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## Introduction

### Motivation

I was initially compelled to write my Country Paper about South Africa, because friends had spent time living in South Africa and they had absolutely loved it. So I wanted to know more about the country.

In the following Country Paper I have accumulated the hard facts about South Africa's History, Government, and most importantly its Economy. Underneath those facts lay hundreds of years of struggle and oppression, but also the hope of a fresh start and stubborn optimism. This optimism can be found in the memory of Nelson Mandela or the high profile ventures of Elon Musk, who started PayPal, Tesla, SolarCity and SpaceX. South African's do not give up.

In the beginning the paper will explore the general information about the country: Its geography, history, population, political system and social issues. Secondly it will give insight over the Economic Policy of the country by explaining the National Development Plan, the development policy approach, the participation of government in the economy, the fiscal policy and monetary policy. Then it will go on to explain the current macroeconomic situation in South Africa, starting with the GDP growth, inflation and ending with the unemployment figures. Afterwards the paper will focus on the economic structure represented by the agricultural sector, the industry sector and the service sector. In addition it will explain high importance branches of the economy. Next up are the international economic relations, which will first be analyzed in foreign trade by countries and commodities. Followed by foreign direct investment and labor exports or in the case of South Africa "Brain Drain". Near the end of this section, the paper will point out participations in custom unions and free trade areas and the foreign exchange policy. Concluding the paper will be a SWOT-analyze to hint at the country's future and a personal statement.

## Country Background

### Geography

The Republic of South Africa is can be found on the southern tip of Africa. With 1.219.090 square kilometers in size, it is the twenty fifth largest country in the world. South Africa's coastline spans over 2.798 kilometers and its shores on the west coast border at the Atlantic Ocean and on the east coast at the Indian Ocean. Neighboring countries are Botswana, Lesotho, Mozambique, Namibia, Swaziland, and Zimbabwe. Lesotho is fully enclosed by South Africa. The summers in South Africa are hot and dry and the nights are cold, therefore the biggest danger in natural hazards are prolonged droughts. South Africa's administrative capital is Pretoria, located in the Northeast next to Johannesburg. The legislative capital is Cape Town and Bloemfontein is the judicial capital.<sup>1</sup> By far the biggest city is Johannesburg, with over 7,8 Million people.<sup>2</sup>



### History

Europeans first arrived in 1652, when the Dutch East India Company established a fort at the Cape of Good Hope. The fort quickly grew into a settlement and Governors of the Cape colony furthered immigration. In 1795, the British took possession of the Cape and granted the Colony self-government 77 years later. After

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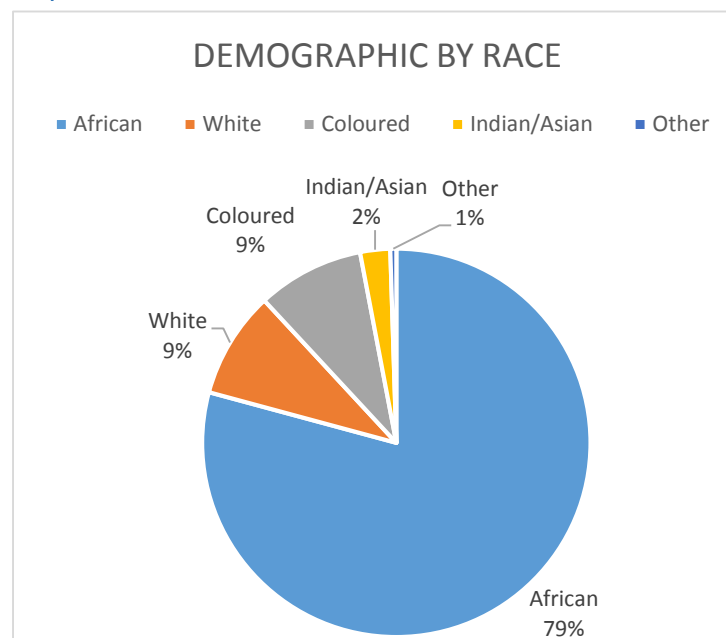
<sup>1</sup> Cf. CIA The World Factbook

<sup>2</sup> Cf. City Population

the Anglo-Boer war ended with the surrender of the Boer forces in 1902, the Union of South Africa was conceived in 1910. Full independence from Great Britain was achieved in 1934. During the 1948 election, the Nationalist Party came to power and established Apartheid, the segregation between white and black people. The civic rights of everyone, except the white population, were severely crippled. In 1961 South Africa left the Commonwealth and became a republic. Even while South Africa was constantly shaken with protests and strikes by the oppressed and sanctioned by member states of the UN General Assembly, it would take until 1989 for the Government to enter into negotiations with Nelson Mandela, who was released from prison in 1990. After an agreement between all 21 parties, South Africa held its first, free democratic elections in 1994. The African National Congress (ANC) won the elections and enacted a new constitution under President Nelson Mandela.<sup>3</sup>

South Africa since then has become one of the BRICS states and is the second strongest economy on the continent.<sup>45</sup> But they struggle to this day with an uneven distribution of wealth.<sup>6</sup>

## Population



South Africa had a population of 53.1 million people in 2014, which makes it the 25<sup>th</sup> most populated country in the world. Through its history, South Africa inherited a highly diverse demographic.<sup>7</sup> Over 30 million people in South Africa live in cities as of 2010.<sup>8</sup>

<sup>3</sup> Cf. SouthAfrica.info

<sup>4</sup> Cf. Zeit Online

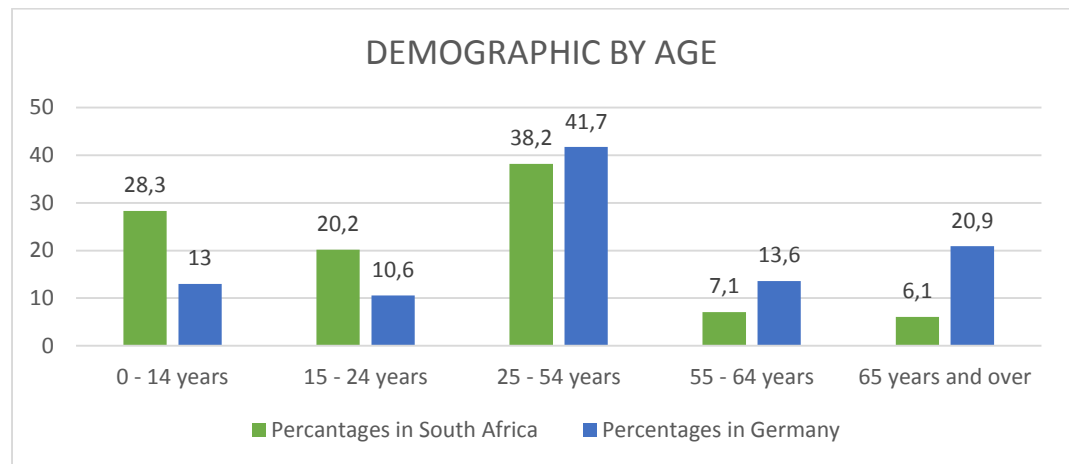
<sup>5</sup> Cf. The Guardian

<sup>6</sup> Cf. CIA The World Factbook

<sup>7</sup> Cf. World Population Review

<sup>8</sup> Cf. Trading Economics

Very important in understanding the future of South Africa, is the population age, where the 0 – 24 years old make up almost half of the population.<sup>9</sup>



### Political System

The Republic of South Africa is a majority ruled democracy with segregation of power. The highest office, head of state, is the President, who is elected by the National Assembly for a five year term and holds the administrative power.<sup>10</sup> The Legislative branch consists of the National Council of Provinces (NOCP), which is elected by the provinces and the National Assembly elected by popular vote. Every province government can elect ten Council members to the NOCP, representing their interests. The 400 members of the National Assembly on the other hand are elected by popular vote. Every South African holding citizenship at the time of the elections who is 18 years of age is eligible to vote.<sup>11</sup> All members of parliament are elected for five year terms and can run for reelection.<sup>12</sup> The judiciary branch consists of the Constitutional Court made up of 11 judges to protect the constitution and the human rights. It is the highest court on constitutional matters and judges are appointed for one 12 year term or until they are 70 years old. If a case went through all instances of the court system and does not concern the Constitution directly, it is dealt with by the Supreme Court of Appeal. This court has 3 to 5 judges concerned with any case brought before it.<sup>13 14</sup>

At the last election in South Africa on the 7<sup>th</sup> of May 2014 the African National Conference (ANC) won the majority of votes with 62.15%, granting the party 249

<sup>9</sup> Cf. CIA The World Factbook (2014 est.)

<sup>10</sup> Cf. The Presidency, Republic of South Africa

<sup>11</sup> Cf. Electoral Commission of South Africa

<sup>12</sup> Cf. Parliament of the Republic of South Africa

<sup>13</sup> Cf. CIA The World Factbook

<sup>14</sup> Cf. Department of Justice and Constitutional Development

seats in the National Assembly.<sup>15</sup> The next strongest party was the Democratic Alliance (DA) with 22.23%, followed by the Economic Freedom Fighter (EFF) party with 6.35%. As a result of the election, former President Jakob Zuma resumed the office of the President as the ANC candidate.<sup>16</sup> The turnout for the vote was 73.48% of eligible voters.<sup>17</sup>

In the Freedom House ranking for 2014, South Africa scored a 2 in overall Freedom rating, a 2 in civil liberties and a 2 in political rights (out of a scale from 1 to 7). However, they do take notice of the corruption scandals and the fact that since 1994 the ANC has been the strongest and therefore the ruling party in the country.<sup>18</sup>

### Social Issues

The 2014 United Nations Human Development Report ranked South Africa 118<sup>th</sup> out of 187 countries. The life expectancy rate at birth is 56.92 years, but with a 25.7% inequality. Almost 14% of the population live on less than \$1.25 a day and 19.7% of the working population on less than \$2 a day. Youth unemployment (15 – 24 years old) is at 51,5%.<sup>19</sup> Around 6 million people in South Africa have HIV/AIDS, which is about 10% of it's population and makes it the country with the most infected people in the world. In 2012 it is estimated that 235 000 people died of HIV/AIDS in South Africa.<sup>20</sup>

### Crime

South Africa is recognized as one of the Countries with the highest crime rates in the world. From the 2012/2013 to the 2013/2014 Crime Statistic Murder has increased by 3.5% to 32.2 deaths per 100 000 people. This means 17 000 people were murdered in comparison to 2.122 people in Germany during the same time frame.<sup>21</sup> Overall the murder rate in South Africa is five times higher than the global average in 2013.<sup>22</sup>

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<sup>15</sup> Cf. News 24 (2014)

<sup>16</sup> Cf. The Presidency, President Jakob Zuma

<sup>17</sup> Cf. Electoral Commission of South Africa

<sup>18</sup> Cf. Freedom House (2014)

<sup>19</sup> Cf. United Nations Development Programme

<sup>20</sup> Cf. CIA The World Factbook

<sup>21</sup> Cf. Daily Maverick (2013/2014)

<sup>22</sup> Cf. BKA Police Crime Statistics

## Economic Policy

### National Development Plan

*The National Development Plan 2030* was ordered by President Jakob Zuma and developed by the National Planning Commission after the *Commission's Diagnostic Report* from June 2011 uncovered the achievements and failures since the first democratic election in 1994. From these findings they derived the primary challenges, including the high unemployment rate, the poor education of black students, the unsustainable resource-intensive economy and the public health system. The National Development Plan addresses the issues and sets goals to be achieved by 2030, as well as encourages the people of South Africa to take action themselves. For the future the plan outlines a decent standard of living which includes decent nutrition for everybody and clean and safe neighborhoods.<sup>2324</sup>

### Poverty

One of the main goals is to reduce the percentage of households living below R419 (\$42.2) per month per person from 39% to 0%. In order to achieve the poverty reduction, employment is aimed to rise from 13 million in 2010 to 24 million in 2030. This would increase the per capita income from R50 000 to R120 000 a year, thereby also closing in on the inequality in wealth distribution, as the poorest 40% would then earn 10% instead of 6% of the national income.

In terms of the Gini coefficient, this would mean a drop from 0.69 to 0.6.<sup>25</sup>

### Development Policy Approach

In 2003, the South African Government passed the Broad-Based Black Economic Empowerment Act (B-BBEE), to among other things, improve the number of black people in the economy. This was supposed to be achieved through a variety of different measures, like increasing their access to finance and land.

The main objective was to increase the extent to which black people own and/or manage a business. It was supposed to increase the income of black people and close the gap between rich and poor. Following protests of minorities who had been

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<sup>23</sup> Cf. South African Government Online

<sup>24</sup> Cf. Media Club South Africa (2014)

<sup>25</sup> Ibid.

discriminated under the rule of apartheid as well, the B-BBEE was amended on the 27.01.2014 to include all minorities under its law.<sup>26</sup>

The B-BBEE has come under scrutiny by a range of people who claim that the redistribution only benefits a few people in the elite. Even the minister of finance in 2010, Parvin Gordhan declared: “BBE policies have not worked and have not made South Africa a fairer or more prosperous country.”<sup>27</sup>

Anthea Jeffery, head of special research at Mail&Guardian, suggested that the ANC should focus on the removing of the real barriers to growth, which in her opinion are improving education, lifting regulations off the labor market and building up international competitiveness.<sup>28</sup>

### Participation Of Government In The Economy

There are eight state owned companies managed by the Department of Public Enterprises. This Department makes sure, that the companies compliment each other. Transnet is the largest and therefore most important freight logistics company, claiming to deliver goods to every South African. South Africa owns two commercial airlines, South African Airline and the South African Express, a regional airline. Further is Eskom, the eleventh largest electric power company in the world by generating capacity. Broadband Infraco is a telecommunication company. Denel is a defence equipment company, focusing on aerospace and land. The South African Forestry Company (SAFCOL) is responsible for the forests in South Africa and internationally, if hired. Alexkor is the only state owned mining company. It specialized in the mining of diamonds.<sup>29</sup>

There is a strong movement lead by the ANC Youth League, which requests to privatize, without compensation, 60% of the mines to distribute the wealth of the country more evenly.<sup>30</sup>

### Fiscal Policy

The national Budget Review 2014 issued by the National Treasury Department reveals the fiscal policies being developed in harmony with the National

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<sup>26</sup> Government Gazette

<sup>27</sup> Mail&Guardian, Parvin Gordhan

<sup>28</sup> Mail&Guardian

<sup>29</sup> Cf. Department of Public Enterprises

<sup>30</sup> Cf. The Economist (2011)



Development Plan. Its main objective is to ensure the health of the public finances and their sustainability.<sup>31</sup>

During the recession in 2009, South Africa remained relatively unaffected, due to its build up fiscal cushion, but the rising global interest rates have lifted the debt-service cost for 2014/2015 R5 billion higher than estimated. The Rand has also lost in value, therefore accounting for additional cost in yet not paid projects.

Acting in conformity with the 2013 Medium Term Budget Policy Statement, the government has proposed three actions to counteract these threats:

1. Saving the expenditure ceiling
2. Decreasing the budget deficit
3. Streamlining costs and eliminate wastes<sup>32</sup>

The estimated revenue for 2013/2014 is R1010.5 billion, offset by an R1149.3 billion expenditure, consequently leading to a loss of R138.8 billion, which is equal to 4% of the GDP. Tax revenue is going to be R899 billion of the R1010.5 billion and thus be the biggest source of income.<sup>33</sup>

### Monetary Policy

The South African Reserve Bank (SARB) enjoys complete operational autonomy. Its monetary policy follows the main objective “*[...] to achieve and maintain price stability in the interest of sustainable and balanced economic development and growth.*” This serves the stabilization of purchasing power and hence supports business development as well as reducing uncertainties in the economy.<sup>34</sup> Policies are crafted by the Bank’s Monetary Policy Committee (MPC), which is working with the Inflation Targeting Framework to keep the Consumer Price Inflation under control. The target range for Inflation in South Africa lays between 3 and 6%. From 2012 until 2014 the Inflation rate has been around 6 percent.

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<sup>31</sup> Cf. 2014 Budget Review, p. 31

<sup>32</sup> Cf. 2014 Budget Review, p. 33

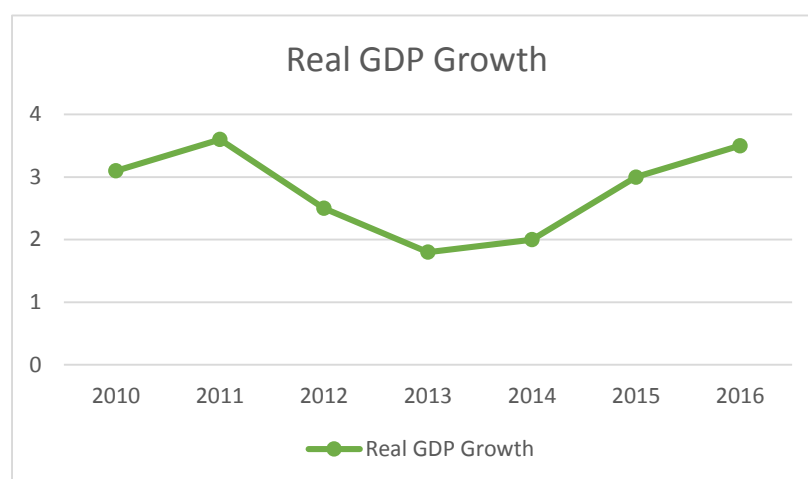
<sup>33</sup> Cf. 2014 Budget Review, p. xi

<sup>34</sup> Cf. South African Reserve Bank

To implement its policies, the SARB utilizes a classical cash reserve system, in which every commercial bank is required by law to retain a certain percentage of cash.<sup>35</sup> The implementation is handled by the Financial Markets Department of the SARB seven days a week through refinancing operations.<sup>36</sup>

Since 2011 the South African Rand (ZAR) has been steadily losing value against the Dollar.<sup>37</sup> Currently 1 ZAR is worth 0.0892 USD.<sup>38</sup> The SARB predicts that the Rand will remain sensitive to worldwide expectations about the dollar and risk takers.<sup>39</sup>

## Current Macroeconomic Situation



## GDP Growth

South Africa's GDP growth was slowing down from 2011 to 2013, but is now projected at 2% in 2014 by the World Bank and 2.7% by the South African Budget Review 2014.<sup>40</sup> It is expected to rise approximately 3.2% 2015 due to investments in transport and electricity.<sup>41</sup>

Other developing nations on the African continent far outperform South Africa in GDP growth, as shown in the table below. Angola and Nigeria, which are roughly

<sup>35</sup> Cf. Macroeconomics: Theory and Policy in South Africa p. 220 (1997)

<sup>36</sup> Cf. South African Reserve Bank

<sup>37</sup> Cf. CIA The World Factbook

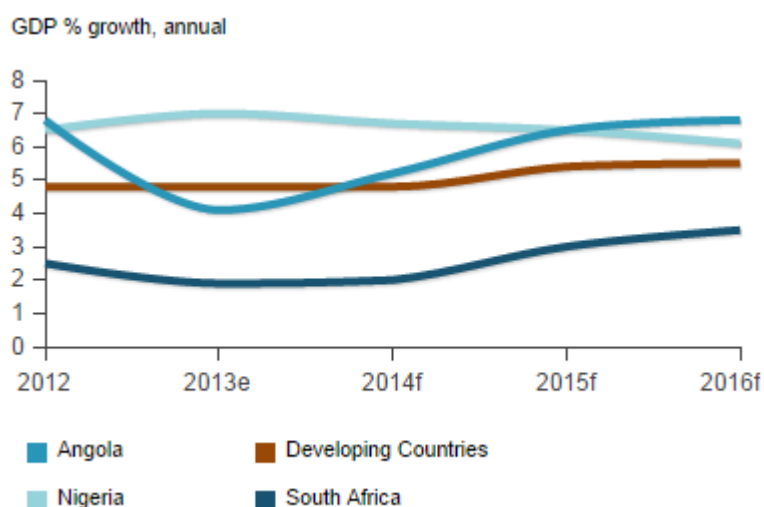
<sup>38</sup> Cf. Bloomberg

<sup>39</sup> Cf. Monetary Policy Review June 2014

<sup>40</sup> Cf. The World Bank 2014

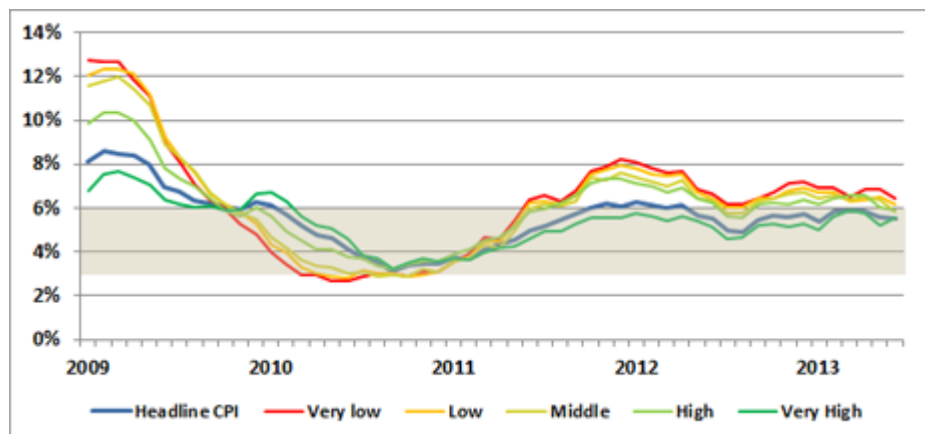
<sup>41</sup> Cf. The Budget Review 2014

the same size as South Africa even show stronger growth, than the average of the developing countries.<sup>42</sup>



## Inflation

While describing the Monetary Policy in South Africa, Inflation was already discussed. Inflation is supposed to be within 3 – 6% range and in the last few years it has been around 6%. In April 2014 it was estimated to be 6.1%.<sup>43</sup>



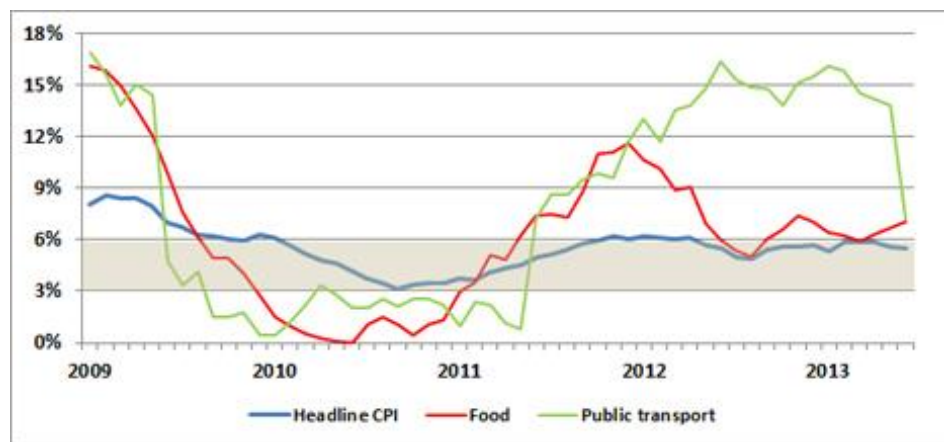
The Inflation rate has highly different implications for all the income groups. While the 20% of households with very high incomes are very close to the Headline Consumer Price Index, because they make up 59% of total spending, the bottom 60% are far from it. When the CPI was up over 8% in 2009, for the poorest 60% it was at about 12%. The poorest 20% account only for 3,5% of total spending. From 2011 until today, 80% of South Africans were above the Headline

<sup>42</sup> Cf The world Bank 2014

<sup>43</sup> Cf. Monetary Policy Review June 2014

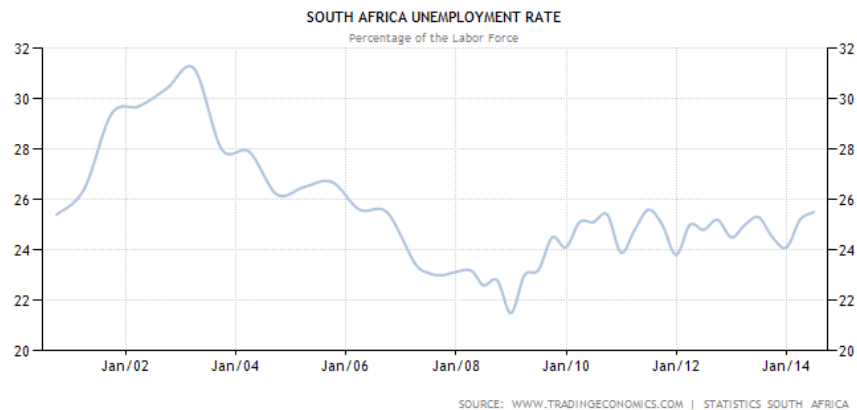
CPI and since mid-2011 above the target range of 3 – 6%. Accordingly only 20% of South Africans are within the official Inflation rate.

As displayed in the graph below, the Food and Public transport prices are not as steady as the Headline CPI. Worth pointing out it especially the two year 15% inflation on Public Transport costs. For the 20% poorest, 7.2% of their income is spend on public transport. The richest 20% on the other hand spend only 1.3%. The poorest 20% spend 39% of their money on food, while the richest 20% spend about 9% on it. As a result, any price increase in food affects a poor household severely.<sup>44</sup>



## Unemployment

South Africa is facing a huge challenge with unemployment. In the second quarter of 2014, the unemployment rate hit 25.50%. Between 2000 and 2014 the average unemployment rate has been 25.27%.<sup>45</sup>



<sup>44</sup> Cf. Daily Maverick 2013

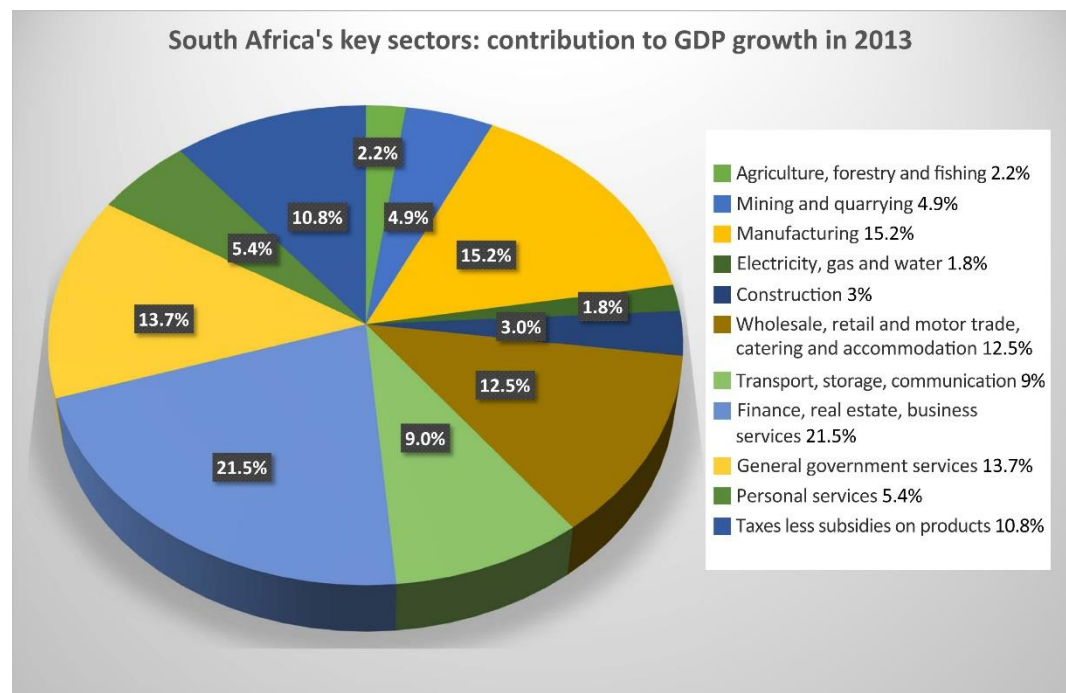
<sup>45</sup> Cf. Trading Economics

## Youth Unemployment

Presently the youth unemployment rate of South Africa is at 50%, making it the third highest in the world. The main reason for this development is the poor education in South Africa. In the World Economic Forum report South Africa's education was ranked 146 out of 148. With graduation rate of just 40% from High School. The rate of those who go on to university is about 10%.<sup>46</sup>

## Economic Structure

The Economic structure in South Africa has been changing a lot in the past decades. The country has developed itself from heavily relying on the primary sector, due to a wealth in gold, diamonds and Platinum among others, to having its majority of GDP come from the tertiary sector.<sup>47</sup>



## Agricultural Sector

In 2013, agriculture contributed 2.2% to South Africa's GDP, while employing about 10% of the workforce. Since the 1960, agriculture has been declining as an important sector from the South African GDP, thus implying that the secondary and tertiary sector gain more and more relevance.

<sup>46</sup> Cf. BBC News

<sup>47</sup> Cf. Media Club South Africa (2013)

Only about 3% of the land in South Africa is high potential farmable land, with an additional 10% of cultivable land. The biggest problem for farmers is the limitation of water. The water through rain is very unevenly distributed in the country and almost 50% of it is used for farms.

The farmers in South Africa grow Maize, wheat, oats, sugar cane and sunflowers among other agricultural products, making it essentially self-supporting in all major farming products.<sup>48</sup>

### Industry Sector

The Department of Trade and Industry deploys each year an Industrial Policy Action Plan (IPAP) aimed for a three year time frame. The Plan is supposed to increase the competitiveness of South African industrial businesses.

The Industry in South Africa spans many sectors: Automotive, metals, electronics, chemicals, as well as information and communication technology.<sup>49</sup>

### Automotive

Toyota, Ford, Daimler-Chrysler, Volkswagen and BMW all have production plants in South Africa. They all benefit from the low cost of labor and the proximity to emerging markets. In addition plenty materials used in building cars can be found in South Africa. The automotive sector makes up 12% of all exported manufactured goods and employs 30 344 people.<sup>50</sup>

### Metals

Making up almost one third of the manufacturing industry, the metals industry is crucial for South Africa. About 1% of the world's crude steel is produced in South Africa, accumulating to 7.2 million tons in 2013. To stay competitive the industry has taken large measures to improve its productivity.

In addition to steel, South Africa ranks 8<sup>th</sup> in the world for the production of Aluminum.<sup>51</sup>

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<sup>48</sup> Cf. Media Club South Africa

<sup>49</sup> Ibid.

<sup>50</sup> Ibid.

<sup>51</sup> Ibid.

## **Chemicals**

South Africa's chemical sector has been active in the primary and secondary sectors for quite a while. Recently they have started to generate an interest in developing products for the tertiary sector. Providing 200 000 jobs in 2013, this sector is the fourth largest-employer and generates approximately 5% of the GDP.<sup>52</sup>

## **Service Sector**

### **Tourism**

Tourism in South Africa is on the rise. The 2010 Fifa World Cup in South Africa exposed the country to the world and elevated its status as a holiday destination. The government has recognized tourism as one of the growth sectors and plans to increase it. In 2009 it accounted for 7.9% of the country's GDP, which is almost 17 billion US Dollars. Every 12<sup>th</sup> job in South Africa was supported by tourism in 2012. By 2020, the National Department of Tourism plans to increase the income to 44.5 billion US Dollars. To facilitate this expansion, South Africa is considering visa waiver programs and has implemented excellence standards.<sup>53</sup>

### **Finance and business services**

After the election in 1994, a lot of the major global financial institutions started to settle in South Africa, because of its stable legal framework and the potential to serve as a springboard into the African market. Johannesburg, home of the largest Stock Exchange in Africa, quickly became the countries financial capital.<sup>54</sup> The Bank of China, the Bank of Taiwan, Citibank, HSBC Bank and Deutsche Bank all have offices in Johannesburg. South Africa itself has four big private retail banks, who all drive innovation in the mobile payment space. In 2010, 73% of South African adults had a bank account. The banking sector did not have one year without growth even during the crisis in 2008 and 2009. In 2013, the finance, real estate and business sector made up 21.1% of the GDP.<sup>55</sup>

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<sup>52</sup> Cf. Media Club South Africa

<sup>53</sup> Cf. SouthAfrica.info

<sup>54</sup> Cf. Johannesburg Stock Exchange

<sup>55</sup> Cf. Frontier, Market Network (2013)

### **Information and communication technology (ICT)**

The IT sector in South Africa is one of the world's leaders in mobile software and electronic banking services. Being a developing nation with up to date know-how and a diverse range of customers, it has proven to be the ideal testing ground for innovations. Many technology leaders like Microsoft, System Application Protocol, IBM and Intel hold subsidiaries in South Africa. Roughly 8.2% of South Africa's GDP is generated by the ICT sector. Due to this strength, South Africa has an almost completely digital network and the most advanced in Africa.<sup>56</sup>

### **Branches Of High Importance**

#### **Mining**

South Africa is one of the richest countries in the world measured by its natural resources. The first gold was discovered in 1884 and since then South Africa has become the largest producer of it with 10% market share.<sup>57</sup> It also holds the largest known gold reserve with 40% of the Gold. Other notable resources include diamonds, platinum, manganese, chromium, copper, uranium, silver, beryllium, titanium, iron ore and coal.<sup>58</sup> Mining has been losing its influence on the GDP, while in 1970 it represented 21%, in 2014 it accounted only for 4.9%. However it still is responsible for 60% of South Africa's exports. The decline of mining also indicates the growth of the secondary and tertiary sectors, which compliments the development of the country.<sup>59</sup>

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<sup>56</sup> Cf. Media Club South Africa

<sup>57</sup> Cf. South Africa History Online

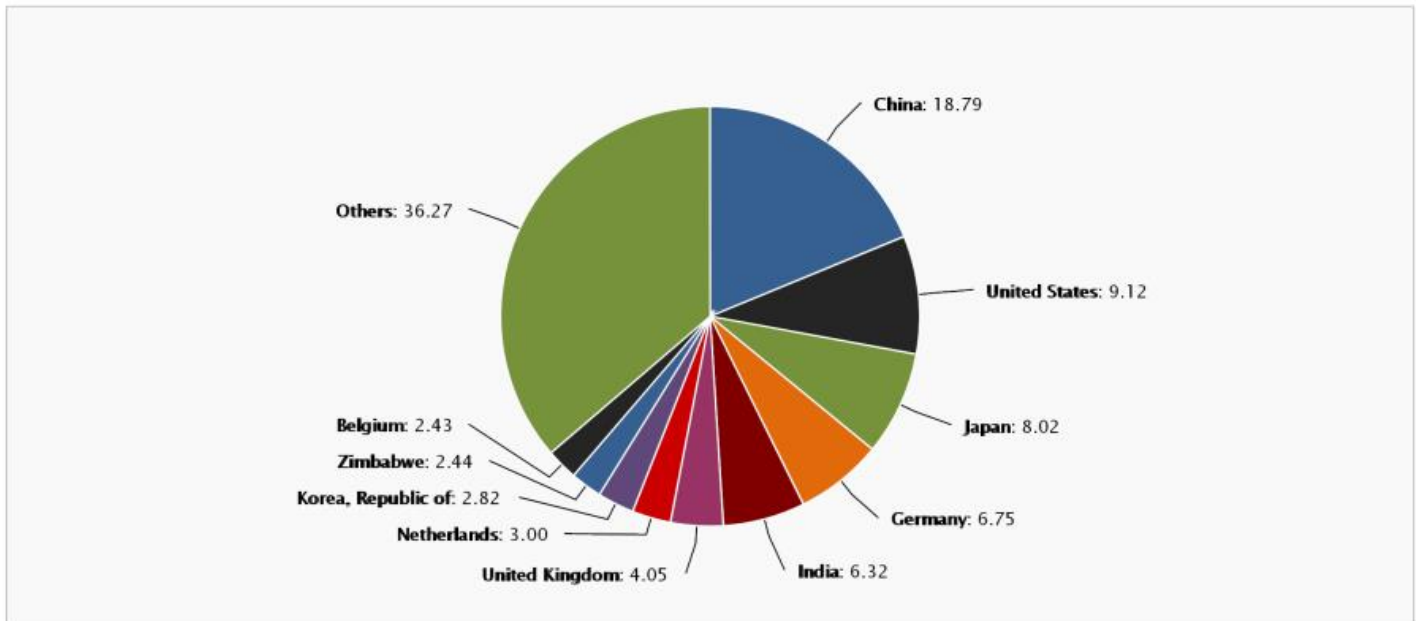
<sup>58</sup> Cf. Encyclopedia Britannica

<sup>59</sup> Cf. Media Club South Africa



## International Economic Relations

### Foreign Trade By Countries



Source: [Merchandise trade matrix, imports and exports of total all products, annual, 1995-2011](#)

The most important trading partner for South Africa in 2011 was China with 18.79%, followed by the United States 9.12%, Japan 8.02%, Germany 6.75% and India 6.32%. Together they make up almost half of South Africa's trade volume. The area marked "Others" in the diagram above are the African countries, which are also considerably important for South Africa's economy.<sup>60</sup>

### Foreign Trade By Commodities

The five most exported commodities from January to August 2014 were coal, gold, iron ores and concentrates, iron and steel and platinum. The five most imported commodities from January to August 2014 were Petroleum Oil, Mineral Oil, equipment components for cars, telephone sets and cars. The trade balance was negative, therefore South Africa imported more goods than it exported.<sup>61</sup>

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<sup>60</sup> Cf. Open Data for South Africa

<sup>61</sup> Cf. SARS

## Foreign Direct Investment

In 2013, South Africa was the country to receive the most Foreign Direct Investment (FDI) of any country in Africa with \$10.3 billion.<sup>62</sup> Investors are still intrigued to invest into Mining, but also the manufacturing and the finance business in South Africa interests them.<sup>63</sup>

## Labor Exports

One of the most crucial problems of South Africa and developing countries in general is brain drain. It describes the leaving of highly qualified and skilled workers from a country to live in another. Most South African's migrate into an English speaking country, so that they don't even have to learn a new language. Especially white South Africans leave, because of the racial employment policy by the ANC and the high level of violence.

The financial crisis in 2008 was a blessing in disguise for the South African talent pool, because a lot of South African's lost their job abroad and returned to South Africa. 52% of them in Management positions.

## Participation in custom unions and free trade areas

South Africa is part of the Southern African Customs Union (SACU) along with Botswana, Lesotho, Namibia and Swaziland. This Union guarantees free movement of all products among its members while implementing a common tariff for external countries.

Additionally South Africa is also part of the Southern African Development Community (SADC) together with 14 more states and the Trade, Development and Cooperation Agreement (TDCA) with the European Union (EU).<sup>64</sup> The SADC agreed in 2008 to a free trade agreement covering 85% of all goods. The TDCA is currently under review.<sup>65</sup>

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<sup>62</sup> Cf. Reuters

<sup>63</sup> Cf. World Investment Report (2014)

<sup>64</sup> Cf. Southern African Development Community

<sup>65</sup> Cf. Department of Trade and Industry

## Foreign Exchange Policy

South Africa has a floating exchange rate, which can absorb financial crisis like the one in 2008 by simply adjusting the exchange rate. The downside is the fear of foreign investors to borrow Rand, as it could depreciate in value.<sup>66</sup>

## Major Problems And Potentials Of The Economy

### SWOT-Analyze

#### **Strength**

South Africa has come a long way from apartheid in 1994, establishing a healthy tertiary sector with international ties. The strong financial industry in combination with the growing IT sector are great starting points for the future of South Africa.

#### **Weaknesses**

The education in South Africa is the fundamental problem, because it blocks all roads to future employment, hence blocking equal wealth distribution. The inequality in South Africa limits the chances of a vast majority of people building a middle income layer, which currently is pretty much not existent.

#### **Opportunities**

South Africa has a unique banking sector capable of innovation at a much higher speed than the developed countries. It has attracted a variety of multinational companies and could leverage its exclusive spot in Africa to a sizeable advantage.

#### **Threats**

Having a single party in power for a long time can be dangerous. The militant Youth League with its street justice could become a threat, if it decides to forcefully pursue its goals. The inequality between the people in South Africa is the biggest threat of all, as it could come to unrests.

## Personal Statement

South Africa has a rare opportunity in the future of becoming the first fully industrial nation in Africa. But it needs to invest more into the future and into the

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<sup>66</sup> Cf. South African Reserve Bank

growth of its economy. A smaller piece from a bigger pie should be always preferred to splitting it evenly. I have never been to South Africa and am thus forced to judge without having all the data. Economic concepts are great for planning and it is important to do so, but everybody has a plan up to the point at when something unexpected happens.

So, I hope that the ANC is able to develop a flexible plan following a clear long term target and uniting everybody in order to achieve the target.

In the words of Abraham Lincoln:

“Nearly all men can stand adversity, but if you want to test a man’s character, give him power.”

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## Affidavit

I hereby assure to have written this paper by myself without the usage of other than the mentioned sources. All parts that have been cited directly or indirectly from public and non-public sources have been marked as such. The work, neither in same or similar form, has not been handed in to another examination authority.

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