

SOUTH AFRICA

Overview

Post-Apartheid South Africa is still undergoing transformation – including social and economic adjustments – following the 1994 first democratic elections. Amid a sustained reservoir of international goodwill, the successor to former President Nelson Mandela is keeping course on a tight monetary policy and fiscal discipline. The fundamentals of the South African economy are sound, although the reliance on mineral resources has been a factor in the significant depreciation of the rand (the South African currency) in the last few years against the dollar and the British pound. Economic growth remains lower than expected and unemployment continues to rise. However, South Africa came through the recent various economic crisis better than most emerging markets and there are no fundamental reasons why moderate growth should not occur in 2001. Slower than expected gross domestic product growth (currently around 2 percent annually) is blamed on high oil prices, the effects of floods, the depressed gold price, and perceptions of regional instability.

Relatively upbeat economic predictions for the year 2001 and beyond coupled with a stable political environment as well as a will on the part of the South African government to address the issues of privatization and deregulation, while maintaining the long term goal of making the country more investor friendly, will attract renewed interest on the part of foreign trade and investment partners. The domestic market is characterized by increasing competition in almost all fields, and the need to upgrade or build local infrastructure – already by far the best on the continent – will offer good prospects for economic growth. South Africa's market size of 43 million people, excellent infrastructure, and pro-business environment make it the logical choice for an increasing number of companies seeking a steppingstone to conduct business on the continent, as evidenced by the number of Canadian and other foreign firms that have made Johannesburg their continental base. By far the most advanced, broad-based and productive economy in Africa, South Africa is characterized by standards and business practices similar to those found in

developed countries. The country can rely on a sophisticated financial sector, with well-developed financial institutions and a stock exchange (Johannesburg Stock Exchange) that ranks among the top exchanges in the world. The handling of HIV/AIDS and regional wars will continue to present challenges for the ANC government led by President Mbeki.

An active WTO Member, South Africa participates in the G20 finance initiative, is a member of the Cairns Group, chairs the Non-Aligned Movement and is a key member of regional trade initiatives such as the Southern African Development Community (SADC), the South African Customs Union (SACU) and the Indian Ocean Rim Initiative. A major recent achievement in the country's trade agenda has been the ratification of the South Africa-EU Free Trade Agreement which came into force in January 2000. South Africa is engaged in early consultations with Mercosur with a view to negotiating a trade pact with Latin America.

South Africa offers significant opportunities for Canadian trade and investment, with outstanding potential in mining, transportation, telecommunications and infrastructure development. Canadian foreign direct investment to South Africa grew dramatically in the last three years amounting to \$1.3 billion in 1999 with Placer Dome, McCain, SouthernEra, Hatch and others acquiring large stakes in the country. In addition, South Africa generates substantial outward investment to Canada with large conglomerates such as Anglo American, De Beers, Billiton (now London-based), and Harmony already well established in Canada, with plans to increase their investments. Bilateral trade has risen steadily since 1993 and South Africa is by far Canada's largest trading partner in Sub-Saharan Africa. While trade exchanges have reached a plateau in the last 18 months, new opportunities are being identified in the areas of information technology, e-commerce and telemedicine. The thriving Canada-South Africa trade and investment ties are being facilitated by a proactive bilateral chamber of business in Johannesburg, a high number of business delegations visiting each other's territories as well as by partner projects such as the Canadian Alliance for Business in South Africa (CABSA). Canada's Deputy Minister for International Trade visited South Africa in October 2000 and had a wide-ranging series of consultations with local public and private sector