

second half of 2002 as export demand and inward investment increase. Overall, a slight rise in GDP growth is forecast for 2002, with increasing growth forecast for 2003 as global demand for exports increases.

Economic growth in 2002 and beyond, coupled with a stable political environment and willingness 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 expenditures to upgrade or build local infrastructure — already the best on the continent — will offer good prospects for economic growth. South Africa's market of 43 million people, excellent infrastructure, and pro-business environment make it the logical choice for an increasing number of companies seeking a stepping stone 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. However, the spread of HIV/AIDS, regional instability, exchange controls and skilled labour shortages will continue to present challenges for the African National Congress (ANC) government in its attempts to foster an attractive climate for FDI.

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. South Africa has recently negotiated a number of free trade agreements outside of the African continent. A South Africa-European Union free trade agreement has been in force since January 2000, a free trade agreement was signed with the Mercosur countries of Latin America in December of 2000, and consultations for a free trade agreement are under way with India.

South Africa is one of the key players behind the New Partnership for Africa's Development (NePAD), an initiative put forward by a number of African leaders as a means to further the continent's development. The Action Plan for Africa, announced at the G8 Summit in Genoa, Italy in July 2001, seeks to support the NePAD process. G8 leaders have committed themselves to retain Africa as a central item on the agenda of the next G8 Summit, to be chaired by Canada next June.

South Africa offers significant opportunities for Canadian trade and investment, with outstanding potential in mining, transportation, telecommunications and infrastructure development. Canadian FDI to South Africa has grown dramatically in recent years, with Placer Dome, McCain, SouthernEra, Hatch and others acquiring large stakes in the country. In addition, South Africa generates substantial investment in Canada: large conglomerates such as Anglo American/De Beers, BHP Billiton (now London-based), and Harmony, already well-established in Canada, plan to increase their investments. South Africa is by far Canada's largest trading partner in Sub-Saharan Africa and while trade flows have reached a plateau in the last 18 months, new opportunities are constantly being identified in the areas of information technology and telecommunications (including e-commerce), the health sector and the environment, as these particularly address the social needs of South Africa. Canada-South Africa trade and investment ties are facilitated by a proactive bilateral Chamber of Business in Johannesburg, a number of business delegations visiting each other's territories, and by partner projects such as the Canadian Alliance for Business in South Africa (CABSA). In addition, Canada and South Africa concluded a Trade and Investment Cooperation Agreement (TICA) in September 1998, providing a framework for enhanced dialogue on bilateral and multilateral trade and investment matters.

Market Access Results in 2001

- Under a funding agreement with CIDA, Canada has been assisting South Africa in developing an industrial strategy in the IT sector, with a view to promoting more private-sector involvement, both local and foreign, in emerging IT market opportunities.