Africa during 2008-2010 (annex table 7) were generally smaller than the largest M&A deals of 2010 mentioned above. Heading the list are investments by the Tata Group (India), in oil, coal and natural gas; by Trump (United States) in real estate; and by Strategic Natural Resources (SNR) (United Kingdom) in coal, oil and natural gas. In March 2013, Proctor and Gamble announced that it would invest $180 million in a multi-category manufacturing plant scheduled to start production in 2016/7, which would be the hub for its Southern and East African operations.[36]

Effects of the recent global crises

South Africa experienced a relatively shallow recession after a hard initial shock in 2009 due to the global financial and economic crises. It has been argued that South Africa's economy was insulated from the worst of the financial contagion by the vestiges of the exchange controls that were introduced during the apartheid era to prevent capital flight. South African banks were consequently prevented from dabbling in the more arcane derivative instruments available internationally and this, combined with the fact that they are more tightly regulated and conservatively capitalized than their international counterparts, served to reduce the likelihood of material exposure when global markets came under pressure.[37] The minerals and commodities sectors were hardest hit by the recession but recovered quite quickly after 2009, largely driven by the Chinese recovery and demand for commodities. After a record contraction in GDP of -6.3% in the first quarter of 2009, the South African economy expanded by 2.8% in 2010 with annualized growth rates of more than 4% in the final quarter of 2010 and first quarter of 2011. South Africa's GDP growth rate rose to 3.2% in the second quarter of 2012, from 2.7% in the previous quarter. This was accompanied by growth in the demand for labor from the second quarter of 2010.[38] South Africa has a highly volatile currency that is seen by some as overvalued largely due to foreign earnings in the commodity sector. However it is expected that the currency will remain volatile and the exchange rate will even rise as international investors rebalance their portfolios to access growing emerging markets such as South Africa.[39]

[36] Zeenat Moorad, "Procter and Gamble sees growth opportunities in Africa", *Business Day*, April 3, 2013, available at http://www.bdlive.co.za/business/retail/2013/04/03/procter-gamble-sees-growth-opportunities-in-africa.

[37] David Marrs, "The global financial crisis and emerging economies: Role model South Africa," *Heinrich Böll Stiftung Southern Africa* (updated), available at http://www.za.boell.org/web/publications-258.html.

[38] South African Reserve Bank (SARB), *Annual Economic Report 2011* (Pretoria: SARB, 2011).

[39] A good overview of the effects of the financial crisis on the South African economy is provided by Lesetja Kganyago, Deputy Governor of the South African Reserve Bank, in a speech to Capital Growth Fund Investors on March 1, 2012 at Magaliesburg, available at: http://www.resbank.co.za/Lists/Speeches/Attachments/337/Speech_Lesetja%20Kganyago.pdf (accessed April 23, 2013).

The policy scene

With investment flows to developing economies having grown by 11% during 2011 to a record $684 billion,[40] the outlook for South Africa with respect to IFDI appears promising. Experts predict that the African continent remains a preferred destination due to strong economic growth, ongoing economic reforms, higher commodity prices, and the presence of untapped consumer markets.[41] In addition, FDI flows originating from emerging economies continue to burgeon; for Africa's greenfield projects, the share of FDI flowing from emerging markets increased from 45% in 2010 to 53% in 2011.[42] South Africa should, therefore, feature prominently on the list of attractive FDI destinations but needs to ensure that the economic preconditions as well as policy factors remain conducive to encouraging FDI.

On the policy front, little remains of the exchange-control restrictions that governed the mobility of capital to and from South Africa since the late 1960s.[43] Today, South Africa is an open economy, and foreigners are able to repatriate earnings with relative ease.[44] The Government has substantially reduced its involvement in the economy and moved away from an import substitution regime, reduced historically high tariffs and subsidies, and done away with anti-competition measures. While there is little to distinguish between the policy, legal and regulatory frameworks governing domestic and foreign investment, the South African Government has, however, imposed restrictions on local borrowing by foreign investors, stipulated that payments of royalties, license fees and certain other remittances require approval from the South African Reserve Bank, imposed specific sectoral regulations in relation to strategic industries (e.g., banking and insurance, mining, telecommunications, transport),[45] and in some of its bilateral investment treaties (BITs) has stipulated that the Government reserves the right to elevate policies aimed at redressing economic empowerment imbalances above WTO principles.[46] Also worth noting is that, while the high literacy rate of the South African labor force and the generally low wages[47] are positive factors for attracting FDI, the level of unionization and militancy of trade unions is high by international standards,[48] and in a country plagued by a high unemployment

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[40] In 2011, global FDI grew by 16% to $1.5 trillion (UNCTAD statistics, available at: http://www.unctadstat.unctad.org).

[41] Ernst and Young, *Building Bridges: Ernst and Young's 2012 Attractiveness Survey – Africa* (EYGM Limited, 2012).

[42] Hazelhurst, op. cit.

[43] HCAW Schulze "South Africa further relaxes exchange controls," *Offshore Investment* (January 1998), available at: http://www.offshoreinvestment.com/media/uploads/South%20Africa%20further%20relaxes%20exchange%20controls.pdf.

[44] South African Reserve Bank (SARB), Exchange Control Manual, available at: http://www.resbank.co.za/RegulationAndSupervision/FinancialSurveillanceAndExchangeControl/EXCMan/Pages/default.aspx.

[45] Republic of South Africa, National Treasury "A review framework for cross-border direct investment in South Africa," Discussion Document, February 2011, available at: http://www.treasury.gov.za/documents/national%20budget/2011/A%20review%20framework%20for%20cross-border%20direct%20investment%20in%20South%20Africa.pdf.

[46] Trade Law Centre for South Africa (TRALAC), "Investment project – South African case study". prepared by the International Institute for Sustainable Development (IISD) for TRALAC, May 2004.

[47] The Economist Intelligence Unit, *Country Report: South Africa* (London: Economist Intelligence Unit, 2011).

[48] IMD, *IMD World Competitiveness Yearbook 2012* (Lausanne: IMD, 2012).

rate of about 26%,[49] labor legislation has been criticized for being inflexible.[50] A minimum wage, and mooted changes to labor broking, bans on casual labor and penalties imposed on executives of companies not adhering to black economic empowerment criteria have collectively clouded the investment outlook in sectors of the economy where labor absorption is most needed. Proposed amendments to the Broad-Based Black Economic Empowerment (B-BBEE) legislation tabled in November 2012 were expected to discourage IFDI as additional regulation is anticipated to increase the cost of doing business.[51]

South Africa's approach to FDI, which is part of its policy approach to investment and development in general, may appear contradictory to some outsiders, as the Government has to manage two competing pressures.[52] On the one hand, it needs to modernize and grow the economy; on the other, it must manage the demands to transform the obsolete apartheid structures of South African society into a society and economy that reflect more fairly and equitably the demographics of the general population. In this sense, the country has to walk a long road toward balancing better the objectives of economic growth and social development, learning from other emerging markets' best practices, and the transfer of significant ownership and management of enterprises to previously disadvantaged South Africans. To this end, the South African Parliament has enacted a variety of laws and regulations, the most significant of which are contained in the B-BBEE Strategy published in 2003, which was a precursor to the B-BBEE Act 53 of 2003. The Act provides a legislative framework for the promotion of Black Economic Empowerment, the establishment of a B-BBEE Advisory Council and for the Minister of Trade and Industry to issue Codes of Good Practice for a variety of industries.[53] The codes of practice require companies to have 26% equity ownership by previously disadvantaged South Africans, targets for management to be black and targets for procurement from firms that are owned by previously disadvantaged South Africans.

These laws are open to differences in interpretation and to possible manipulation.[54] However, there have also been some favorable developments for investors in the mining sector with a recent court ruling favoring existing holders of mining rights against the splitting of mineral rights on an existing property and awarding additional prospecting rights on the same property to another party. The party that was awarded

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[49] Unemployment rate cited is from Statistics South Africa, as at the fourth quarter, 2012, available at: http://www.statssa.gov.za/keyindicators/keyindicators.asp.
[50] IMD, *IMD World Competitiveness Yearbook 2012*, op. cit.
[51] Liesl Peyper, "New BEE legislation worries stakeholders," *Finweek*, March 13, 2013, available at http://finweek.com/2013/03/13/new-bee-legislation-worries-stakeholders/ (accessed on April 23, 2013); also see**,** Republic of South Africa, "Broad-Based Black Economic Empowerment Amendment Bill, 2012", *Minister of Trade and Industry*, 2012, available at http://www.parliament.gov.za/live/commonrepository/Processed/20121129/478645_1.pdf.
[52] Jeffrey Herbst, "Mbeki's South Africa," *Foreign Affairs,* November/December 2005, available at: http://www.foreignaffairs.com/articles/61203/jeffrey-herbst/mbekis-south-africa.
[53] Information regarding the purpose of the B-BBEE Act and codes of practice is from the South African Department of Trade and Industry website, available at: http://www.dti.gov.za/economic_empowerment/bee.jsp.
[54] Agnieszka Flak, "Kumba/Arcelor Mittal iron ore dispute case may expose South African can of worms," *Mineweb,* August 15, 2011, available at: http://www.mineweb.com/mineweb/view/mineweb/en/page39?oid=133436&sn=Detail&pid=39.

the split rights and had been awarded the right to appeal the ruling,[55] has subsequently had its appeal dismissed by the Supreme Court of Appeal. Industry commentators are hopeful that this development has quelled investor concerns over transparency and governance.[56] In addition, any M&A activity is subject to scrutiny by the Competition Commission, especially in so far as rights of consumers in lower income categories are affected.[57] The acquisition of Massmart by Walmart in 2011 was subjected to challenges from no less than three cabinet ministers, the Congress of South African Trade Unions (Cosatu) and other NGOs.[58] The deal was finally settled with Walmart establishing a fund of US$ 13.3 million to support small businesses in its supply chain, a promise not to lay off any Massmart employees for two years and an undertaking to honor union bargaining agreements for a three-year period.[59] The court found that the overall benefits of the investment would include creation of additional jobs and reduction in prices to the benefit of the South African economy as a whole. In the face of public criticism, the Minister of Trade and Industry denied that the Government's handling of the Walmart case would deter foreign investment as investment was dealt with on a case-by-case basis.[60]

While managing the pressures to transform South African society, the Government maintains a balancing act by encouraging foreign investment in key areas such as mining, the automotive industry, tourism, ICT and electronics, and infrastructure development.[61] To this end, the National Development Plan, released by the National Planning Commission (established in February 2010) to the President and Deputy President in November 2011, contained broad policy guidelines to attract domestic and foreign investment into industries in which South Africa is already competitive, such as financial services and mobile telecommunications, and to new industries such as business process outsourcing[62] and infrastructure development. The objective is to increase GDP by four percentage points to 7% per annum, and to create 5 million jobs by 2020, reducing the unemployment rate from 25% to 15%, and to diversify the South African economy significantly more within 20 years.[63] Areas in which job

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[55] Agnieszka Flak, "S.Africa court grants govt, ICT leave to appeal," *Reuters*, May 11, 2012, available at: http://www.reuters.com/article/2012/05/11/safrica-court-ict-kumba-idUSL5E8GAIWW20120511

[56] Agency Staff, "Court dismisses Sishen mine rights appeal against Kumba," *Business Day*, March 29, 2013, available at http://www.bdlive.co.za/business/mining/2013/03/29/court-dismisses-sishen-mine-rights-appeal-against-kumba.

[57] OECD, *Competition Law and Policy in South Africa – An OECD Peer Review* (Paris: OECD, 2003) available at: http://www.oecd.org/dataoecd/52/13/2958714.pdf.

[58] "Wal-Mart cleared to buy South Africa's Massmart," *BBC News Business*, May 31, 2011, available at http://www.bbc.co.uk/news/business-13601247.

[59] Devon Maylie, "Wal-Mart, Massmart merger approved in South Africa," *Wall Street Journal*, March 9, 2012, available at: http://online.wsj.com/article/SB10001424052970204603004577270942176432300.html.

[60] M. Cohen and R. Brand, "Wal-Mart wins South African lawsuit contesting Massmart deal," *Bloomberg,* March 9, 2012, available at: http://www.bloomberg.com/news/2012-03-09/south-africa-appeal-court-dismisses-case-against-wal-mart-s-massmart-deal.html.

[61] SouthAfrica.Info, "Key sectors," available at: http://www.southafrica.info/business/economy/sectors/.

[62] Lance Harris, "South Africa carves its outsourcing niche amid flurry of acquisitions," *African Enterprise*, September 20, 2012, available at: http://www.zdnet.com/south-africa-carves-its-outsourcing-niche-amid-flurry-of-acquisitions-7000004554/.

[63] For information on the National Planning Commission's work and the Plan document, see National Planning Commission, "National Development Plan; Vision for 2030," November 11, 2011, available at: http://www.npconline.co.za/medialib/downloads/home/NPC%20National%20Development%20Plan%20Vision%202030%20-lo-res.pdf.

creation is possible are identified as being in infrastructure, agriculture, mining, the green economy, manufacturing, tourism, and high-level services. The plan hinges on robust industrial investment and measures to reduce the negative effects of short-term capital inflows. There have, however, been several critics of the National Development Plan (NDP), most notably from the ruling party's trade union alliance partners. Criticisms have ranged from ideological opposition to the economic assumptions on which the NDP is based to perceived vagueness around the NDP's implementation and lack of detailed action plans, the potential erosion of workers' rights, the entrenchment of existing income inequalities, unrealistic job creation targets for underperforming sectors and the creation of unsustainable jobs, and not addressing the nuanced complexities surrounding the high levels of youth unemployment.[64]

In addition to the initiatives described, the Government will continue to strengthen trade relations with dynamic markets such as China, Brazil and India as well as promoting exports and adjusting tariffs reciprocally with trading partners. Challenges to the plan include South Africa's above-inflation-rate wage settlements, and the volatility of the currency, which erode the country's competitive position for attracting FDI.

A burgeoning deficit on the current account of the balance of payments suggests that interest rates remain relatively high from a global perspective in order to attract capital inflows. However, in a global, sometimes uncertain environment, the capital flows South Africa continues to attract have largely been portfolio capital flows rather than more sustainable longer-term flows, including IFDI, that could promote GDP growth and encourage job creation. With the preponderance of portfolio capital inflows, movements in the rand exchange rate remain volatile, hindering business planning;[65] and despite the Government's intention to spend more than US$ 100 billion, mainly on infrastructure, over the next three years, economic inefficiencies prevail in important pockets of the economy, particularly in transport, logistics, electricity, water, and sanitation.

On the international front, South Africa's policy initiatives with respect to FDI are expected to undergo some fundamental changes: recent reports indicate that the Government intends to terminate or renegotiate many of its bilateral investment treaties (BITs) as the country intends codifying BIT-type protection into its domestic

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[64] Sipho Hlongwane, "NUMSA ready for war over National Development Plan and Vavi," *Daily Maverick*, March 8, 2013, available at: http://www.dailymaverick.co.za/article/2013-03-08-numsa-ready-for-war-over-national-development-plan-and-vavi/#.UV6hIpNTCPM (accessed on April 23, 2013); Neil Coleman, "National Development Plan: The devil is in the economic detail," *Daily Maverick*, April 3, 2013, available at: http://www.dailymaverick.co.za/opinionista/2013-04-03-national-development-plan-the-devil-is-in-the-economic-detail/#.UV6hJJNTCPM (accessed on April 23, 2013); and Colleen Goko, "National Development Plan criticised for 'simplified' view of S.A.'s youth," *Business Day*, March 21, 2013, available at http://www.bdlive.co.za/national/2013/03/21/national-development-plan-criticised-for-simplified-view-of-sas-youth.

[65] For a historical description of the South African currency's volatility and its relationship with commodities, see R. Arezki, E. Dumitrescu, A. Freytag, and M. Quintyn, "Commodity prices and exchange rate volatility: lessons from South Africa's capital account liberalization," IMF Working Paper WP/12/168, International Monetary Fund, Washington, D.C., 2012.

law and as questions have arisen regarding their real contribution to fostering IFDI.[66] South Africa has already terminated its BIT with Belgium and Luxembourg.[67]

South Africa has concluded bilateral trade agreements with the European Union (through the Trade, Development and Cooperation Agreement), with the Latin American trade bloc Mercosur, the United States, India, and China. South Africa has concluded double taxation agreements with 21 African countries and 51 countries in the rest of the world.[68] On the African continent, South Africa is a member of two regional economic communities, namely the Southern African Development Community (SADC) and the Southern African Customs Union (SACU).[69]

Conclusions

Policy changes related to efforts for transforming South African society into a more equitable one and currency volatility remain a challenge for foreign investors looking to take advantage of South Africa's endowments in terms of markets and resources. The recent spate of incidents reflecting labor unrest in the mining,[70] transport and agricultural sectors, and a perceived lack of political leadership in response to the socio-economic travails of widening income disparities and high unemployment rates, precipitated a downgrade of South Africa's credit rating by Moody's and Standard and Poor's in September 2012.[71] In response to slower growth and the gloomy domestic and international economic outlook, South Africa's Minister of Finance outlined, in his Medium Term Budget Policy Statement, a number of measures to improve investor confidence and to broaden economic participation in the economy. These include the re-establishment of orderly labor relations, strengthening of municipal finances, the promotion of special economic zones (SEZs), the acceleration of youth employment opportunities, shifting of exports toward emerging markets, providing support to small businesses, and a focus on eighteen new strategic infrastructure programs that would add to the US$ 90 billion infrastructure building programs already in progress.[72] Furthermore, recent policy statements by the ruling African National Congress (ANC) in favor of a more limited "strategic

[66] Sean Woolfrey, "South Africa's stance on bilateral investment treaties," Trade Law Centre, October 3, 2012, available at: http://www.tralac.org/2012/10/03/south-africas-stance-on-bilateral-investment-treaties/.

[67] Adam Green, "South Africa: BITs in pieces," *Financial Times*, beyondbrics-Blogs, October 19, 2012, available at: http://blogs.ft.com/beyond-brics/2012/10/19/south-africa-bits-in-pieces/#axzz2CV9OKrrA.

[68] South African Revenue Service (SARS), "International treaties and agreements – double taxation agreements," available at: http://www.sars.gov.za/home.asp?pid=3919.

[69] N. Meyer, T. Fenyes, M. Breitenbach and E. Idsardi, "Bilateral and regional trade agreements and technical barriers to trade: An African perspective," OECD Trade Policy Working Papers, No. 96, June 2, 2010.

[70] The wildcat strike during August 2012 at a Lonmin mine in Marikana, mentioned above (under Country-level developments) culminated in the deaths of 44 people and sparked widespread labor unrest in South Africa; see Mish Molakeng, "South Africa's Lonmin miners accept pay rise to end strike" *Reuters,* September 18, 2012, available at http://www.reuters.com/article/2012/09/18/us-safrica-mines-idUSBRE88H0R420120918.

[71] Andrew England "Moody's downgrades South Africa," *Financial Times*, September 27, 2012, available at: http://www.ft.com/intl/cms/s/0/5a49505a-08c0-11e2-9176-00144feabdc0.html#axzz2CVXhLpt6.

[72] Alan Straton, "Medium term budget policy statement – Pravin Gordhan," MyPE, October 25, 2012, available at: http://mype.co.za/new/2012/10/medium-term-budget-policy-statement-pravin-gordhan/.

nationalization"[73] of natural resources and its stronger stance against corruption will encourage FDI, as investors look for alternative investment opportunities outside the Euro-zone and focus their attention on emerging markets with strong institutional frameworks and robust infrastructure.

In the medium term, it is expected that South Africa will continue to attract large portfolio capital inflows, but that FDI will increase as well due to continued commodity demand from China, India and other emerging economies. South Africa also remains a significant contributor to sub-Saharan African GDP, and it is anticipated that South African businesses, especially the financial sector, are set to benefit from the boom experienced by fast-growing African economies. In addition, massive investment in infrastructure is expected to forge stronger links among countries in the region, thereby promoting larger Africa-wide markets that attract further investment and spur economic growth.[74]

Additional readings

South African Institute for Race Relations, *South Africa Survey 2010/2011* (Johannesburg: South African Institute for Race Relations, 2011), chapter on "The economy," pp. 87 – 207.

South African Reserve Bank, *Quarterly Bulletin, December 2011* (Pretoria: SARB), available at: http://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx

Tuomi, Krista, "The role of the investment climate and tax incentives in the foreign direct investment decision: evidence from South Africa," *Journal of African Business*, vol. 12 (2011), pp. 133–147.

Useful websites

For statistics on South Africa: http://www.statssa.gov.za/ and http://www.jse.co.za

South African Reserve Bank, Quarterly Bulletins, available at: http://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QuarterlyBulletins-Home.aspx

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[73] SAPA (South African Press Association), "ANC to focus on 'strategic nationalisation" *Mail and Guardian*, September 27, 2012, available at: http://mg.co.za/article/2012-09-27-anc-calls-for-state-intervention-in-minerals.

[74] L. Steyn, "SA not as bad as The Economist thinks," *Mail and Guardian*, November 9, 2012, available at: http://mg.co.za/article/2012-11-09-sa-not-as-bad-as-the-economist-thinks.

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Annex table 1. South Africa: inward FDI stock, selected years, 1980-1995, and 2000-2011

(US$ billion)

Economy	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
South Africa	16.5	8.9	9.2	15.0	43.5	30.6	30.6	46.9	64.5	79.0	87.8	110.5	68.0	117.4	132.4	129.9
Memorandum: comparator economies																
Turkey	8.8	9.2	11.2	14.9	19.2	19.7	18.8	33.5	38.5	71.3	95.1	154.0	80.2	143.6	181.9	140.3
Poland	0.0	0.0	0.1	7.8	34.2	41.2	47.9	57.8	86.8	90.9	125.8	178.4	164.3	186.1	193.1	197.5
Malaysia	5.2	7.4	10.3	28.7	52.7	34.0	37.5	41.2	43.0	44.5	53.7	75.8	73.6	78.9	101.3	114.6
Chile	10.8	12.0	16.1	24.4	45.8	43.5	42.3	54.1	60.5	74.2	80.3	99.4	99.4	121.4	139.5	158.1
Hungary	n.a.	0.0	0.6	11.3	22.9	27.4	36.2	48.3	61.6	61.1	80.2	95.5	88.5	98.8	91.9	84.4

Source: UNCTAD's FDI/TNC database, available at: http://unctadstat.unctad.org/ (accessed on November 16, 2012).

Annex table 2. South Africa: inward FDI flows, selected years, 1980-1995, and 2000-2011

(US$ million)

Economy	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
South Africa	-10	-448	-78	1,241	887	6,784	1,569	734	798	6,647	-527	5,695	9,006	5,365	1,228	5,807
Memorandum: comparator economies																
Poland	10	15	88	3,659	9,445	5,701	4,123	4,588	12,874	10,293	19,603	23,561	14,839	12,932	8,858	15,139
Turkey	18	99	684	885	982	3,352	1,082	1,702	2,785	10,031	20,185	22,047	19,504	8,411	9,038	15,876
Chile	213	144	661	2,956	4,860	4,200	2,550	4,334	7,241	7,097	7,426	12,572	15,518	12,887	15,373	17,299
Malaysia	934	695	2,611	5,815	3,788	554	3,203	2,473	4,624	4,065	6,060	8,595	7,172	1,453	9,103	11,966
Hungary	0	0	554	5,103	2,784	3,936	2,994	2,137	4,266	7,709	6,818	3,951	6,325	2,048	2,274	4,698

Source: UNCTAD's FDI/TNC database, available at: http://unctadstat.unctad.org/ (accessed on November 16, 2012).

Annex table 3. South Africa: sectoral distribution of inward FDI stock, 2001 and 2009

(US$ million)

Sector/industry	2001	2009
Primary		
Agriculture, forestry and fishing	78	112
Mining and quarrying	14,888	34,780
Secondary		
Manufacturing	10,733	29,066
Electricity, gas and water	4	3
Construction	211	244
Services		
Wholesale and retail trade, catering and accommodation	1,817	3,738
Transport, storage and communication	1,059	7,793
Finance, insurance, real estate and business services	15,667	28,195
Community, social and personal services	26	68
Total	**44,483**	**104,000**

Source: Unpublished data obtained from South African Reserve Bank (SARB) Research Unit and *SARB Quarterly Bulletin*, various issues.

Annex table 4. South Africa: geographical distribution of inward FDI stock, by source region/economy, 2001 and 2010

(US$ million)

Region/economy	2001	2010
Developed economies	**41,533**	**129,352**
Asia	**231**	**2.640**
Japan	231	2,640
Europe	**38,676**	**116,442**
Austria	11	208
Belgium	102	549
France	360	1,295
Germany	2,607	8,339
Italy	164	868
Lichtenstein	23	96
Luxembourg	290	2,166
Netherlands	1,249	24,375
Switzerland	789	6,321
United Kingdom	32,731	69,079
Other	351	3,147
North America	**2,609**	**10,064**
United States	2,203	8,593
Other	402	1,471
Oceania	**17**	**206**
Australia	17	206
Developing economies	**1,621**	**9,760**
Africa	**588**	**885**
Botswana	88	64
Lesotho	6	14
Swaziland	62	31
Other	432	776
Asia	**1,019**	**8,850**
Hong Kong (China)	3	194
Malaysia	752	2,362
Taiwan Province of China	31	130
China	n.a.	5,102
Other a/	234	1,062
Caribbean	**n.a.**	**n.a.**
Bahamas	5	-
Oceania	**1**	**3**
Other	1	3
International organizations	**12**	**22**
Total	**43,154**	**139,112**

Source: Unpublished data obtained from South African Reserve Bank (SARB) Research Unit and *SARB Quarterly Bulletin*, various issues.

a/ Figure for 2001 includes that for China, among others.

Note: Data converted from South African rand (ZAR) to US dollars at the following exchange rates: average rate of 8.59 ZAR per U.S. dollar for 2001 and of 7.30 ZAR per U.S. dollar for 2010.
‘n.a.’ denotes ‘not available.’
‘-‘ denotes nil

Annex table 5. Main foreign affiliates in South Africa according to information available in 2012, ranked by revenue in last reported year

Rank	Company name	Ultimate parent company and home economy	Industry	Revenue (US$ millions) (year)	Number of employees
71	Vodacom Group Ltd	Vodaphone PLC (United Kingdom)	Telecommunications	8,722 (2012)	n.a.
2	Massmart Holdings Ltd	Walmart (United States)	Retail	7,481 (2012)	n.a.
3	Anglo American Platinum Limited	Anglo American PLC (United Kingdom)	Mining	6,255 (2012)	58,541
4	Kumba Iron Ore Limited	Anglo American PLC (United Kingdom)	Mining and industrial	5,920 (2012)	n.a.
5	Absa Group Limited	Barclays PLC (United Kingdom)	Financial	5,575 (2012)	35,200
6	Nedbank Group Limited	Old Mutual PLC (United Kingdom)	Financial	4,083 (2012)	28,494
7	Arcelormittal South Africa Limited	Arcelormittal S.A. (Luxembourg)	Industrial	4,046 (2012)	9,886
8	Assore Limited	Sumitomo (Japan)[a]	Mining and industrial	1,664 (2012)	n.a.
9	Illovo Sugar Limited	Associated British Foods PLC (United Kingdom)	Food	1,197 (2012)	12,474
10	Palabora Mining Company Limited	Rio Tinto PLC (United Kingdom)	Mining	0.985 (2012)	n.a.
11	Evraz Highveld Steel And Vanadium Limited	Evraz Group S.A. (Luxembourg)[b]	Industrial	0.692 (2012)	1,780
12	African Oxygen Limited	BOC Holding PLC (United Kingdom)	Industrial	0.640 (2012)	3,288
13	Mvelaphanda Group Limited	Blackstar Group SE (United Kingdom)	Diversified	0.518 (2010)	n.a.
14	Zurich Insurance Company South Africa Limited	Zurich Financial Services Group (Switzerland)[c]	Financial	0.474 (2012)	755
15	Mustek Limited	Old Mutual PLC (United Kingdom)[d]	Computers	0.429 (2012)	n.a.
16	Hudaco Industries Limited	Old Mutual PLC (United Kingdom)[e]	Automobile parts	0.373 (2012)	2,505
17	Sovereign Food Investments Limited	Old Mutual PLC (United Kingdom)[f]	Food	0.169 (2012)	n.a.
19	South African Coal Mining Holdings Limited	JSW Energy Ltd (India)	Mining	0.42 (2012)	n.a.
18	IFA Hotels & Resorts Limited	IFA Hotels and Resorts KSSC (Kuwait	Hotels	0.05 (2012)	n.a.
20	IFCA Technologies Limited	IFCA MSC Berhad (Malaysia)	IT services	n.a.	n.a.

Source: Osiris Publicly Listed Companies Worldwide Database, Bureau van Dijk Electronic publishing.

[a] Assore is an affiliate of Oresteel Investments (ZA), which is majority owned by Sumitomo (Japan).
[b] Evraz Highveld Steel and Vanadium Limited are affiliates of Mastercroft (CY), which is a subsidiary of Evraz S.A. (Luxembourg).
[c] Zurich Insurance Company South Africa Ltd is majority owned by Zurich Financial Services Group (Switzerland) through its ownership of SA Firehouse Ltd (ZA).
[d] Mustek Ltd is 34% owned by Old Mutual South Africa, a subsidiary of Old Mutual PLC (United Kingdom).
[e] Hudaco Industries Limited is 33.99% owned by Old Mutual South Africa, which is a subsidiary of Old Mutual PLC (United Kingdom).
[f] Sovereign Food Investments Limited is 37.4% owned by Old Mutual South Africa, a subsidiary of Old Mutual PLC (United Kingdom).

Note: Foreign affiliates are defined for the purpose of the list above as firms with more than 25% shareholding by a foreign firm.
'n.a' denotes 'not available'.

Annex table 6. South Africa: main M&As completed by inward investing firms, 2010

Date effective	Acquirer company	Acquirer industry	Home economy	Target company	Target industry	Shares acquired (%).	Value of transaction (US$ million)
12/13/2010	Nippon Telegraph & Telephone	Telephone communications, except radio /telephone	Japan	Dimension Data Holdings PLC	Computer integrated systems design	100.0	3,119.13
05/31/2010	Eurasian Natural Resources	Electrometallurgical products, except steel	United Kingdom	Northam Platinum Ltd	Miscellaneous metal ores, nec	12.2	299.83
11/08/2010	Jupiter Mines Ltd	Gold ores	Australia	Tshipi e Ntle Manganese-Tshipi	Ferroalloy ores, except vanadium	49.9	235.16
05/13/2010	Temasek Holdings (Pte) Ltd	Management investment offices, open-end	Singapore	Platmin Ltd	Miscellaneous metal ores, nec	13.7	100.00
01/26/2010	Coal of Africa Ltd	Bituminous coal and lignite surface mining	Australia	NuCoal Mining Pty Ltd	Bituminous coal and lignite surface mining	100.0	83.12
11/29/2010	Coal of Africa Ltd	Bituminous coal and lignite surface mining	Australia	Chapudi Coal Pty Ltd-Project	Bituminous coal and lignite surface mining	100.0	75.00
03/26/2010	OM Holdings Ltd	Offices of holding companies, nec	Singapore	Ntsimbintle Mining Pty Ltd	Ferroalloy ores, except vanadium	26.0	58.03
05/13/2010	Temasek Holdings (Pte) Ltd	Management investment offices, open-end	Singapore	Platmin Ltd	Miscellaneous metal ores, nec	-	50.00
12/01/2010	Sylvania Resources Ltd	Miscellaneous metal ores, nec	Australia	Sylvania Metals(Pty)Ltd	Metal mining services	26.0	45.62
02/17/2010	Sable Mining Africa Ltd	Bituminous coal and lignite surface mining	United Kingdom	Delta Mining Consolidated Ltd	Bituminous coal and lignite surface mining	29.3	17.59

Source: The authors, based on Thomson ONE Banker, Thomson Reuters.

Annex table 7. South Africa: main greenfield projects, by inward investing firm, 2008-2010

Year	Investing company	Home economy	Industry	Estimated/ announced investment value (US$ million)
2008	Tata Group	India	Coal, oil and natural gas	1,586.60
2008	Trump	United States	Real estate	1,292.90
2009	Strategic Natural Resources (SNR)	United Kingdom	Coal, oil and natural gas	521.9
2008	Coal of Africa (CoAL)	Australia	Coal, oil and natural gas	521.9
2008	Homeland Energy Group	Canada	Coal, oil and natural gas	521.9
2010	France Telecom	France	Communications	351.1
2009	Deutsche Telekom	Germany	Communications	351.1
2010	SOITEC	France	Alternative/renewable energy	326.1
2010	Xstrata PLC	Switzerland	Metals	n.a.

Source: The authors, based on fDi Intelligence, a service from the Financial Times Ltd.