Chapter 4

Post-Apartheid South Africa: An Overview of International Economic Relations (1994-1999)

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Introduction

Prior to the first democratic election in South Africa, the economy had been in decline. In the five years to April 1994, gross domestic product had declined by an annual average of 0,1%, fixed investment spending had averaged only 17% and employment had decreased by over 470 000. The peaceful political transition brought hopes that the economy would turn the corner and move into a higher growth phase. Some of the reasons for this optimism included the following:

- The election of the first democratic government meant that South Africa's reintegration into the world economy, which began in the early 1990s through the lifting of sanctions, would be intensified. This in effect meant that the sustained capital drain on the balance of payments that had plagued the country since 1985 could be reversed, thus enabling improvements in production capacity and hence higher levels of growth. From the time of the debt standstill in 1985 to 1994, approximately R21b left the country.
- It was also expected that with South Africa's re-entry into the "family of nations", not only would capital outflows decrease but capital inflows attracted by the country's economic potential would also materialise. With foreign direct investment, there was the promise of technology and skills transfer and economic development.

- Various western governments promised aid in the form of grant funding for addressing the backlogs in social infrastructure and improved market access for South African goods.[2]
- The creation of the "rainbow nation", which was strengthened by successes in the sporting arena (through South Africa winning both the rugby world cup in 1995 and African cup of nations (soccer) in 1996), gave hopes that for the first time in South Africa's history a united attack on the socio-economic problems of the country was possible.
- The physical infrastructure (good communication networks and cheap electricity), a well-developed financial sector, significant natural resources and the excellent tourism potential of the country provided the basis for significant investment inflows and hence GDP growth.

This chapter provides an overview of South Africa's post-apartheid international economic relations. The primary focus is on trends and characteristics of South Africa's international trade and foreign investment relations and the implications of these relations for the future. After a brief consideration of the theoretical relationship between trade, foreign investment and economic growth, the chapter highlights South Africa's trade and investment flows in the next two sections. Given that this is an overview the emphasis is on major developments and trends rather than an in-depth analysis of specific issues. The chapter closes with some concluding remarks.

Some theoretical considerations

The maximisation of economic growth is one of the key objectives of economic policy. Economic growth measures the change in the volume (rather than in the value) of goods and services produced in a country (real gross national product). Put very simplistically, increases in the volume of goods and services produced in a country enlarge the consumption basket, provide employment and thus yield more disposable income for consumption purposes.

Viewed from this angle it is quite obvious why international trade and foreign investment are two focal areas of economic policy. First, international trade provides a market for a country's exports as well as a means for acquiring the imports needed by a country. Export production not only increases employment opportunities but also provides export revenue, which in turn facilitates import purchases. Whereas the benefits of export production are seldom disputed in the economic literature, the path to export production usually is. Over the last decade of the twentieth century, economic analysis has shown that the conventional wisdom that export production is to be preferred over import substitution (domestic production of imports) may not be correct (Amsden, 1989; Wade, 1990; Liang, 1992). These studies have shown that the path to export production may indeed be via import substitution. Further, recent studies (Rodriguez & Rodrik, 1999) have shown that the conventional wisdom that trade liberalisation is necessary for economic growth has not been emphatically established.[3]

On the other hand, foreign investment is important for inter alia the following three reasons. First, it provides the means for increasing domestic production capacity.[4] Second, it could also facilitate and encourage the transfer of skills and technology. Third, foreign investment inflows (capital account surpluses) could allow for trade deficits (deficits on the current account). Now, whether these benefits do in fact occur, or the extent to which they occur, is to a large degree dependent on the form and magnitude of the foreign investment and the sectors in which it occurs.[5]

South Africa's foreign trade: Post-1994

In terms of the World Trade Organisation (WTO) agreement the South African government has committed itself to the reduction and restructuring of import tariffs, the removal of import surcharges and the phasing out of the General Export Incentive Scheme (GEIS). Since 1994, trade tariffs have been lowered at a faster rate than required by the WTO agreement — government's argument usually being that increased exposure to international competition improves domestic efficiency and competitiveness of South African producers. GEIS was terminated on 11 July 1997 and replaced by a number of supply-side measures.[6] As a result of these measures, the South African economy became more open, with the ratio of trade in goods and services to GDP increasing from 41% in 1994 to 50% in 1998.

During 1994-1998, the current account showed a cumulative deficit of R37,8 billion ($8,4 billion), while a cumulative net inflow of foreign capital amounting to R57,9 billion ($13 billion) was recorded during the same period.[7] Exports increased from R73,2 billion in 1990 to R197,3 billion in 1998. While this represented an increase of 9,1% per annum during 1994-1998 (compared to 1,9% for the period 1990-1993), exports as a share of GDP have remained fairly constant at around 26%. Of interest, however, is the fact that gold, South Africa's largest export earner, accounts for only 13,1% of total exports as compared to 25% of total export earnings at the beginning of the 1990s. The increase in the volume of total exports was mainly due to the depreciation of the currency (2,5% per annum depreciation in the real effective exchange rate) and the increase (4% per annum) in world economic growth during this period.

South Africa's trade is highly concentrated, with 20 countries accounting for 73% of total trade (see Table 4.1). Overall, the United States is South Africa's most important trading partner accounting for 12%, with the United Kingdom and Germany each accounting for approximately 10% of South Africa's total trade in 1998. These three trading partners account for approximately 32% of total trade. Of interest, also, is that South Africa's 50 most important trading partners include ten African (mainly Southern African) countries. However, while these countries account for 7% of the total trade, the trade balance with nine of these countries is in South Africa's favour.[8]

On the other hand South Africa imports more from, than it exports to, the western world. Considering imports and exports separately, the top five countries account for 38% and 50% of South Africa's exports and imports respectively. The importance of trade with the African countries is highlighted when one considers that nine of the ten African countries ranked among the top 20 export destinations for South African products and for approximately 11% of total exports in 1998 (column 2). As far as total imports are concerned, only Zimbabwe ranks in the top 30. Hence

South Africa's positive trade balance with the developing world offsets the negative balance with the developed world.

Table 4.2 indicates South Africa's trading relations with trade blocks in 1998. The intention here is to appreciate South Africa's trade with the EU and Southern African Development Community (SADC) in relation to her trade with the other trade blocks. The EU represents South Africa's most important trading block, accounting for over 38% of total trade, made up of 32% and 44% of total exports and imports respectively. On the other hand, the SADC accounts for approximately 6% of total trade (11% of exports and 2% of total imports). What is important, however, is that of the six trading blocks represented in Table 4.2, there are only two trading blocks with which the country has a positive trade balance, the SADC being the most important and accounting for a surplus of R13,7 billion in 1998.

Table 4.2: SA trade ranked according to trade blocks

Rank	Trade block	Total trade Rb	Exports Rb	Exports % share	Imports Rb	Imports % share	Trade balance Rb
1	EU	114,4	49,5	32,3	64,9	44,0	-15,4
2	APEC	97,7	40,8	26,6	57,0	38,6	-16,2
3	NAFTA	38,9	17,0	11,1	21,9	14,9	-5,0
4	SADC	19,0	16,4	10,7	2,7	1,8	13,7
5	EFTA	10,3	6,0	3,9	4,3	2,9	1,8
6	MER-COSUR	4,8	2,1	1,4	2,7	1,8	-0,5
7	Rest of world	55,1	38,9	25,4	16,2	11,0	22,7
	Total*	300,8	153,4		147,5		5,9

* Note that Canada, Mexico and the United States are included under NAFTA and APEC, while Chile is included under both APEC and MERCOSUR, hence the total does not add up to what is represented in the table.

Source: ABSA, 1999.

Table 4.3 reflects South Africa's trade with the EU and SADC for 1994-1998. For the period under analysis the EU accounted for around 44% of total imports while the average annual imports from the SADC for the same period accounted for approximately 2%. Exports to the EU on the other hand averaged 34%, while the corresponding figure for the SADC amounted to 12%. It should, however, be noted that with the exception of 1998 there seems to have been an increase in South African exports to the SADC. However, these aggregate statistics conceal some important characteristics of trade relations with these two blocks—something we shall now direct our attention to.

Table 4.3: South Africa's[1] trade with the EU and the SADC[2] Rm

Year exports	EU	SADC	Total[3]
1994	19 147 (32)	5 959 (10)	90 328
1995	26 134 (35)	10 062 (13)	102 322
1996	34 170 (36)	13 528 (14)	126 044
1997	41 103 (38)	15 886 (15)	143 814
1998	42 554 (29)	15 495 (8)	147 994
Year imports			
1994	32 936 (44)	1 420 (2)	79 542
1995	43 920 (46)	1 433 (1.5)	97 285
1996	50 884 (45)	2 018 (1.8)	115 538
1997	54 650 (42)	2 775 (2.1)	129 908
1998	63 484 (44)	2 015 (1.5)	143 356

1 The statistics are for SACU (as separate statistics for South Africa are not available).
2 The figures in parenthesis represent the respective trading block's share of exports and imports (excluding unallocated products).
3 This column represents the total imports and total exports including unallocated products for the respective years.

Source: Customs and Excise, 1994-1998.

Table 4.4 reflects South African trade with the EU and the 1998 SADC at the two-digit harmonised system level.[9] In 1995 (1998), of the 23 HS sections, the EU accounted for over 40% of imports for 12 (11) sections. In 1998, some of South Africa's major imports included chemical products (52%), plastics and rubber articles (51%), wood pulp and paper articles

(64%), glass, cement and stone articles (60%), jewelry (48%), base metal articles (47%), machinery and electrical equipment (57%), and prepared foodstuffs (41%). Of interest here is the fact that South Africa's imports from the EU were predominantly manufactured or processed goods. On the other hand, South Africa's major exports to the EU in 1998 included live animals (45%), vegetable products (54%), plastics and rubber articles (49%), raw hides and leather products (61%), and motor vehicles and equipment (46%). In the main, South Africa's exports to the EU comprised raw materials and low value-added products.

Table 4.4 illustrates some important characteristics of South Africa's trade with the SADC. First, exports were dominated by manufacturers (high value-added goods). Second, the SADC was insignificant as a market for imports—only three sections (prepared foodstuffs, wood and wood products, and textile and textile products) accounted for more than 10% of the section totals. With the exception of textile products the South African pattern of import from the SADC has not changed much since 1994. Third, not only did South Africa import very little (1,4% of total imports) from the SADC but the goods imported were also low value-added products.

Some of the main reasons for this trade pattern are:

- Colonial ties skewed trade relations in favour of Europe.
- In general trade regulations and their implementation made trade relations with the EU relatively more easy. In contrast the non-uniform trade regulations in the SADC countries in many cases proved to be a major stumbling block for increased intra-regional trade.
- The poor transport infrastructure in the region nullified the geographical advantage of the region.
- Probably, the biggest factor adversely influencing trade relations in the SADC region in general was the poor communications infrastructure, which also covers the lack of information about the regional market (both in terms of demand and supply conditions).

South Africa's trade agreements with the EU and SADC

In an attempt to improve trade relations with the EU and SADC, South Africa has concluded the Free Trade Agreement (FTA) with the EU and intends concluding a trade agreement with the SADC by June 2000. In this section we shall briefly consider the implications of these agreements for South Africa's future trade relations with these two trading blocks.

After four years of negotiations an agreement on relations between the EU and South Africa was concluded in October 1999 and took effect on 1 January 2000. This agreement is known as the Trade Development and Co-operation Agreement (TDCA). The agreement is overarching in that it covers co-operation issues relating to economic and socio-economic matters, environmental, cultural and political dialogue, and matters relating to development co-operation. This is the first time that the EU has engaged in such an agreement. It is not the intention to provide a comprehensive review of the agreement but rather to analyse some of the implications and potential effects of the agreement.[10]

In line with the EU-SA FTA some 62% and 86% of industrial products will be completely liberalised for SA and the EU respectively. The corresponding figures for agricultural products are 34% and 25%. By the end of 2010 approximately 95% of South Africa's exports will enter the EU free of duty, with the remaining 5% being subject to an average duty of 1,5%. On the other hand, 85% of total imports from the EU will be duty free.

What are the implications of the EU-SA FTA?

The *preferential access* of South Africa's products into the EU increases South Africa's income from exports. However, too often, countries do not exploit the potential benefits (of trade agreements) of producing non-traded products—very often the emphasis is on promoting products making up current trade. Thus the challenge remains to exploit the potential benefits of the agreement, that is to fully exploit the production of products not currently traded. In this regard, government and organised business (e.g. chambers of business) could play a meaningful role in ensuring that the potential products are identified and well marketed.

If the preferential access into the EU market is to be fully exploited, it will be essential to attend to the collection and dissemination of *market and product-specific information.* This will require the availability of information pertaining to consumer demand, environmental legislation and standards requirements on a product-specific basis. In many cases, this is not only a laborious but also a costly process (in monetary and human resource terms). This will in all probability require that government takes the initiative to ensure that the information is available, since private sector initiatives governed by short-term profit motives may not fully exploit the benefits of the FTA (more specifically in terms of products not currently traded)[11].

The effectiveness of any agreement depends on how well it is implemented. While great strides have been made in improving the efficiency and information provided by the Customs and Excise directorate of the South African Revenue Service, there is still room for improvement in the area of *trade information and processing, and trade documentation*. One specific and immediate area of attention relates to documentation and procedures relating to the rules of origin of the TDCA. The benefits of any trade agreement depend on the effective implementation of the rules of origin of the agreement. The regional offices of the Customs and Excise directorate should provide a "one-stop shop" for exporters. Although there are moves in this direction, the process needs to be expedited.

The EU has committed itself to assisting South Africa in the restructuring of her economy through the provision of *development co-operation assistance*.[12] In this regard it is imperative that the assistance provided is not only fully utilised but also directed at priority areas. Priority should be given to ensure that all the avenues for transfer of technology and skills provided for in the TDCA and the Science and Technology Agreement are fully exploited.

It is imperative that the *interests* of the Southern African Customs Union (SACU) are protected. SACU is an important source of revenue for its members (Botswana, Lesotho, Namibia and Swaziland). Customs revenue represent 45%, 42%, 28% and 17% of government revenue for Botswana, Lesotho, Namibia and Swaziland (BLNS) respectively. The

FTA foresees that compensatory mechanisms (partly funded by the EU) will be put in place to prevent any major adverse effects on the economy of the BLNS states. However, while the compensation (for potential adverse revenue effects of the TDCA) being offered by the EU will alleviate some of the problems, the challenge will be to reform industrial policy in these economies. South Africa can and should play a positive role in influencing industrialisation in the SACU and SADC countries in general. In some respects the SADC Trade Protocol is an attempt to do this.

South Africa has made a tariff liberalisation offer to the SADC. In terms of this agreement, South Africa will open up her market at a faster rate than her SADC partners will do for SA products. What are the implications of a more liberalised trade regime with the SADC?

The implementation of the Trade Protocol will *improve access for South African goods into the SADC market.* This in effect will mean an increase in the potential for South African manufacturers to make further inroads into the SADC market. The extent to which this will lead to the closure of industries in SADC countries remains to be seen. SA manufacturers, although generally highly uncompetitive by international standards, are relatively highly competitive compared to their SADC counterparts. In fact, it is the competitiveness of South African producers over their SADC counterparts, coupled with the geographical advantage over other international producers, that explains the relatively high percentage of South African manufacturing exports to the region. The relative competitiveness of South African producers to SADC producers may lead to the displacement of investment towards South Africa. This is beneficial to South Africa in the short term (increased production, exports, export revenue etc.) but is not desirable or sustainable in the medium to long term (e.g. increased migration to South Africa and its concomitant effects on the SADC economies etc.). In many respects South Africa's economic future is closely linked with that of the region—the "African Renaissance" demands that South Africa's foreign policy objective should be to ensure that she does not develop at the expense of the region but that the region develops with her.

South Africa's offer under the SADC protocol provides *preferential access for SADC products* to the South African market as compared to similar EU products within the first five years of the TDCA. Now, whether the SADC countries would be able to use this window of opportunity to increase their capacity to export to South Africa is debatable. Development of infrastructure, investment incentives, stable economic and political environment etc. are required to ensure that this happens. Given South Africa's economic stature in the region (produces 70% of the region's GDP), she will have to play a leading role to ensure that investment in the region materialises. To put it bluntly, South Africa will have to ensure that foreign investor sentiments about using "South Africa as springboard for investment in the region" becomes a practicality.

The *transport infrastructure* in the region needs to be developed further if intra-regional trade (currently estimated at 28% of total trade) is to be increased. Despite the initial motivation for the formation of the SADC, namely to improve transport and communications between the SADC countries and utilise donor funding, the infrastructure is still rather undeveloped and not conducive to increased trade traffic between the SADC countries. In addition, if the infrastructure is not developed further, current trading relations will be entrenched.

Foreign investment in South Africa: Post-1994

With the adoption of GEAR (growth, employment and redistribution) in 1996, the government committed itself to a stable, investment-friendly macro-economic policy. One of the basic principles of GEAR is fiscal discipline. This has been strongly emphasised in all government budgets over the last five years. Further, as mentioned in the previous section, trade liberalisation has been an important element in the reform of industrial policy. The underlying justification for trade liberalisation has been the belief that a shift towards an outward oriented trade policy will promote competitiveness and entice foreign investment into South Africa.

Table 4.5 reflects foreign investment flows into South Africa during 1994-1999. The figures, however, should be interpreted with a degree of caution since they also include announcements of investment plans and do not necessarily track whether these investments have taken place or not. Further, the investment is recorded in the year of announcement although it could sometimes be effected over a number of years. However, despite these shortcomings the data provided by BusinessMap is the only reliable indicator of foreign investment patterns in South Africa. There has been a steady increase in investment flows into South Africa from around R6,1 billion in 1994 to R23,7 billion in 1999 (288% increase). However, for the same period there was a 125% increase in dollar-denominated investment inflows.

Table 4.5: Investment flows into SA (1994-1999)

Year	R (nominal)	US$*
1994	6 101,00	1 723,45
1995	5 712,00	1 573,55
1996	8 711,00	2 025,81
1997	15 721,00	3 417,60
1998	17 949,10	3 251,65
1999	23 703,84	3 877,40

Source: BusinessMap's On-Line SA FDI Database.
* Converted at each year's exchange rate.

There are a few interesting trends and characteristics of foreign investment flows into South Africa. First, foreign investment has been highly concentrated, both in terms of the sectors in which the investment has been undertaken and the source of the investment. Four sectors (telecommunications; energy and oil; food, beverages and tobacco; and motor vehicle industry) accounted for 58% of foreign investment flows into South Africa since 1994 (Table 4.6). Five countries (United States, Malayasia, United Kingdom, Germany and Japan) accounted for 80% of all investment flows into South Africa during 1994-1997 (Padayachee & Valadia, 1999, p. 6). Second, many of the investments have been large in monetary terms and have been mainly concentrated in conglomerates.[13] Third, a significant proportion of the foreign investments take the form of acquisition of existing assets. For example, during 1994-1997 approximately 29% of foreign investment inflows were due to the acquisition of existing assets.

On the other hand, approximately 36% of all investment inflows for the same period were for the establishment of new businesses or for the expansion of existing businesses. Although this represents a high percentage in relative terms, it has not resulted in significant increases in employment creation.

Table 4.6: Sector profile of foreign investment (1994–end of June 1999)

Sector	Rm	(% of total)
Telecom and IT	8 768,0	(18)
Energy and oil	8 517,0	(17)
Food, beverages and tobacco	5 642,0	(12)
Motor and components	5 536,4	(11)
Transport and transport equipment	4 539,0	(9)
Mining and quarrying	3 958,5	(8)
Chemicals, plastics and rubber products	3 497,5	(7)
Hotel, leisure and gaming	2 936,0	(6)
Metal products and mineral beneficiation	2 704,0	(6)
Other manufacturing	2 608,0	(5)

Source: BusinessMap's On-Line SA FDI Database.

Foreign investment: Some pertinent issues

From a national perspective, it is somewhat disappointing that the majority of investment inflows are not channelled into increased productive capacity—this seems to suggest that domestic market considerations are the primary motivation. A case in point is the recent (1999) R1,5 billion Cadswep-Coca-Cola deal which was more a response to a corporate expansion strategy than to South Africa's geographic locality or specific investment advantages. Such deals do not necessarily translate into job creation, nor into improved capital asset transfers and need not imply greater competitiveness as a result of increased FDI.

South Africa's emerging market status is and will be an important factor influencing foreign investor decisions. South Africa has been identified as one of the best investment destinations among the emerging economies in 2000, but ironically this could count against South Africa in the future.[14] Any change in the economic environment (for example, protests by labour against privatisation) could be construed as a deterioration in the investment climate. With globalisation there will be constant pressure for South Africa to improve its relative position (domestic economic environment) if she is to prove more attractive than her competitors (other emerging economies).

It has been recognised that the present institutional arrangements need to be reformed if foreign investment inflows on a larger scale are to materialise (Bagus, 1999). There is a need for a more co-ordinated approach to attracting foreign investment into South Africa. Presently, what is lacking is synergy and complementarity in the efforts of government (both national and provincial) and other institutions (for example, Investment South Africa and Industrial Development Corporation). There is presently sufficient financial and human resources available. However, the challenge remains to ensure that the resources are efficiently utilised to promote and market South Africa as an attractive investment destination.

It has been argued that some of the foreign investment decisions in post-apartheid South Africa have been motivated by political rather than economic considerations.[15] If this is indeed the case then the sustainability and profitability of these investments are doubtful.

It is most likely that the privatisation of state assets (SAA, Transnet etc.) will result in retrenchment, which will draw severe opposition from the trade unions. This is an issue that foreign investors are wary about and may have an important bearing on the decision to invest in these assets and on the price that foreign investors will be prepared to pay for these assets. In addition, other problems like crime levels and skills shortages (investment deterrents commonly cited by investors or potential investors) will need to be dealt with for sustained and new investments to follow.

Conclusion

In this chapter South Africa's economic relations with the rest of the world were reviewed. It has been shown that while trade and investment relations have strengthened in her favour, there are numerous challenges that have to be overcome to ensure further progress. As far as trade is concerned, the issues confronting South Africa are somewhat different as far as the two trade agreements are concerned. With the EU-SA FTA it is imperative that South Africa fully utilises the asymmetrical nature of the agreement and the assistance provided by the agreement to maximise the potential benefits in her favour. With the SADC trade agreement, the challenge is to ensure that the present skewed trade relations (in favour of South Africa) are not perpetuated or further entrenched as this is not sustainable in the long run for the reasons outlined above. As far as foreign investment is concerned, South Africa's emerging economic status will, in the foreseeable future, place her at the mercy of speculators. In order to counter future negative speculative tendencies, the economic (and political) environment will have to be monitored and developed further—in many respects this may prove to be the biggest challenge given the huge socio-economic backlogs that presently exist in the country.

Notes

1 The author works as an economist at the European Union (EU). However, the views expressed in this chapter are his own and do not necessarily represent the views of the EU.

2 Both the EU and the United States gave South Africa GSP status (generalised system of preference) which in effect gave South African goods preferential access into their markets.

3 However, this chapter is not concerned with this debate but rather with an analysis of South Africa's trade relations—the objective being to identify any trends and characteristics of South Africa's post-1994 trade relations.

4 Usually for this to happen, there should be an increase in direct foreign investment rather than in portfolio investment (purchase of shares in companies). However, an increase in portfolio investment does not mean that production capacity will not increase.

5 Another important influence of foreign investment on the domestic economy is dependent on the extent to which profits are repatriated rather than re-invested. This aspect, however, is beyond the scope of analysis of this chapter.

[6] For example, the Export Marketing and Investment Assistance Scheme (EMIAS) was introduced on 15 August 1997 to assist exporters with international market research.

[7] With the ending of sanctions there was no need to forcefully maintain a current account surplus as was the case during the sanctions era because current account deficits could be financed by capital inflows, as was the case during 1994-1998.

[8] The ten countries in order of importance (total trade) include Zimbabwe, Mozambique, Zambia, Malawi, Kenya, Tanzania, Democratic Republic of Congo, Mauritius, Angola and Nigeria. The net trade balance with the ten African countries was approximately R10 billion in 1998.

[9] Because this chapter provides an overview, an analysis at the eight-digit level was considered beyond the scope of this chapter.

[10] It is important to note that in addition to the agreement reached on industry and agriculture the agreement makes provision for the conclusion of two other related agreements, one on wines and spirits and the other on fisheries. It was originally envisaged that the wines and spirits agreement would also take effect on 1/1/2000, but negotiations on it were not concluded in time for implementation on 1/1/2000. Despite some initial reservations by some member states of the EU, the parties agreed that the wines and spirits and fisheries agreements would be finalised in the course of 2000. For a summary of the tariff liberalisation schedules for industrial and agricultural products, see the tables in the annex.

[11] Products not currently traded may require large outlays for research into market conditions and requirements. In addition, production processes may have to be established or modified (in terms of skills and technology required).

[12] In this regard the EU has pledged to continue providing South Africa with aid—the magnitude of the support is envisaged to be close to R800 million per annum. In addition the EU's fifth framework programme provides resources for EU-SA collaboration in the field of science and technology.

[13] For example, according to BusinessMap the foreign investment transactions during the second semester of 1999 included:

- The 20% acquisition of Denel by British Aerospace (for R8 billion).
- The acquisition of Plate Glass and Shatterprufe Industries (PGSI) from SAB by D'leteren and Cobepa of Belgium (for over R3 billion).

- The Cadbury Schweppes SA (Cadswep) sale of its soft-drink business to Coca-Cola for R1,5 billion, which falls under the global strategy of Coca-Cola to consolidate its position in the soft-drink industry.
- The purchase of Thawte (a digital certificate firm) by the US company, Verisign, for R3,5 billion.
- The acquisition of further Malaysian interest in Engen.
- Expansion by Greece's Capital Finance SA in terms of its recent acquisition, SA Marine Corporation (formerly known as Safmarine) for R1,2 billion.

[14] Financial analysts consider the adoption of the stringent macro-economic policy as the main reason for the insulation of the economy from the full effects of the financial crisis affecting emerging economies.

[15] Padaychee and Valadia (1999) argue that Malayasian investment in SA is a case in point.

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