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Economic Report South Africa 2017

Zusammenfassung:

Südafrikas Wirtschaft hat 2017 ***ein weiteres Jahr mit schwachem Wachstum*** erlebt, obschon die effektive Zahl (reales BIP–Wachstum 1,3%) leicht über den Erwartungen lag. Mit der Abwertung der südafrikanischen Bonität durch zwei der drei führenden Ratingagenturen fand der Abwärtstrend Südafrikas im weltweiten Vergleich im Berichtsjahr eine Fortführung. Die von der südafrikanischen Regierung für schlechte Wirtschaftszahlen gerne aufgeführten Gründe ausserhalb ihres Wirkungskreises gelten 2017 mit dem Anstieg der Rohstoffpreise und dem Ende der Dürre in weiten Teilen des Landes (prominente Ausnahme: Western Cape) nur noch bedingt. Die ***endogenen und strukturellen Gründe*** für die schleppende Entwicklung der südafrikanischen Wirtschaft sind wesentlich bedeutender und sind im letzten Jahr der Regierung Zuma in schlechter Regierungsführung, grassierender Korruption und in einem Mangel an Fortschritten dringlich notwendiger Reformen zu orten.

Aussenwirtschaftlich war der Fokus Südafrikas 2017 nebst der traditionell starken regionalen Komponente auch weiterhin stark auf die „neuen" Partner aus den BRICS Staaten sowie in Asien gerichtet, die jedoch weder in den Handels-, noch in den Investitionsstatistiken prominent erscheinen. Mit der Wahl von Präsident Ramaphosa im Februar 2018 besteht die Hoffnung auf eine Abkehr dieser politisch und teils ideologisch begründeten privilegierten Partnerschaften und eine vermehrte ***Zuwendung zu den traditionellen und starken Handelspartnern und Investoren in Nordamerika und Europa***.

Die ***Rahmenbedingungen für Schweizer Firmen*** in Südafrika haben sich im Berichtsjahr nicht verbessert. Nebst der stagnierenden Wirtschaft, der Gouvernanzkrise unter der Regierung Zuma und der damit verbundenen, auf allen Ebenen ansteigenden Korruption sehen sich viele Unternehmen mit steigenden Auflagen seitens des südafrikanischen Staates konfrontiert, um ihre Geschäftstätigkeit in Südafrika ohne Einschränkungen weiterführen zu können. Die 2017 erfolgte ***Herabstufung des Landes*** auf den so genannten „Junk"-Status durch zwei der führenden Ratingagenturen (S&P, Fitch) und die damit einhergehende Schwächung des Rand hat zu grosser Zurückhaltung aktueller und potenzieller Investoren mit Blick auf Südafrika geführt. Insbesondere die Kombination eines ***fehlenden bilateralen Investitionsschutzabkommens*** und die wachsenden ***rechtlichen Unsicherheiten für Landeigentümer*** (Stichworte Landreform und Enteignungen) bildet einen Problemkomplex, der 2017 akut geworden ist.

Trotz all dieser Probleme hat sich die südafrikanische Wirtschaft bisher durch eine sehr hohe **Resilienz** ausgezeichnet. Dies dürfte auch der Grund sein, weshalb viele Unternehmen in einer Haltung des Abwartens begriffen sind in der Hoffnung, dass sich die oben geschilderten Rahmenbedingungen bald wieder verbessern. Diese Hoffnung ist mit der ***Wahl von Cyril Ramaphosa*** und dem erwarteten «new dawn» für Südafrika zwar berechtigt, darf aber nicht zu hoch geschraubt werden, denn Ramaphosa ist an die wirtschaftspolitischen Vorgaben seiner Partei und an seine Regierungspartner (Gewerkschaften, Kommunistische Partei) gebunden, welche den Interessen der schweizerischen Wirtschaft in Südafrika nicht selten diametral entgegen laufen.

1 Economic situation

1.1 Factors affecting the South African economy in 2017

According to Statistics South Africa figures released on the 6th of April 2018, South Africa`s nominal GDP stands at CHF 350 billion and the economy grew by 1.3% in 2017. This surpassed a projection by the World Bank which had placed growth at 1% for 2017. The World Bank growth had been echoed by the IMF in its Article IV Consultative Statement also issued in July 2017. The 1.3% growth is owed largely to ***improved agricultural harvest*** and ***commodity prices***. On the other hand expenditure on real GDP went up by 2,1% while final consumption was up by 2,6% contributing 1,6 points to the overall GDP. The final GDP results reflect that South Africa`s economy grew by CHF 23.7bn. During the fourth quarter of 2017, GDP grew by 3.1%. Agriculture, forestry and fishing grew by 37.5% contributing 0.8% to the overall GDP. Trade, catering, and accommodation grew by 4.8% contributing 0.6% to GDP. However, mining and quarrying were a drag to GDP growth as they decreased by 4.4% leading to a GDP decline of -0.3%. The primary sector experienced the biggest growth at 37.5%, manufacturing (secondary) had 4.3% while the tertiary sector grew by 4.8%. It is important to note that the South African economy entered a technical recession in the third quarter of 2017 after two consecutive quarters of negative growth. This recession experienced by South Africa was the first since the 2008 financial crisis and the first in eighteen years. It was also the first time that all sectors of the economy had contracted since 1994.

In terms of overall sectoral growth contributions: government services contributed CHF 58.6bn growing by CHF4.3bn. This was followed by finance, real estate and business which had a share of CHF66.7bn to the GDP an increase of CHF4.6bn. Wholesale, retail and motor vehicles contributed CHF49.7bn to the GDP a growth of CHF3.9bn in 2016. Finally, the manufacturing sector contributed an overall real GDP of CHF43.8bn reflecting an effective increase of CHF2bn. Overall inflation went down from 6.4% in 2016 to 4% in 2017, this is well within the South African Reserve Bank target of keeping it within a target band of 3-5%. At the height of the drought experienced in 2016, food inflation had risen up to 12%, however, an excellent harvest has led to a huge decrease in food inflation which has ultimately affected the overall inflation. South Africa has introduced a VAT increase of 1% from 14% to 15%, which is expected to lead to a slight increase in inflation. The IMF in its Article IV Consultations Statement for 2017 projects that inflation will stay within the target range for the year 2018.

GDP growth projections are estimated at 1.1% for 2018 and 1.5% for 2019. Public debt to GDP is expected to rise to 61% by 2022 while the budget deficit is expected to increase to 4.3% of GDP. Infrastructure investment in South Africa currently stands at CHF 75.1bn. The South African Reserve Bank repo rate stands at 6,5% and the prime lending rate at 10,25%.

Overall, the South African economy has experienced a lot of ***challenges*** in the 2017 financial year. The last year of Zuma`s administration had a toll on the economy, coupled with depressed commodity prices and a global economy experiencing lackluster performance. It is in South Africa`s ***fiscal position*** that the unsavory economic performance of South Africa is reflected. The South African economy`s growth slowed down from 2015 to 2017 with the main factors being the dip in commodity prices, downing of tools by workers pressing for higher wages[1] infrastructure constraints, policy uncertainty and manufacturing stagnation. One of the main challenges in the South African economy is the ***low growth trap***. The economy grew by 1% in 2017 and is estimated to experience a growth of just 1.3% in 2018. This low growth trap is generally expected to endure for the next medium term as it is mostly informed by structural challenges and limitations. Another worrying feature in 2017, like in the past couple of years is that population growth has continued to outstrip economic growth, effectively eroding GDP per capita.

South Africa`s ***fiscal policy framework*** continued to be sluggish in 2017. The country has a public debt to GDP of 54%, a current account deficit of -2.3% which was reduced by 0.5% in 2017. According to the World Bank and IMF, the public debt to GDP for emerging markets economies should not go beyond 40% and not over 55% of GDP if it can be sustained and is being effectively spent. However, the challenge with South Africa is that much of the public debt is not spent on public infrastructure such as health and

[1] South Africa experiences annual wage negotiations and in 2014, the country experienced a four month strike in the platinum belt. This had a knock on economic performance.

education. A huge part of South Africa`s debt is caused by ***guarantees on State Owned Enterprises*** which account for 35% of GDP of the total liability. For instance the power utility, Eskom is guaranteed to the tune of CHF27.7bn while Independent Power Producers owe CHF17.4bn. The country`s debt has been described by the Bretton Woods Institutions and other agencies as sustainable but vulnerable. South Africa spends 16% of its total budget on social transfers, which increases every year as the country has a high unemployment rate of 27.7% and youth unemployment rate of 54%. Important to note is that when President Zuma ascended to power in 2009, South Africa`s unemployment rate stood at 22%. This translates to 6.2 mio. potentially economic active citizens who are unemployed, a figure that balloons to 9.3 million if one adds long-term unemployed persons who are no longer searching for a job.

In order to deal with the burgeoning public debt, South Africa has been engaged in ***fiscal consolidation***. Compounding South Africa`s public financial situation is that the country has been experiencing a lack of collection of revenues due to a tax strike from the payers. In 2016/2017, the South African Revenue Services (SARS) had a revenue shortfall of CHF.3.9bn which went down to CHF3bn in the 2017/2018 financial year. This was because the SARS has been hollowed out due to mismanagement under the Zuma administration. At the core of South Africa`s economic performance or lack thereof in 2017 were governance lapses.

Unemployment remains high at 27,7% on average, while it sits at 54% for youth unemployment (15-24). South Africa`s economy remains highly concentrated with a few firms controlling 80-90% of the market. According to the former Minister of Finance Malusi Gigaba the country still experiences huge inequalities in terms of wealth distribution, with 10% of the population allegedly controlling 90% of wealth. This view aligns with those calling for sweeping changes in economic policy characterized by expropriation of land without compensation and nationalization of companies.

In terms of ***income distribution***, a Statistics South Africa survey released in June 2017 indicated that white South Africans earn five times more than their black counterparts, on average. For the first time since the economic recession in 2008/09, tax revenue targets were missed by CHF3.9bn not least due to an exodus of qualified personnel in SARS, especially in the tax investigations unit that dropped charges against politically protected persons not only, but also in the environment of President Zuma.

1.2 Institutional economic challenges

In 2017, the weakening of governance institutions continued in South Africa with direct economic implications. The first was a cabinet reshuffle at the end of March 2017 wherein the respected Finance Minister Pravin Gordhan was replaced by Malusi Gigaba. The cabinet reshuffle was part of a broader strategy by the Zuma administration to undermine National Treasury with a view to position allies and cronies to enable the looting of state coffers. As was to be expected, the rand had reacted by losing 8% of its value, which it has since regained. A week later, South Africa lost its most prized credit rating when Standard and Poor downgraded the country`s long term foreign currency credit rating from BBB- to BB+ effectively meaning that the country was now considered ***junk or sub investment grade***. What Mr. Gordhan had done before he was fired was to introduce spending ceilings as a way of fiscal consolidation and dealing with the public debt. The spending ceiling has been lowered by CHF7.9bn in 2017 with an expected reduction of CHF1.1bn in 2008. To his credit Mr. Gigaba did not deviate much from Mr. Gordhan`s fiscal plans when he presented his first budget speech on the 25th of October 2017. Instead, Mr. Gigaba mentioned that South Africa`s GDP per capita has declined in two consecutive years.

1.3 Key Economic and Politico-Economic Developments: the Ramaphosa effect

South Africa`s economy is to a large degree quite vulnerable to shocks in the political system. This is because the country`s institutions are still young and developing while the political system is dominated by one political party, the ANC. Under the Jacob Zuma administration, key state owned enterprises were almost run aground costing the fiscus hundreds of billions of dollars. These institutions included: the South African Broadcasting Corporation, rail utility Transnet, electricity company Eskom, arms manufacturer Denel among others. The Ramaphosa administration which came into existence has started some of the ***reversals of the weakening of institutions***. This is being done with the understanding that strong institutions will lead to a recovery of the economy and strengthening of the fiscus. President Ramaphosa has already reshuffled his cabinet and strategically positioned persons of integrity in the Treasury, Minerals and Public Enterprises departments. In addition President Ramaphosa has suspended the head of the South African Revenue Authority SARS and forced his deputy to resign. Pressure on the nationalization of the South African Reserve Bank (SARB) has also been relieved. Under the Zuma presidency and particularly in 2017, there had been considerable threat on the independence of the SARB as populists within the governing party pushed for its nationalization and change of mandate. President Ramaphosa has demonstrated an intention to ***fight corruption*** and the 2018 budget speech has been anchored on a clear strategy for addressing fiscal pressures; revenue driven fiscal adjustment; material cuts in expenditures and an increase in VAT which will add CHF1.7bn to the fiscal revenues.

The above notwithstanding, some ***challenges*** still remain that might affect the economic trajectory. Firstly, there is the issue of revenue under collection due to depleted capacity in the SARS. Secondly, cutting departmental budgets through reduction of an inflated civil service will be political suicide in the eve of an election. Fourthly, it is still not quite clear where the money to fund free education will be sourced, in the long term. Over and above, contingent liabilities for SOEs remain an albatross on the fiscus in the short to medium term. Related to the above challenges is a controversial policy that the ANC adopted in its 2017 National Elective Conference, that of ***expropriation of land without compensation***. Beginning 2018, a decision was taken to kick start a multi-party parliamentary process aimed at reviewing section 25 of the South African Constitution, a clause that talks to the protection of private property rights. Investors fear that an amendment of the Constitution would weaken the protection of private property and might have a ripple effect on other property rights beyond land.

1.4 OECD country review 2017 – main findings

As a key partner of the Paris based multilateral organization, South Africa was up for the OECD biennial Economic Survey for 2017. To emphasize South Africa`s importance to the OECD, the organization`s Secretary General Angel Gurría was in Pretoria on the 27th of July 2017 to present the report to the South African government and other stakeholders. The main findings from the OECD Economic Survey for South Africa were the following:

- South Africa is placing an over-reliance on fiscal and monetary policy instruments for economic transformation. South Africa was advised to explore other additional instruments to create a growing inclusive economy beyond the two.
- South Africa should effect structural reforms to the economy after the OECD due to the fact that its economy is highly concentrated.
- South Africa should remove barriers to entry for SMEs which currently face a lot of red tape.
- In addition, the OECD advised South Africa to introduce policies that will encourage entrepreneurship: the OECD discovered that South Africa had lower levels of entrepreneurship compared to countries with similar economies and levels of unemployment.
- South Africa should improve access to quality education with a view to addressing inequality. This encouragement is in light of the finding that South Africa does not have effective fiscal spending in education.
- Furthermore, South Africa was advised to improve its transport infrastructure which is leading to a lot of inefficiencies due to apartheid era planning.
- Over and above, the OECD identified the potential of regional integration with SADC to increase market access.

1.5. Trade and Investment

During 2017 exports rose by 7, 9% while imports increased by 0.7%. Due to the rise in commodity prices and the improvement in drought conditions in 2017, South Africa experienced a trade surplus amounting to CFH794mil The 2017 trade surplus is quite staggering when compared to the one in 2016, where the country had a surplus of ZAR1.05bn. The trade surplus experienced in 2017 was the highest since May 2011 while the December trade surplus in itself was the highest in 27 years. Exports of vehicles and transport equipment went down by 23%, machinery and electronics -21, base metals -14 while mineral products decreased by -12%. Exports of vegetables on the other hand went up by 31%. The main export destinations during 2017 were China at 11.6%, US 7.1%, Germany 6.0%, India 5, 4% and the UK accounting for 4.3%. Imports suffered substantial reductions in 2017, with original equipment decreasing by 58%, base metals -30%, chemicals -18%, and machinery and electronics going down by 15%. The top exporters to South Africa were China at 18.9%, Germany 7.9%, US 6.4%, Oman 5.5% and India at 5.0%.

1.6. Sectorial and specific developments

1.6.1 Agriculture, Mining and Manufacturing

The drought conditions experienced in the 2015/2016 agricultural season came to an end and were replaced by good rains. This led to an outstanding harvest which saw a historical maize produce of 16,7 million tons, a 115% increase from 2016. Soya bean production increased by 77% with wheat production experiencing a 10% decrease due to drought conditions in the Western Cape. Another dent on agricultural production was an outbreak of bird flu in June which led to massive compulsory government sanctioned and monitored slaughter and destruction of the carcasses of chicken to avoid the spread of the flue. Mining is enjoying high commodity prices and has experienced growth in iron ore, manganese and copper. However, mining has also experienced a decline in fixed investment due to high operating costs and policy uncertainty around the Mining Charter, the related B-BBEE requirements and the Minerals and Petroleum Development Act. Manufacturing production increased by 1,5% though fixed capital investment has been declining since 2009.

1.6.2 Finance

The finance sector has been hit by low levels of growth due to high levels of household debt and slow income growth. However, asset quality is still strong and capital reserves are good.

1.6.3 Employment

Statistics South Africa`s Quarterly Labour Force Survey reflected job increases during 2017. A total of 92`000 jobs were created by the end of 2017 with finance taking a larger share of 68’000; community, social & personal services 56`000 and transport 34`000. On the other hand a total of 33`000 job seekers were added into the job market. This maintained the unemployment rate at 27, 7%. The economy however experienced job losses in various sectors such as manufacturing which shed 50`000, construction 30`000 and the agricultural sector lost 25`000. A ***minimum wage was introduced in 2017***, in a process that was led by then Deputy President Ramaphosa. The minimum wage is CHF 278.4 per month, equivalent to CHF1.37 per hour and will benefit an estimated six million workers. Its introduction was aimed at dealing with gross inequality which is also a product of wage discrimination and exploitative labour practices. This policy intervention will come into force in May 2018 and will be subjected to annual reviews through a Minimum Wage Commission. In addition, the South African government, through the CEO Initiative (a private public partnership) conceptualized a youth employment schemed called the ***Youth Employment Service (YES).*** The aim of the YES campaign is to offer entry job opportunities to 1 Mio. unemployed graduates over a three year period, in order to allow them to acquire employment experience and introduce to the job market.

1.6.4 State Owned Enterprises and ratings downgrade

The South African fiscus is threatened by ***bad governance within State Owned Enterprises***. For instance, South African Airways has been bailed out to the tune of CHF 396 mio, power utility Eskom needs CHF 1.1 bn contingency loans and the public rail transport company, the transport utility Transnet is also in need of a major financial injection. All these bail outs will have to be guaranteed by the government which poses a debt trap to the South African government. The South African Airways (SAA) has been bedeviled by governance challenges, with former President Zuma having appointed his ally Dudu Myeni who almost ran the airline aground until court judgments forced President Zuma to allow for her contract not to be renewed. A new SAA board and CEO have since been appointed. The jury is still out on whether the fortunes of this struggling airline will turn around or not. Most of the debt that the South African government has is from local commercial banks. These banks have been putting pressure on the government to improve governance of SOEs as a condition for lending.

1.7. African National Congress Elective Conference: Economic Implications

The governing African National Congress held its five-yearly National Elective Conference from the 16-20th of December 2017. The lead up to the ANC conference had further exacerbated an environment of policy uncertainty within the country due to the fact that the two main opposing factions within the ANC had adopted quite different economic policy positions. On the one hand was Nkosazana Dlamini Zuma, the current President's ex-wife who was advancing what she had been termed "radical economic transformation" aimed at dislodging so called `white monopoly capital`. This particular policy position was anchored on the need to change ownership structures in the South African economy in favor of black people through radical means. The radical path of economic transformation as articulated by Dlamini Zuma included methods such as nationalization of mines and banks including expropriation of land without compensation.

On the other hand, there was ***trade unionist cum businessman Cyril Ramaphosa*** who also serves as South Africa`s Deputy President. Ramaphosa was pushing for a more liberal policy approach. He advocated for economic policies that will lead to growth which would in turn create jobs. According to Ramaphosa the South African economy has to grow in order to effect proper economic inclusion if race based inequality, poverty and unemployment is to be addressed. Cyril Ramaphosa emerged as the winner of the ANC presidential race resulting in a favorable response from the markets. However, Mr. Ramaphosa was elected in the top six together with some members who have been dogged by corruption allegations and aligned to the radical economic transformation element of the ANC. The extent to which Mr. Ramaphosa will be able to reign on the maladministration and corruption that had set under the Zuma administration is therefore still to be determined. Mr. Ramaphosa led the South Africa delegation to the World Economic Forum in January 2018, where he received a lot of goodwill from the business community. Some of the direct results of that engagement was the pledge by the WEF President Klaus Schwab to bring a strong delegation of Swiss business people to South Africa to attend the Investment Summit scheduled for the sometime in July. Investors warmed up to Mr. Ramaphosa after his election as President of the ANC due to his commitment to fighting corruption. In demonstrating his fight against corruption, a day before his departure to Davos, Mr. Ramaphosa fired the power utility Eskom board before replacing it with much more credible persons.

1.8 IMF and Rating agencies' assessments

In November 2017, rating agencies conducted a review of South Africa`s credit worthiness. Standard and Poor downgraded the country`s credit to junk status. The main reason behind S&P`s decision were weakening governance, uncertainties regarding the country`s future economic policy, the electoral calendar and lack of investor and consumer confidence. Moody and Fitch decided to keep the country`s rating unchanged at above investment grade citing the resilience of the country`s governance institutions and a robust financial sector.

The International Monetary Fund in its Article IV Consultations Statement released in July cited South Africa`s ***political uncertainty*** related to the African National Congress elective conference mid-December 2017 as worrisome. In addition, the IMF also expressed concern around the bad governance of State Owned Enterprises and the increasing public debt to GDP. Some strengths of the South African economy which contribute to its resilience include: a flexible exchange rate, low reliance on foreign currency debt, large domestic investor base and broadly balanced international investment position. South Africa has been ***struggling to attract foreign direct investment*** due to policy uncertainty and worsening framework conditions for investment in general. Investors have been jittery with the never ending amendments of the Mineral and Petroleum Development Act, the endless variation of the percentages in the Mining Charter and overall ***opacity in the implementation of the broader transformation policy***.

The envisaged changes in the ***land reform*** policy and the apparent expropriation approach in the ***private security industry*** have led to apprehension among the investment community that private proprietary rights might be under threat. Over and above, investors have been unnerved by the general discourse around so called ***radical economic transformation***. Domestic investors have an excess of CHF 100bn which they have not invested due to an uncertain political and economic policy environment.

2. International Economic Relations

2.1 Multilateral trade policy and negotiations

2.1.1 Free Trade negotiations

South Africa has been quite active in the negotiations of the ***Tripartite Free Trade Area*** (TFTA) which bring together the Southern African Development Community SADC, the East Africa Community EAC and the Common Market for Eastern and Southern Africa COMESA. The TFTA in its completion will bring together 27 countries. In addition, South Africa has been negotiating the ***Continental Free Trade Area (CFTA)*** which is aimed at bringing together all the countries in Africa into one massive free trade area. The Continental Free Trade Area was signed in Kigali, Rwanda on the 23rd of March 2018, South Africa did not sign the Framework Agreement citing legal technicalities but however, signed the Kigali Declaration which solidifying the country`s commitment to the CFTA

Over and above, South Africa has been preparing to negotiate the revision of the ***SACU-EFTA Free Trade Agreement.*** The first round of negotiations took place at the end of January 2018 with the second round at the end of May 2018.

2.1.2 WTO Argentina Ministerial

South Africa is an active member of the World Trade Organisation (WTO) and expresses a commitment to multilateralism in global economic governance. As a member of the WTO, South Africa participates in various groupings which include the G63, G77 and the Africa Group. With regards to the Eleventh WTO Ministerial Conference which took place from the 10-13th of December 2017 in Buenos Aires, Argentina, South Africa indicated that it still believes in the ***Doha Development Agenda (DDA).*** The country is of a view that the so called new issues will have an effect of fragmenting the DDA. South Africa has expressed support for finding a permanent solution to public stockholding and the elimination of agricultural subsidies. In addition, the country opposes an investment facilitation agreement at the WTO citing possibility of constraining policy space. Over and above, the opposed to E-Commerce being on the agenda of the WTO arguing that member states will have to first understand what is meant by this new industry.

2.1.3. Over the Horizon Trade Relations (BRICS, G-20)

Besides the regional economic relations South Africa has within its own neighborhood, the country is a member of other geopolitically strategic forums. South Africa is a member of the BRICS grouping which comprises Brazil, Russia, India and China. Most importantly, ***South Africa assumed the BRICS chair at the end of 2017***. The country has identified the following themes to focus on during its tenure: pursue a strategy for a BRICS Economic Partnership, establish a Virtual Vaccine Research Platform for collaboration with BRICS, and create a Working Group on Peacekeeping. As chair of the BRICS, South Africa will also host a series of BRICS intergovernmental and civil society seminars and meetings that will culminate in a Heads of State Summit in July 2018. The country has over the years prioritized its relationship with the BRICS countries, sometimes at the expense of relations with its traditional partners (US and Europe). Economically, South Africa`s BRICS membership has not paid much dividends when compared with the relationship with the EU, for instance. South Africa`s trade with the BRICS countries amounted to US$ 3.1bn in 2001 rising to US$ 39bn in 2013 before gradually dropping to US$ 26.9bn in 2017. In 2017, South Africa`s foreign direct investment from BRICS countries lagged behind that of its traditional partners. South Africa`s largest sender of FDI remained the United Kingdom at ZAR712bn whereas China sent accounted for a measle ZAR77bn, India ZAR4bn with Brazilian and Russian investments being too negligible to be recorded. South Africa exports mostly crude materials to China and this is prone to commodity prices changes. In terms of investment China accounts for a only 2.9% inward FDI in South Africa compared to the United Kingdom, Germany and Netherlands combined staggering 85% in 2017. Russia and Brazil`s investment in South Africa is so miniscule that it was not recorded with both countries not featuring in South Africa`s top 10 trade and investment partners for 2017.

What is clear from the relationship is that the private sectors in the BRICS countries have not matched the political rhetoric of the countries` political principals. However, for South Africa, BRICS membership helps in diversifying export partners and is expected to prove decisive with the rise of protectionism in the US. In 2017, the secretariat to the BRICS New Development Bank in South Africa was concretized, in addition to the conceptualizing of a BRICS rating agency on which South Africa has been particularly keen. In March 2018, South Africa appointed Mr. Monale Ratsoma, a respected Treasury Department Official to head the BRICS Africa Regional Centre of the BRICS New Development Bank.,

In addition to BRICS membership, South Africa is also a member of the ***G-20***. As the only African country in the G-20, South Africa has naturally assumed a ***leadership on continental issues.*** This explains some of the interests which the country pursue that might not be directly linked to South Africa`s own challenges. Broadly speaking South Africa pushes for global economic governance that caters for the needs of developing including least developed countries, particularly those from Africa. It was for this reason that South Africa during the Chinese Presidency pursued the issue of illicit financial flows (mostly related to the commodities sector). While the country itself has robust institutions to curb such flows, an African Union commissioned report by former President Thabo Mbeki, had in the previous year flagged massive financial outflows from the continent through illicit means. The G-20 Finance Ministers track has been the most robust aspect of the grouping in South Africa, maybe more so than the Presidential summits. During the German Presidency of the G20 in 2017, South Africa vigorously pursued issues related to the ***Compact for Africa.*** However, the efforts made by South Africa to enlarge the partnerships of the Compact with five key African countries to a broader range of African economies were not successful.

2.1.4 World Trade Organization

South Africa is a member of the WTO's various formal and informal interest groups. Most of these groups push for what can be termed developing country interests within the WTO. Despite having a very sophisticated services sector, South Africa other parts of its economy are being quite representative of a developing country. The country is a founding member of the WTO and joined as a developed country. The country has not ratified or been involved in any of the plurilateral agreements at the WTO, in keeping in line with its policy of multilateralism. Efforts have been made to have South Africa participate in the Environmental Goods Agreement, the Information Technology Agreement, the Government Procurement Agreement and the Trade in Services Agreement. However, South Africa has shown a ***disinterest in participation*** citing also the fact that the agreements have a potential of undermining the country`s commitment to transformative policies.

There has not been much movement within the WTO in 2017 besides some effort at the Buenos Aires Ministerial to push for the new issues. South Africa is yet to ratify the Nairobi Trade Facilitation Agreement (TFA). It is to be noted that the country had made a lot of strides already in easing trade facilitation in its borders. The TFA is therefore bound to confirm processes that have already been underway within the country's trade facilitation regime. South Africa continues to reiterate its commitment to the conclusion of the ***Doha Development Agenda*** *(DDA)* and has spurned any suggestion of engaging in sectoral negotiations under a plurilateral framework. South Africa's own interests in the Doha Development Agenda are mainly centered on Non Agricultural Market Access, agricultural subsidies, anti-dumping, and avoidance of dominance of big firms, services and environmental governance services. South Africa's position with regard to the DDA and the future of trade negotiations within the WTO is that the issues under Doha should first be concluded before any other issues are brought into the picture.

2.2. Bilateral trade and trade policy

2.2.1 Industrial policy as a base line

The South African industrial policy is directed at creating more space for black economic empowerment. The South African government strongly believes that ***only through industrialization can it be able to sustainably create an economically inclusive society***. In order to have a sense of the direction of South Africa`s policy towards international economic agreements, a policy statement by the governing ANC in its General Council Meeting provides some direction. The statement reads thus: `*The National Economic Committee took a decision that there must be a review of all trade agreements entered into by the democratic government since 1999. The review must assess socio-economic impact and the extent to* *which the agreement advances South Africa`s economic interests. At all times, government must be alive to the need for an exit strategy where agreements have a potential to defeat the core objective which is to expand, increase and grow our domestic industries and markets`.*

2.2.2 Trade policies

There is ***revisionism of bilateral agreements*** which the government entered into during the first decade of democracy as they are considered to not have used enough the political opportunities to effect economic reforms. In line with this relationship between trade and industrial policy, South Africa seeks to revise trade and bilateral investment agreements which do not cater for policy space allowing for the protection of infant industries and the black economic empowerment policy. Trump`s election in the US and BREXIT have been major events in South Africa`s foreign relations radar since the country is very dependent on the UK and US for exports and inward investments. South Africa`s industrial policy is bound to start assuming a different shape and texture as the leadership of Cyril Ramaphosa, expected to be more liberal and market friendly, gets more entrenched over the coming year.

2.2.3 Developments in major trade relations

A general overview of the South African economy reflects that it ***continues to be affected by the quartet evils*** of the US monetary easing, slowing Chinese industrial demand, collapsing commodity prices and policy uncertainty. The downgrade of South Africa by rating agencies was mostly based on the country`s ***lack of policy certainty***. While there was a recovery from the crisis, South Africa has experienced a steady decline of both imports and exports since 2011. During the same period, the total number of imports has exceeded that of exports resulting in a ***trade deficit***. South Africa`s economy went into a technical recession during the first quarter of 2017 after a negative growth in the 4th quarter of 2016.

South Africa's economy has a bias towards capital and high skills intensive growth. A trade surplus was experienced in the second and fourth quarters of 2017 despite the economy being under pressure due to low commodity prices and subdued demand in China. Total ***exports from South Africa increased by 6.5%*** in 2017. This was a 37.6% increase in exports since the global financial crisis of 2009. In total, the exports amounted to a shipment of US$74.1bn of goods and constituted mostly of raw minerals destined to mostly China and agricultural and finished products to the US and EU. Total ***imports for 2017 decreased by 9.7%*** on a year on year basis. The imports were mainly constituted of machinery and other capital equipment from Germany and China. Overall, South Africa experienced a ***trade surplus of ZAR74bn*** in 2017. There was a 6% increase in exports driven mostly by high value commodities.

Due to the general low global economic activity in 2017, the South African economy was also characterized by low manufacturing and consumer demand. A considerable amount of imports in 2016 were cereals due to a debilitating drought. South African steel producers faced problems owing to a flooding of the market with steel from China. Despite the ***rand losing 30% of value in 2017***, South African firms have not taken advantage of the country's weak currency to export due to structural issues such as electricity bottlenecks, limited product market competition and labor market constraints. The response to the exchange rate depreciation has therefore been quite slow and lethargic.

In 2017, ***exports from South Africa*** totaled CHF89.5bn while imports summed up to CHF 83.2bn creating a slight trade surplus**.** This is in contrast to the previous year when South Africa incurred an overall trade deficit. In terms of regions the exports were distributed in the following manner: Asia 32%, Africa 26,7%, Europe 23.9% with North America accounting for 8%.Germany was South Africa's largest source of exports in the European Union contributing 7.9% while the US consumed 6.7% of South African exports in 2017. In terms of imports, Asia was in the lead accounting for 44.7% of South African imports. Europe contributed 32.5%, Africa 10,3%, North Africa 7,6% and Latin America 3%. China was in the lead with 18.3%, followed by Germany at 11.8%, the US 6.4%, Saudi Arabia 5.5% and India exporting 4.9% of goods into South Africa in 2016. Notable also is the huge trade deficit that South Africa has with China at almost 50% and the absence of an African market in the top five trading partners.

3. Bilateral Trade

3.1. Trade in Goods

While South Africa, like most emerging market economies, has been at the receiving end of the low commodity prices, capital volatility and flight and China's subdued demand, ***the country remains one of Switzerland's key-trading partners on the African continent.*** In 2017, commodity prices started to resurge and South Africa benefited from the improvement in minerals prices. Trade between the two countries totaled CHF 1.59bn, a slight increase from the previous year when the sum of trade was CHF 1.54bn. A sectoral analysis of Swiss imports to South Africa reflects that the former has comparative and competitive advantage in the high skills and capital-intensive products that characterize the Swiss economy and export basket. The top Switzerland's export basket to South Africa range from machinery, nuclear reactors, electrical equipment, pharmaceuticals, watches among other high end products. Main imports are precious metals, general metals, agricultural products and vehicles.

3.2. Opportunities for Swiss Firms

South Africa is moving towards a hybrid energy complex. This means that the country will keep and even expand its coal fired power stations while at the same time embracing renewable energy. In addition, the regulatory regime in the energy economy is being relaxed. South Africa used not to allow private players within the energy economy. However, the South African Minister of Finance, has indicated in its latest Budget Speech openness to so called Independent Power Producers. The country does not have the capacity or competitive advantage in the production of green technologies. Swiss firms could therefore take advantage of a market opportunity and supply South Africa with green energy technologies. In addition, Swiss firms, especially the SMEs, could invest in the green energies and even coal as private partners in the independent power producers industry. The South African government has identified SMEs as a key sector which it wants to develop in order to address unemployment and inequality. Related to this, South Africa has sought to remove much of the regulatory barriers especially in municipalities, in order to foster the setting up of SMEs. South Africa seems to have reacted to the SECO funded "World Bank Doing Business: Subnational Units Report" which identified regulatory barriers as a huge obstacle to starting businesses.

South Africa is in the process of developing the nuclear energy sector as a way of diversifying its energy mix and addressing its energy crisis. While Russia and France have been identified as the key countries that will be earmarked for the bids, Swiss firms also have a role in supplying some of the technologies and supporting other ancillary services.

Overall, South Africa still offers trade opportunities for Swiss firms as indicated in the sectoral breakdown for last year. The opportunities abound in the traditional areas in which Switzerland has comparative and competitive advantages. These trade opportunities could also be enhanced in the area of processed agricultural (and some industrial) goods if the negotiations for the renewal of the Free Trade Agreement SACU-EFTA are successful, especially for the exports of chocolate.

Investment opportunities in South Africa are also bound to be in the Oceans Economy. The country has a program called Operation Phakisa which seeks to explore and exploit opportunities that come with being a maritime country. South Africa has a 2400km coastline rich in marine resources. The marine environment is also linked to natural resources and their exploitation which make this area also interesting for Swiss companies operating in the commodities sector.

An interesting development under the Ramaphosa Presidency has been the introduction of a youth internship program referred to as the ***Youth Employment Services*** (YES). The YES program is a public private partnership between the South African government and business. It is aimed at affording unemployed graduates an opportunity to participate in the economy by offering them an internship with a firm for a year. The government subsidizes the stipend of the intern for a year while they gain much needed experience. In lieu of government subsidizing the internship, firms could gain B-BBEE points under the equity equivalence scheme. This is a window of opportunity for Swiss firms that cannot forego ownership requirements to rather lend a hand through the internship program.

4. Direct Investments

4.1. Development and general outlook

The trend towards ***decreasing FDI flows into South Africa*** continued in 2017. This was in spite of a recovery in the global economy and emerging markets in general. South Africa has not benefited from the recovery in FDI flows in the global economy due to internal policy constraints. South African Reserve Bank figures show that South Africa experienced an investment deficit. The country exported FDI stock worth ZAR2, 403bn and received FDI worth ZAR1, 853. Much of this FDI flight was due to a ***deteriorating investment climate*** in South Africa that was being precipitated by radical rhetoric from the governing ANC. FDI flows are expected to increase in 2018 as the country`s investment climate is expected to improve under the Ramaphosa leadership. President Ramaphosa has promised to host an ***investment summit*** in September of 2018. Goldman Sachs indicated in a report in January 2018 that should Mr. Ramaphosa institute the relevant reforms, South Africa is bound to be the best emerging market story of 2018. According to the South African Reserve Bank, inward FDI assets totaled CHF 18.5bn while portfolio flows amounted to CHF 28.4bn. Outward investments (FDI stock) amounted to CHF24.3bn in 2017 while outgoing portfolio investments totaled CHF 21, 2bn. While South Africa experienced a general investment deficit due to poor policy choices, the country continued to attract portfolio investments due to it being an emerging market and awash with cash.

While South Africa experienced negative FDI inflows in 2017, the country's investment environment is beginning to stabilize as the economic sentiment started to improve. Some of the main challenges facing South Africa in 2017 were governance issues, exchange rate volatility and lack of trust in political leadership. This is in addition to more ***structural impediments*** that bedevil the South African business climate. Among these structural hurdles are: poor infrastructure, low quality education and lack of skills, regulatory barriers and policy uncertainty. Some of the specific examples compounding policy uncertainty in South Africa include the non-enforcement of the Protection of Investment Act of 2015, which was aimed at replacing the terminated BITs. It is important that the Protection of Investment Act which replaced BITs, comes into force so that it closes the legal gap that currently exists in Swiss FDI protection. Regulations that would have operationalized the statute have not yet been finalized by the Department of Trade and Industry after a call for public comment in February 2017. The roving nature of Broad Based Black Economic Empowerment policy as exemplified by the amendments to the attendant codes is another example. In the mining sector, the Mining Charter is still awaiting finalization while the policy of land reform remains unclear. Over and above, **"radical economic transformation"** has become a buzzword in South African governing elite circles that are quarreling about the degree of radicalization they are aiming at. However, this notwithstanding, the AT Kearney report[2] has indicated that South Africa is bound to be one of the leading manufacturing hubs of the future. The Kearney report cites the main draw cards being South Africa`s getaway role to the African market and abundance of an unskilled and semi-skilled labor force.

4.2 Portfolio Investments

Portfolio investments refer to the buying of stocks, bonds, equities, derivatives among others. Thy do not involve committing capital and assets to a country and be involved in the daily operations of a business. Much of this kind of investment is speculative. South Africa's Protection of ***Investment Act does not define portfolio flows as investment*** as these flows do not lead to any economic development.

The country witnessed a sustained inflow of portfolio investment in 2017 which totaled CHF28.bn with outward flows totaling CHF21.2bn. The US was in the lead at 46.7%, followed by the United Kingdom at 22%. Financial hubs such as Belgium, Luxembourg and Switzerland are also in the top five of portfolio investors in South Africa.

[2] See AT Kearney. Foreign Direct Investment Confidence Index: Glass Half Full. 2017, page 33. (available at https://www.atkearney.com/documents/20152/435704/2017+FDI+Confidence+Index+Glass+Half+Full.pdf/a8dcc38e-ca05-4d58-d742-0adaed719768)

It is important to note that South Africa generally is more interested in non-portfolio investment as this adds to job creation and development. The increase in portfolio investments for South Africa in 2017 was a reflection of the ***confidence that institutional investors in South Africa had in offshore financial markets.*** Similarly the increase in outward portfolio flows in 2017 was fueled by a general lack of confidence in emerging markets due to the depressed prevailing economic.

4.3 Bilateral Investment Flows

Despite the difficult investment conditions, the fact that South Africa is a mainly services based economy is a comparator for Switzerland. The South African Budget Speech of 2018 and some policy documents from the DTI give an indication of the sectors which Swiss firms could invest**:**

- Newly minted, President Ramaphosa has made an undertaking to host an investment summit. Swiss firms could be involved in attending the summit and explore potential investment opportunities.
- South Africa is in the process of opening up more space in the renewable energy sector. The Government of South Africa has now given a green light to the independent power producers program which until now faced a threat from nuclear energy lobbyists within the governing ANC. Considering that Switzerland has the technologies and know-how in the renewables sector, there are opportunities for Swiss firms. The same applies for the non-renewables sector.
- The Finance Minister, in his budget speech, also indicated that the government would ease the doing of business with a view to encouraging the development of SMEs. This is an area that had been identified as problematic in the World Bank Doing Business in Sub National Units.
- Overall, Swiss firms also have a comparative advantage in the manufacture of high end components.

5 Handel, Tourismus und Wirtschaftsförderung

5.1 Foreign economic promotion instruments

Switzerland's official representations in South Africa, i.e. its Embassy in Pretoria and its Consulate General in Cape Town, play a pivotal role in ensuring a favorable environment for Swiss businesses interested in or already actively doing business in South Africa and accredited countries i.e. Botswana, Lesotho, Mauritius, Namibia and eSwatini.

The Embassy, together with the respective Swiss Federal authorities, engages in a number of ***dialogues with the Swiss companies and the South African government***, mainly the Department of Trade and Industry dti on issues such as B-BBEE and investment protection. In 2017, a round table event on Intellectual property rights for the Swiss companies and a bilateral facilitation meeting on the Free Trade Agreement EFTA-SACU have been organized in cooperation with the SwissCham Southern Africa and were conducted with the South African government departments,

The ***Swiss Business Hub Southern Africa (SBHSA)*** is the local representative office of Switzerland Global Enterprise (S-GE) and is part of the operations of the Embassy. The role of S-GE as a center of excellence for internationalization is to ***foster exports and investments***. It also aims to assist Swiss companies develop new potential for their international business and strengthen Switzerland as an economic hub. In addition to the accredited countries, the SBHSA supports an increasing number of Swiss companies in Eastern African countries as well as in Angola and Zambia. In connection with Investment Promotion, South Africa is a non-focus country for S-GE. The SBHSA organizes at least one event per year. Cleantech Switzerland, formerly the official export platform for the ***Swiss Cleantech sector***, was integrated into the organization of S-GE in January 1, 2016. In order to promote innovative Swiss technologies, the SBHSA engages with key players and opinion leaders as well as institutions such as the Green Building Council[3] and Green Cape[4].

The ***SwissCham Southern Africa – South Africa Chapter*** (SCSA-SAC) is an apolitical non-profit organization, which seeks to contribute to the expansion of economic, commercial and cultural relations between Switzerland and Southern Africa. SCSA-SAC network consists of more than 100 members representing companies and individual members. It is a networking and information platform for both Swiss companies in South Africa and South African companies interested in Switzerland. SCSA-SA plays an active role in representing Swiss interest to South African Government.

The Embassy's diplomatic division, the SBHSA, the teams of SECO, Science and Technology and the Consulate General in Cape Town work very closely together to promote Swiss business interests across South Africa.

5.2. South Africa's interest in Switzerland: Tourism, education, other services

Switzerland remains an ***expensive travel destination for South Africans*** due to the strong Swiss Franc. Yet, since Cyril Ramaphosa won the ANC leadership elections in December 2017 the South African Rand has slightly increased (+3.7%) from 12.92 ZAR/CHF (19.12.2017) to 12.54 ZAR/CHF (16.05.2018). The number of ***South African overnight stays in Switzerland marginally increased*** from a total of 55'255 in 2016 to 55'704 in 2017 (+0.8%). For Swiss tourists however, trips to South Africa have become much more affordable. According to South African Tourism Index, the number of ***Swiss visitors to South Africa increased strongly by +7.9%,*** from 55'160 (2016) to (59'024) 2017.[5]

[3] https://www.gbcsa.org.za/about/what-is-green-building/

[4] http://www.green-cape.co.za/

[5] https://www.bfs.admin.ch/bfs/de/home/statistiken/tourismus.assetdetail.4562438.html

South Africa and Switzerland closely work together in the field of research and innovation with two dedicated instruments: the ***Joint Research Programme*** and the Business Development Programme. Both these instruments are based on the principles of scientific excellence, equal co-funding, mutual interest and - last but not least – strong and growing mutual trust. Since 2008, the scientific relations between Switzerland and South Africa have allowed to jointly perform excellent science in areas of strategic importance for both countries. From 2013 to 2016 alone, 25 joint research projects were implemented in the fields of public health, bio- and nanotechnology, greentech and cleantech, humanities and social sciences. The Swiss ***South African Business Development Programme*** brings together young entrepreneurs from Switzerland and South Africa. Its aim is to nurture their innovative spirit and create business networks across the continents. The prestige of the programme and the quality of its start-up ventures have steadily increased, allowing South African innovators to demonstrate their potential for expansion way beyond their home market.

The ***Swiss Import Promotion Programme (SIPPO)*** is a mandate of the Swiss State Secretariat for Economic Affairs (SECO) within the framework of its economic development cooperation since 1983. The current phase lasts from 2017 to 2020, and is carried out by ***Swisscontact.*** This programme is active in 11 countries, including South Africa, and active in six sectors. SIPPO is aimed at the promotion of economic development through fostering exports and trade. Its approach has shifted from the traditional direct support of SMEs, to a more sustainable approach of strengthening the Business Support Organisations (BSOs) to provide professional export promotion services for exporting companies. This new approach puts the BSOs in the centre of the programme and gives them the main responsibility as “last mile” export promotion service providers, in an efficient and sustainable way. The enhanced performance of the BSOs shall improve the exports in the specific economic sectors and contribute to increased income, and job creation. By using the services, the exporters are able to strengthen their capacity and positioning to secure contracts with importers. Areas of support include institutional capacity building, service improvement, market intelligence, matchmaking and targeted networking. Up to mid-2016, the ***following results have been achieved*** by the SIPPO 2012-16 Programme: Overall, 12’300 additional jobs have been created; CHF 225 million additional export turnover has been created, and 15’000 binding offers have been generated. ***In South Africa***, SIPPO is active in the natural ingredients and processed foods sectors. SIPPO will assist BSOs in these sectors to identify the right markets through its market intelligence component, which will enable the supported BSOs to increase export opportunities of the SMEs. In 2015 a final ***Evaluation of the overall SIPPO Programme*** was carried out along the OECD-DAC criteria, these being: relevance, effectiveness, efficiency and sustainability. The recommendations of this evaluation and the lessons learnt have been integrated into the new SIPPO Programme 2017-20. With the following changes in the approach:

- Decentralization: In each beneficiary country a local project management unit is installed for technical support, country strategy definition and annual country work plan elaboration (through Country Coordination Committees, including local SECO offices stakeholders), access to local networks, and capacity building to BSO.
- Shift from a rather traditional approach of direct SME support to a more sustainable approach by strengthening BSOs to provide professional ‘last mile services’ for exporting companies.
- Linking: SIPPO will link into SECO value chain projects, and offer especially its services at the project design phase and for the implementation of matchmaking activities in SIPPO relevant sectors.

SIPPO South Africa implemented a “quick win” in November 2017 with trade fair participation of South African companies from the former SIPPO mandate at the Food Ingredients Trade Fair in Germany with IPD. It also provided training to BSO staff in January 2018, supported a partner BSO (the DTI) in a Study Tour with Matchmaking Opportunities to Biofach Trade Fair in February, and provided training to companies that participated in the Study Tour to Biofach. After the first year of operation, the SIPPO programme is well positioned both in the partner countries and Switzerland within the European network of import promotion programmes (TRIC).

5.3. Switzerland as a business location

Although the focus of South Africa is on the BRICS countries as well as on the African continent, there are some ***well-known South African investments in Switzerland***: SAPPI, Mondi, Mediclinic (Hirslanden group) and Spar.

The presence of Swiss companies and the quality of their products have significantly contributed in defining Switzerland's image in South Africa. This goes as far as that "Lindt" became nearly a synonym for Swiss Chocolate. Switzerland's image as a prospering and wealthy country is strong in the South African perception. This is heightened by Switzerland's top results in international competitiveness and innovation rankings as well as its dual education system, in particular the vocational education and training. Furthermore, the yearly World Economic Forum (WEF) in Davos gets broad coverage in the South African media.

Switzerland is known in South Africa for its big ***multinational companies*** (Nestlé, Novartis, Roche etc.). However, there is some ***mistrust*** towards multinational companies in South Africa by the government and governing party, but also in the broader population. Therefore, a recall of positive elements of the way (most) Swiss companies do business is needed: their law abiding nature, their will to comply to set standards and their capacity for a long-term engagement in good framework conditions. At the same time, the fact that **99% of Swiss companies are SMEs** helps South Africans to understand that Switzerland as a business location is not just Nestlé and the big pharmaceuticals but also – and in a much bigger number - innovative, flexible firms with family or small structure origins. These elements need to be reminded when communicating with the South African government that wants to transform its economy and give local, smaller - namely black owned - actors better chances to produce and access the markets.

5.4. Interest for the Swiss financial place

South Africa is an ***important financial player globally*** due to its strong financial sector and its membership in the ***BRICS*** (seat of the BRICS development bank) and the ***G-20 with its growing financial segment***. The links between the South African financial place and its Swiss counterpart are long standing and solid, and today – compared with other financial places – not overly competitive in nature.

In South Africa Switzerland is still widely perceived as the destination of the dirty money hidden by the political elites of the African continent. Neither the white money-strategy of the Swiss government nor it's the Agreement on the Automatic Exchange of Information concluded in 2017 is sufficiently known.

There is a ***growing cooperation*** in the area of finance with specific interests on both sides which makes the Swiss financial place and system more and more relevant for South Africa:

- Switzerland and South Africa have concluded an Agreement on the ***Automatic Exchange of Information*** on tax matters in 2017 and want to engage in talks on a similar Agreement concerning BEPS (Base Erosion and Profit Shifting).
- The SECO programme has a strong component dedicated to ***good financial governance of the public sector****,* a cooperation which is very appreciated by the South African government. This programme has successfully entered in a new phase in 2017 (see below).
- Switzerland's interest to be included in the ***G-20 discussions on financial matters*** on a regular basis could be supported by a well informed and positive position by the South African government.

Combined with the support that the SECO programme delivers to good financial governance of the public sector (see below), the communication on the ***changes in the Swiss financial sector and its international initiatives*** can only be beneficial to Switzerland's image in this area.

The Embassy in Pretoria has made good experiences with ***public events*** including high-level Swiss speakers in the area of Asset Recovery and the Commodities sector. In both cases, the pro-active communication and the readiness to exchange on potentially conflictual subjects let to positively surprised reactions which should be repeated in order to induce a change in perceptions.

5.5. Wirtschaftliche Zusammenarbeit und Entwicklung

Das SECO begann bereits 1996 mit seiner wirtschaftlichen Entwicklungszusammenarbeit in Südafrika. Seit 2009 hat das SECO eine eigene Kooperationsstrategie für Südafrika und seit 2010 ein SECO Programm Team, das bei der Botschaft in Pretoria angesiedelt ist. Bisherige Interventionen konnten vor allem dazu beitragen, die ***wirtschaftlichen Rahmenbedingungen zu verbessern***, insbesondere durch den Mitaufbau wichtiger Institutionen, wie des National Cleaner Production Center, der Erarbeitung eines nationalen eWaste-Standards, technische Unterstützung für Energie Effiziente Strassenbeleuchtung, das Publizierung der Subnational Doing Business Berichte und Unterstützung von regulatorischen Reformen im Finanzsektor.

Seit dem 18.3.2014 ist das Rahmenabkommen zur Entwicklungszusammenarbeit in Kraft. Gestützt auf eine Kontextanalyse und Erfahrungen bei der Umsetzung der letzten Strategie hat das SECO in seiner ***Länderstrategie für Südafrika 2017–2020*** folgende Bereiche für die wirtschaftliche Entwicklungszusammenarbeit definiert:

1. ***Förderung eines effizienten öffentlichen Sektors*** und einer verantwortungsvollen Finanzhaushaltsführung mit einer regionalen Dimension für „peer to peer learning“ und Wissenstransfer in Nachbarländern.
2. Förderung einer ***wettbewerbsfähigen und inklusiven Wirtschaft***, die nachhaltige Arbeitsplätze schafft und die Integration in den internationalen Handel anstrebt (ebenfalls mit einer regionalen Dimension)
3. Unterstützung in den Bereichen der ***grünen Wirtschaft*** mit einem ***klimafreundlichen Wachstum***: Dabei stehen Energieeffizienz sowie eine nachhaltig und von fossilen Energien (insbesondere Kohle) unabhängigere Energienutzung im Zentrum.

Für die Umsetzung von Projekten und Programmen im Rahmen der Kooperationsstrategie für Südafrika (2017-2020) ist ein Budget von ca. 55 Millionen CHF vorgesehen.

Bereich 1 - Effizienter öffentlicher Sektor / verantwortungsvolle Finanzhaushaltsführung

Dieser Bereich strebt technische und Ausbildungsaktivitäten für einen effizienteren öffentlichen Sektor an. Im Vordergrund stehen Aktivitäten zur Unterstützung einer ***gesunden öffentlichen Haushaltsführung***, sowie eine regulatorische und institutionelle Unterstützung der Reform des Finanzmarktsektors an. Im Weiteren unterstützt dieser Bereich die Verbesserung von Dienstleistungen für die Basisinfrastruktur in den Sektoren Wasser, Energie, Abfall und Transport. Es werden auch Investitionen mit Innovations- oder Demonstrationscharakter unterstützt.

In diesem Bereich wird auch eine ***regionale Dimension*** gefördert mit dem Ziel, Austausch und Wissenstransfer zu unterstützen. Zusammen mit der südafrikanischen Steuerverwaltung und mehreren internationalen Gebern finanziert das SECO das ***African Tax Administration Forum*** (ATAF) zur effektiveren Steuerverwaltung. ATAF hat sich das Ziel gesetzt, den Austausch von Wissen und Erfahrungen zwischen relevanten Akteuren zu initiieren, um höhere Staatseinnahmen zu mobilisieren und damit eine verantwortungsvolle Finanzhaushaltsführung zu fördern. SECO unterstützt ebenfalls die ***Collaborative Africa Budget Reform Initiative*** (CABRI), ein Fachnetzwerk für leitende Haushaltsverantwortliche aus afrikanischen Finanz- und/oder Planungsministerien. Hauptziel von CABRI ist es, die effektive und effiziente Verwaltung öffentlicher Finanzen zu fördern, um das Wirtschaftswachstum auf dem Kontinent zu stärken und über verbesserte Dienstleistungen den Lebensstandard der afrikanischen Bevölkerung zu erhöhen.

Bereich 2 - Wettbewerbsfähige und inklusive Wirtschaft

Im Vordergrund steht die Verbesserung des nachhaltigen Wirtschaftswachstums und Investitionsklimas in Südafrika. Dabei geht es insbesondere um die ***Optimierung der Rahmenbedingungen für den Privatsektor,*** beispielsweise durch die Rationalisierung von administrativen Prozessen, der Weiterentwicklung der Finanzmärkte, durch neue Finanzprodukte und Kapitalzugang sowie der Stärkung von Fachwissen und Unternehmertum. Zudem wird der ***nachhaltige Handel*** gefördert. So hat das SECO zum Beispiel die Entwicklung und Kommerzialisierung von Naturprodukten (insbesondere Kosmetika) in einkommensschwachen Regionen des südlichen Afrikas gefördert. Im Weiteren hat das SECO eine südafrikanische Initiative bei der Entwicklung und Ausweitung ihres „Fair Trade in Tourism“ Label unterstützt.

Übergreifende Programme im Bereich 1 und 2:

Wenn immer möglich werden Synergien zwischen den thematischen Instrumenten identifiziert und wo sinnvoll gemeinsame Programme entwickelt.

Ende Juli 2014 wurde ein ***Finanzsektor-Programm mit der Weltbank*** lanciert. Dieser programmatische Ansatz umfasst verschiedene Aktivitäten um ein stabileres, effizienteres und inklusiveres Finanzsystem aufzubauen. Einerseits, unterstützt das Programm die südafrikanische Regierung in der Umsetzung ihrer Reformagenda zu finanzieller Stabilität, Integrität und Regulierung. Andererseits soll die Einbindung von KMU und Individualpersonen in das Finanzsystem erweitert werden und so zu einer grösseren Inklusion der Gesellschaft beitragen.

Im Rahmen eines innovativen Programms im Distrikt Ilembe (Provinz KwaZulu-Natal) wendet das SECO verschiedene, ***miteinander synchronisierte Instrumente*** an: Verbesserung der öffentlichen Finanzverwaltung, Infrastrukturfinanzierung, Privatsektor- und Handelsförderung. Damit werden i) das wirtschaftliche Umfeld einer ganzen Region verbessert, ii) Einkommen schaffende Aktivitäten gefördert und iii) nachhaltiges Wachstum zugunsten aller ermöglicht.

Seit Juli 2015 unterstützt das SECO im Rahmen des ***City Support Programms*** die acht Metropolitanregionen Südafrikas. Das Programm kombiniert und nutzt die Komplementaritäten der SECO-Instrumente (Förderung des Privatsektors, Verbesserung der öffentlichen Finanzverwaltung und Infrastrukturfinanzierung), damit die südafrikanischen Städte nachhaltig wachsen und damit wettbewerbsfähiger und finanziell und wirtschaftlich effizienter verwaltet werden. Über innovative und nachhalte Planung der städtischen Infrastruktur werden die Qualität und der Zugang zu öffentlichen Dienstleistungen verbessert, wovon insbesondere die ärmsten Bevölkerungsschichten profitieren.

Bereich 3: Unterstützung in den Bereichen des klimafreundlichen Wachstums:

Aufgrund der konstanten Energiekrise und dem enormen ***ökologischen Fussabdruck Südafrikas*** finanziert das SECO in diesem Bereich ein breites Portfolio von Projekten und Programmen, das auf verschiedenen Ebenen aktiv ist.

Im Bereich der ***Finanzierungsmechanismen für klimarelevante Energieprojekte*** werden Finanzinstitutionen bei der Vergabe von Krediten für nachhaltige Energieprojekte, mit spezifischem Fokus auf KMU, beraten. Das SECO tätigt aber auch spezifische ***Investitionen in die Infrastruktur***. In Partnerschaft mit der deutschen Gesellschaft für Internationale Zusammenarbeit (GIZ) und dem südafrikanischen Energieministerium wird ein Projekt umgesetzt, das die Strassenbeleuchtungen in fünf südafrikanischen Gemeinden auf energieeffiziente Grundlagen stellen soll. Durch den Ersatz veralteter Lampen durch neueste Technologie können Gemeinden ihren Gesamtstromverbrauch um bis zu 45% senken.

Zu erwähnen ist auch die Beteiligung des ***Swiss Investment Fund for Emerging Markets*** (SIFEM) an einem südafrikanischen Fonds, der seinerseits in erneuerbare Energien und Energieeffizienzprojekte investiert – so unter anderem in die Firmen *African Power Corporation* (Wind- und Solarkraft), *SIRAC* (ein Hersteller von Energieeffizienzprodukten) und *Slimson Too*.

Anhang 1: Struktur der südafrikanischen Wirtschaft

Prozent am BIP nach Branchen [6]

Rang	Sektoren	2011	2012	2013	2014	2015	2016	2017
1	Finance, real estate and business services	19.2	19.4	19.4	19.5	19.8	20.1	20.3
2	General government services	14.9	15	15.2	15.3	15.2	15.4	15.3
3	Trade, catering and accommodation	13.5	13,8	13.8	13.7	13.8	13.9	13.7
4	Manufacturing	13	11.6	12.8	12.6	12.4	12.5	12.3
5	Mining & quarrying	8.1	7.7	7.8	7.5	7.7	7.3	7.5
6	Transport, storage and communication	8.4	8.4	8,4	8.5	8.5	8.5	8.6
7	Personal services	5.4	5.4	5.4	5.4	5.4	5.4	5.4
8	Construction	3.3	3.4	3.5	3.5	3.5	3.5	3.5
9	Electricity, gas and water	2.4	2.4	2.4	2.2	2.2	2.1	2.1
10	Agriculture, forestry and fishing	2.4	2.3	2.4	2.5	2.3	2.1	2.4

Prozent der Beschäftigten nach Branchen[7]

Rang	Sektoren	2011	2012	2013	2014	2015	2016	2017
1	Community and social services	21.5	21.5	22.9	23.1	22.5	22.2	22.8
2	Trade (Retail & Wholesale)	22.7	22.7	21.2	21.1	20.8	20.1	20.0
3	Finance and other business services	12.8	12.9	13.4	13.4	13.9	14.5	14.7
4	Manufacturing	13.3	13.3	11.6	11.6	10.2	10.7	11.1
5	Construction	7.8	7.8	7.9	8.2	8.9	9.2	8.6
6	Private households	8.3	8.3	8.2	8.1	8.1	8.0	7.9
7	Transport	5.8	5.8	6.3	6.2	5.7	6.0	6.2
8	Agriculture	4.7	4.7	4.7	4.6	5.5	5.7	5.3
9	Mining	2.4	2.4	2.8	2.8	2.8	2.6	2.5
10	Utilities	0.6	0.6	0.8	0.7	0.8	0.8	0.9
11	Other[8]	n.a.	n.a.	0.0	0.03	0.02	0.03	0.04

[6] Statistics South Africa: http://www.statssa.gov.za/publications/P0441/P04414thQuarter2017.pdf (gegenwertige Preise)
[7] Statistics South Africa: http://www.statssa.gov.za/publications/P0211/P02114thQuarter2017.pdf
[8] Statistics South Africa: Vorjahreszahlen nicht verfügbar.

Anhang 2: Wirtschaftsindikatoren Südafrika

Indicator	2012	2013	2014	2015	2016	2017
Nominales BIP (Mrd. US$)	396.3	367.8	351.6	314.7	294.1	349.3
Nominales BIP/pro Kopf (US$, current prices)	7'548	6'898	6'493	5'721	5'261	6'179
Reales BIP-Wachstum (in %)	2.2	2.5	1.7	1.3	0.6	1.3
Inflationsrate (%; end-period)	5.7	5.8	6.2	5.8	6.3	4.7
Haushaltsbilanz (% des BIP)	-4.7	-3.9	-3.6	-3.3	-4.1	-4.5
Leistungsbilanz (% des BIP)	-5.1	-5,9	-5.3	-4.4	-3.3	-2.3
Gesamtverschuldung (in % des BIP)	41	44	47	49.8	51.6	52.7
Arbeitslosenrate (%)	24.9	24.7	25.1	25.4	26.7	26.7

= Schätzung

Anhang 3: Wichtigste Handelspartner Südafrikas

Prozentualer Anteil der Gesamtexporte[9]:

Export Markets	2011	2012	2013	2014	2015	2016	2017
1 China	11.6%	10.5%	12.7%	9.6%	9.1%	9.2%	9.7%
2 USA	7.6%	7.9%	7.2%	7.1%	7.6%	7.4%	7.5%
3 Germany	5.1%	4.1%	4.0%	4.7%	6.6%	7.1%	7.1%
4 India	3.1%	3.8%	3.2%	4.2%	4.0%	4.3%	4.7%
5 Japan	7.0%	5.8%	5.9%	5.4%	4.9%	4.7%	4.7%
6 Botswana	4.2%	5.1%	4.8%	5.3%	5.1%	6.5%	4.3%
7 Namibia	4.0%	4.1%	4.5%	5.0%	5.1%	4.8%	4.0%
8 UK	3.6%	3.4%	3.5%	3.8%	4.1%	4.3%	3.9%
9 Mozambique	2.2%	2.4%	3.0%	3.3%	2.9%	3.1%	3.3%
10 Belgium	N. A.	1.9%	2.1%	2.7%	3.3%	3.1%	2.8%

Die Schweiz lag 2016 auf dem 22. Rang mit einem Anteil von 1.2% (2013 waren es noch 2.2%)

Prozentualer Anteil Gesamtimporte:

Import Markets	2011	2012	2013	2014	2015	2016	2017
1 China	13.8%	14.0%	15.5%	15.5%	18.3%	18.1%	18.3%
2 Germany	10.4%	9.8%	10.3%	10.0%	11.3%	11.8%	11.5%
3 USA	7.8%	7.2%	6.4%	6.6%	7.0%	6.7%	6.6%
4 India	3.9%	4.4%	5.2%	4.6%	5.0%	4.2%	4.7%
5 S. Arabia	4.3%	7.6%	7.8%	7.1%	3.1%	3.8%	4.6%
6 Japan	4.6%	4.4%	3.9%	3.8%	3.7%	3.4%	3.4%
7 UK	4.0%	3.4%	3.2%	3.3%	3.2%	2.9%	3.0%
8 Thailand	2.2%	2.6%	2.7%	2.4%	2.4%	2.9%	3.0%
9 France	N. A.	2.4%	2.2%	2.2%	2.1%	3.0%	2.5%
10 Nigeria	3.0%	3.6%	3.5%	5.1%	3.5%	2.8%	2.1%

Die Schweiz lag 2016 auf dem 25. Rang mit einem Anteil von 1.0%

[9] http://www.sars.gov.za/ClientSegments/Customs-Excise/Trade-Statistics/Pages/Merchandise-Trade-Statistics.aspx

Anhang 4: Bilateraler Handel Südafrika - Schweiz (exkl. Gold

*) Seit 1.1.2012 verwendet die Oberzolldirektion der Schweiz für ihre Handelsstatistik das System des Herkunftslandes und nicht mehr des Herstellungslandes. Die Änderung beruht auf dem entsprechenden Abkommen zwischen der Schweiz und der EU. Es führt dazu, dass die Handelsströme vor und nach 2012 nicht direkt miteinander verglichen werden können.

Year	Import (CHF)	Import Variation (%)	Export (CHF)	Export Variation (%)	Total Trade (CHF)	Total Trade Variation (%)
2001	162'964'562	10.5	510'714'663	-15.3	673'679'225	
2002	156'915'434	-3.7	517'561'429	1.3	674'476'863	0.1
2003	135'141'392	-13.9	523'193'842	1.1	658'335'234	-2.4
2004	151'727'978	12.3	553'265'559	5.7	704'993'537	7.1
2005	152'002'301	0.2	652'021'414	17.8	804'023'715	14.0
2006	200'343'951	31.8	727'434'589	11.6	927'778'540	15.4
2007	271'402'610	35.5	804'120'975	10.5	1'075'523'585	15.9
2008	216'250'795	-20.3	772'952'969	-3.9	989'203'764	-8.0
2009	177'630'016	-17.9	669'671'052	-13.4	847'301'068	-14.3
2010	239'660'862	34.9	766'205'482	14.4	1'005'866'344	18.7
2011	231'714'448	-3.3	791'450'043	3.3	1'023'164'491	1.7
2012	193'314'956	-16.6	719'284'283	-9.1	912'599'239	-10.8
2013	228'469'605	18.2	694'507'451	-3.4	922'977'056	1.1
2014	216'431'148	-5.3	669'044'312	-3.7	885'475'460	-4.1
2015	233'016'897	7.7	674'048'413	0.7	907'065'310	2.4
2016	306'322'388	31.5	699'766'671	3.8	1'006'089'059	10.9
2017	258'832'782	-15.5	726'948'096	3.9	985'780'878	-2.0
Source: www.swiss-impex.admin.ch						

Import von Gold aus Südafrika[10]

Periode	Import		
	Menge (Kg)	Wert (CHF)	Wert +/- %
2014	45'382	1'539'726'057	
2015	48'946	1'700'574'373	10.4
2016*	18'017	632'052'841	-62.8
2017	22'804	786'458'249	24.2

* Provisorische Daten

[10] d.h. Gold, einschl. platiniertes Gold, in Rohform, zu anderen als zu monetären Zwecken (ausg. als Pulver).
Source: www.swiss-impex.admin.ch

<u>Anhang 5:</u> Wichtigste Investoren in Südafrika

Ausländische Direktinvestitionen 2016: ZAR Millions

Rank	Country	FDI Stock 2016	% Total
1	UK	712’352	38.43
2	Netherlands	395’765	21.35
3	USA	126’591	6.83
4	Germany	92’305	4.98
5	China	77’699	4.19
6	Japan	71’097	3.84
7	Australia	57’175	3.08
8	Luxembourg	54’043	2.92
9	Switzerland	21’091	1.14
10	Malaysia	18’206	0.98
	Other	227’283	12.26
	Total	**1’853’607**	100.00
Source: South African Reserve Bank			

Ausländische Investitionen Portfolio 2016: ZAR Millions

Rank	Country	2016	% Total
1	USA	1’255’436	44.83
2	UK	445’632	15.91
3	Belgium	370’500	13.23
4	Luxembourg	132’208	4.72
5	Singapore	127’096	4.54
6	Netherlands	58’596	2.09
7	Switzerland	53’781	1.92
8	Namibia	49’283	1.76
9	Japan	36’358	1.30
10	France	29’627	1.06
	Other	**242’014**	8.64
	Total	**2’800’531**	100.00
Source: South African Reserve Bank			