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This research has been conducted by Jolanta Ksiezniak, Andrew Mason and Anita Kruger
Edited by Barnaby Fletcher / Designed by Gonazalo Da Cunha
A Global Business Reports Publication
For more information, contact info@gbreports.com, follow us on Twitter @GBReports or check out our blog at gbroundup.wordpress.com.
An Introduction to South Africa

A brief overview of the country and economy

For a long time, South Africa was an entirely separate entity, in every respect, from the rest of the African continent. It gained legislative independence in 1931, earlier than any colonized country on the continent bar Egypt. During the 1960s, when the nationalist movements of Africa finally resulted in the wide-scale demise of colonialism and newly sovereign nations started to find their economic feet, South Africa was already substantially more developed and wealthier than any of them. Its GDP was almost double that of its nearest continental competitor, Nigeria, in 1960 and remained 50% larger in 1970. Its GDP per capita was similarly dominant. In the entire history of “independent Africa” South Africa has slipped to second position in rankings of GDP just once: for one year in 1976, at the height of Nigeria’s oil boom.

South Africa’s economic exceptionalism was such that until the late 1990s and early 2000s organisations such as the World Bank, when presenting economic statistic on Africa, would habitually South Africa from measurements for fear of skewing overarching trends. Yet this prosperity did not reflect a thriving political or social situation. South Africa was also distinguished from its continental peers by its position in the international community. During decades in which foreign aid was poured into Africa by Western countries eager to salve their consciences, South Africa was isolated economically, politically, and culturally.

The apartheid era first led to suggestions of sanctions by the United Nations in 1962, and really only ended with the 1994 elections. Caused by the repressive enforcement of divisions within the country, it led to divisions between the country and others, both in the region and in the world.

Today, South Africa is a radically different entity, and one that is integrated with its continent and its world in a way that would have been unimaginable not too long ago. It was in Durban that the African Union (AU) was launched and a South Africa, Nkosazana Dlamini-Zuma, is the president of the AU Commission. It is the dominant player in the Southern African Development Community (SADC), and one of the four original members of the SADC Free Trade Area. On the global stage, its entrance into the BRICS association of emerging influential economies in December 2010 shows the country has a desire to be seen as a leader both continentally and globally.

Economically, South Africa may not enjoy quite the dominance that it once had. Although its GDP still remains double that of its nearest competitor (still Nigeria), it has been overtaken in GDP per capita, now lying in sixth position. It still enjoys a high position in sub-Saharan Africa in most ease of doing business indicator rankings, but loses out in many to countries such as the Indian Ocean island nation of Mauritius, or the new oil producer Ghana. Its 2012 GDP growth rate of 2.6% was significantly lower than that of all of its neighbours, bar the tiny and recession-hit kingdom of Swaziland.

Yet South Africa, in its modern cooperative incarnation, is embracing the economic success currently sweeping through the African continent. As sub-Saharan Africa in particular experiences market growth, South Africa’s government and industry are eager to demonstrate South Africa’s influence in regional affairs, both assisting in the regional growth and benefiting from it. South African logistics companies crisscross the continent; South African mining companies search for minerals from Mozambique to the Democratic Republic of the Congo; South African consultancies guide foreign investors in their first hesitant steps into a continent long ignored; and South African chemical companies provide the products that a newly wealthy African population increasingly desire.
A brief overview of the country and economy

**South Africa**

South Africa, located on the southern tip of the African continent, is the southernmost country in Africa. It is known for its diverse landscapes, from the arid Kalahari Desert in the north to the lush Cape Floristic Region in the south. The country is also famous for its rich history, cultural heritage, and economic achievements.

**Population:** 51.7 million (2020 est)

**Capital:** Pretoria

**Chief of State:** President Cyril Ramaphosa

**Head of Government:** Prime Minister Phumzile Dlamini-Zuma

**GDP (2020 est):** $365 billion

**GDP per Capita:** $7,190

**GDP Growth Rate:** 2.9% (2020 est)

**Economic Sector Breakdown:**
- Agriculture: 1.8%
- Industry: 32.8%
- Services: 65.4%

**Major Exports:**
- Machinery and transport equipment
- Gold
- Platinum
- Chemicals

**Major Imports:**
- Machinery and transport equipment
- Foodstuffs
- Scientific instruments

**Major Trade Partners:**
- China
- Germany
- USA
- Japan

**Literacy Rate:** 90.7% (2015 est)

**Unemployment Rate:** 21.4% (2020 est)

**GDP GROWTH RATE:** 3.12% (2021 est)

**Currency:** Rand

**Official Languages:** Afrikaans, English

**Religion:** Christianity, Islam, Hinduism, Judaism

**Climate:** Semi-arid to humid subtropical

**Natural Resources:** Gold, diamonds, platinum, other metals and minerals, machinery and equipment, scientific instruments, foodstuffs

**Environment:**
- Air pollution, deforestation, water pollution

**History:**
- South Africa gained independence from the United Kingdom in 1910.
- The apartheid era, characterized by racial segregation, lasted from 1948 to 1994.
- The country has faced challenges related to crime, HIV/AIDS, and poverty.

**Government:**
- Republic
- Constitutional monarchy

**Geography:**
- Country size: 1,221,037 square kilometers
- Largest cities: Cape Town, Johannesburg, Pretoria

**Human Development Index:**
- 0.816 (2019)

**Tourism:**
- A popular destination
- Attractions: Kruger National Park, Table Mountain, Robben Island

**SOUTH AFRICA CHEMICALS 2013**

**Imports:**
- Machinery and transport equipment
- Other metals and minerals
- Scientific instruments

**Exports:**
- Machinery and equipment
- Chemicals
- Foodstuffs
- Scientific instruments

**Infrastructure:**
- Road network
- Airports
- Seaports

**Transport and Communications:**
- Road network
- Rail network
- Airports
- Telecommunications

**Education:**
- Literacy rate
- Primary, secondary, and tertiary education

**Healthcare:**
- Healthcare facilities
- Public health

**Economic Developments:**
- Economic growth
- Poverty reduction

**Social Issues:**
- Crime
- HIV/AIDS
- Education

**Environment:**
- Water pollution
- Air pollution
- Deforestation

**Geopolitical Considerations:**
- Regional and global
- Political stability
- Security

**Cultural Heritage:**
- History
- Art
- Music

**Tourism and Cultural Attractions:**
- Kruger National Park
- Table Mountain
- Robben Island

**Economic Indicators:**
- GDP growth
- Inflation
- Unemployment

**Policy Reforms:**
- Economic policies
- Social policies
- Environmental policies

**International Relations:**
- Bilateral and multilateral agreements
- Trade relations
- Diplomatic relations

**Legal System:**
- Constitution
- Laws
- Courts

**Human Rights:**
- Freedom of speech
- Equal rights
- Human dignity

**Regional Integration:**
- South African Development Community (SADC)
- Southern African Customs Union (SACU)

**Global Role:**
- Regional leadership
- International trade
- Diplomatic relations

**Future Prospects:**
- Economic growth
- Social development
- Environmental sustainability
Could you give us an overview of IDC’s role within the chemicals and manufacturing sectors in South Africa?

IDC Chemicals is one of the biggest units within IDC as a consequence of two significant investments made around 1950. Since then the company has continued to invest in many different areas across chemicals such as plastics, mining chemicals and water treatment. At the same time we have been eager to expand our product portfolio and we are now looking for opportunities within the biochemical’s sector.

What is the significance of the economic policy for the industry?
The industry is very much influenced by the policies implemented by the government and it has been shrinking as a result of the most recent changes. The IDC has been actively participating in various discussions with many stakeholders, including the government and the major industry players, with the goal of reversing that negative trend and to help the industry reach a growing rate of development. We work together with the government, contributing to more positive changes within the chemical sector through the development economic policy focusing on easing the access to the market and creating a healthier level of competition.

Why has the chemical industry been selected as a priority by the South African government?
The chemical industry is one of the oldest industries and it is an important contributor to the employment in South Africa. Furthermore, we can see the application of the chemical industry everywhere in our daily lives and this is indicative of the significance that it has for the economy and the advancement of the society. Chemicals offer vital support and are growth drivers to many different industries such as the energy industry, the agriculture and infrastructure to name a few.

What is IDC’s strategy for expanding its reach outside of South Africa?
IDC has a mandate to operate not only in South Africa, but also throughout the entire continent. We are currently looking at opportunities in Mozambique, Zimbabwe, Namibia, Botswana, and Angola and in general trying to focus on sub-Saharan African countries. In terms of sectors, we are exploring options in mining chemicals as mining is prominent in the continent. However, infrastructure is a big issue in Africa. We have already partially supported two plants and we are looking into the prospects of another smaller plant in Namibia. Agriculture is another interesting sector and we expect many opportunities there in the upcoming years. How do you manage to build partnerships with countries in the SADC region?

We work in cooperation with an Africa Unit, which deals with a lot of marketing and relationship building activities. Through engaging with them we manage to create useful contacts, which then help us in the implementation and the funding our projects. At the same time, we have created very positive relationships with the biggest banks on the continent, which also support our operations.

What would you say are the main business challenges in South Africa?
One of the main challenges is certainly the skilled labour force shortage. We have identified this issue a long time ago and we are working on different programs, together with the government, with the goal of addressing this problem and improving the skills and the knowledge of the labour force. On the other hand, the chemical industry is a capital intensive one and it is highly affected by the costs of the raw materials. This issue together with the presence of strong players on the market makes it hard for smaller companies to compete and ultimately slows down the development of the industry.

Where to you see the chemical sector in South Africa in the next three years?
The IDC’s mission is to promote the chemical sector in South Africa worldwide and attract foreign investments in order to help the development of the industry. There are many opportunities in the sector in the near future and I believe that, in order to successfully explore these possibilities, the South African countries must start looking beyond the borders and enter into new countries on the continent. IDC is prepared to help any organization in their entrance into new countries and we have already started noticing a very positive movement from local to international operations. The IDC plans to invest around R11 billion over the next five years to help South African companies flourish in the industry and expand into Africa.
South Africa's Manufacturing Sector Income by Product Type
Source: Statistics South Africa

- Coke, petroleum, chemical products, rubber, plastic / R486 795m / 29%
- Metals, metal products, machinery, equipment / R322 533m / 19%
- Food products and beverages / R267 087m / 17%
- Transport equipment / R247 329m / 15%
- Wood, wood products, paper, publishing, printing / R114 644m / 7%
- Sum of all other manufacturing / R221 400m / 13%

South Africa's Chemical Industry Market Share by Value
Source: Various

- Base chemicals 65.6%
- Pharmaceuticals 22.1%
- Agricultural chemicals 10.1%
- Specialty and fine chemicals 2.2%

Foreign direct investment into sub-Saharan Africa (top 10 recipients)
Source: World Bank

South Africa and the financial crisis
Source: IMF
### African GDP Growth by Country

**Source:** IMF, Economist Intelligence Unit

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP per Person 2011 Estimate, $1000</th>
<th>2007-2011 Average Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morocco</td>
<td>2.2</td>
<td>-0.75 - 0.75</td>
</tr>
<tr>
<td>Tunisia</td>
<td>4.6</td>
<td>0.75 - 2.25</td>
</tr>
<tr>
<td>Algeria</td>
<td>5.0</td>
<td>2.25 - 3.75</td>
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<td>Libya</td>
<td>10.9</td>
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</tr>
<tr>
<td>Egypt</td>
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<td>5.25 - 7.25</td>
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<tr>
<td>Mauritania</td>
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<tr>
<td>Mali</td>
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<td>Niger</td>
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<td>2.25 - 4.25</td>
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<td>Chad</td>
<td>0.3</td>
<td>4.25 - 6.25</td>
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<td>Sudan</td>
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<td>6.25 - 8.25</td>
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<td>Eritrea</td>
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<td>8.25 - 10.25</td>
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<td>10.25 - 12.25</td>
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<td>Ethiopia</td>
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<td>12.25 - 14.25</td>
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<td>South Sudan</td>
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<td>-</td>
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<td>C.A.R.</td>
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<td>Benin</td>
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<td>Angola</td>
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<td>Ghana</td>
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<td>Cote d’Ivoire</td>
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<td>Sierra Leone</td>
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<td>Guinea</td>
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<tr>
<td>Guinea Bissau</td>
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<tr>
<td>Sao Tome &amp; Principe</td>
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<td>Equatorial Guinea</td>
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<td>Gabon</td>
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<tr>
<td>South Africa</td>
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</table>

### Quality of African Governance

**Source:** Ibrahim Index of African Governance 2012

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<tr>
<th>Rank and Country</th>
<th>Score / 100</th>
<th>6-Year Change</th>
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<td>58.8</td>
<td>0.4 ▲</td>
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</tbody>
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### Ease of Doing Business in Sub-Saharan Africa

**Source:** World Bank Doing Business 2013

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<thead>
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<td>South Africa</td>
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<td>Rwanda</td>
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<td>Botswana</td>
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<td>Kenya</td>
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### Chemical Production Predicted Growth 2012-2020

**Source:** American Chemical Council

<table>
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<tr>
<th>Country</th>
<th>Percent Change 2012 / 2020</th>
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<tbody>
<tr>
<td>North America</td>
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<tr>
<td>United States</td>
<td>25%</td>
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<tr>
<td>Canada</td>
<td>27%</td>
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<tr>
<td>Mexico</td>
<td>28%</td>
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<tr>
<td>Latin America</td>
<td>33%</td>
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<tr>
<td>Brazil</td>
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<tr>
<td>Other</td>
<td>31%</td>
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<td>Western Europe</td>
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<td>Emerging Europe</td>
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<td>Africa and Middle East</td>
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<td>Other</td>
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**Quality of African Governance**

**Quality of African Governance**

**Ease of Doing Business in Sub-Saharan Africa**

**Chemical Production Predicted Growth 2012-2020**
INTERVIEW WITH

André de Ruyter

SENIOR GROUP EXECUTIVE
SASOL

How is the chemicals cluster an important part of Sasol’s operations in South Africa, especially given Sasol’s unique value chain?
Sasol’s chemical business in South Africa is divided into two separate components. The first component is intimately integrated in our Fischer-Tropsch process. As part of this process, we manufacture a rich stream of different organic compounds, which is then beneficiated into fuel and chemicals. The product of this process is arguably one of the more diversified portfolios of chemical products in existence. Second, we have non-integrated chemicals which are found in our plant in Sasolburg supported by natural gas. These include products such as wax, ammonia, solvents, and polyethylene.

How does Sasol benefit from integration with the Fischer-Tropsch process as compared to other petrochemical companies that are similarly fully integrated?
Sasol is essentially a mine to mouth operation. The fact that we are integrated on one site right into our feedstock is a distinct advantage for us and gives us a degree of flexibility between chemical production and fuel production.

One of the strongest aspects of Sasol is our fully integrated value chain that maintains our robust business throughout the cycle. Another important feature is our geographic proximity to the industrial heartland of South Africa. Normally, production facilities are located close to rivers or ports rather than close to their feedstock like Sasol’s facilities at Sasolburg and Secunda.

Gas to liquid has been identified as Sasol’s focus as it starts to move away from coal to liquid projects; what effect will this have on Sasol’s chemical business?
Coal to liquid is based predominantly on the high temperature Fischer-Tropsch process where as gas to liquid is based on the low temperature Fischer-Tropsch process. The low temperature Fischer Tropsch process is far more selective in the products it manufactures and therefore it does not offer the same quantity of some chemical products such as olefins from the feed stream; however the gas to liquid process does offer unique chemical feedstocks that will add value to our gas to liquid operations.

What do you see as the key markets for expanding in Africa over the next five years?
There is a tipping point in GDP per capita at which people become significant chemical consumers and Africa is still not yet at that point. Our local production is built upon the parts of the South African market that do behave like Western European or North American markets. At the same time, it is clear that the policies currently instated in many Sub-Saharan African countries are indeed conducive to economic growth. The political stability, adherence to sound market policies, and respect for democracy found in most Sub-Saharan African countries reflect that countries understand the need for business-friendly policies to attract investment. This is coupled with the potential for market growth and access to natural resources. Moreover, there has been the development of markets such as agriculture in which we can introduce our fertilizer products and minerals extraction business; explosives in particular have been a focus area for us as Africa’s mineral wealth is increasingly explored and developed.

What challenges do you foresee for Sasol over the next three to five years in South Africa?
Sasol needs to deliver on some of our large current projects including our 1.9 billion rand C3 stabilization project, our 1.1 billion rand Ethylene Purification Unit Five and, most importantly our 8 billion rand Fischer-Tropsch hard wax expansion project based in Sasolburg. This will significantly add to our capacity to produce our unique Fischer-Tropsch hard wax. This has been a challenging project because it is on a brownfield site, but we are confident that we will meet the sizeable and growing market demand.

How would you rate the current business environment in South Africa?
With the appropriate policies there is significant room for investment in the South African chemical industry, so it is important that we foster these policies. We are in regular contact with the government to explain what needs to be done to make South Africa a competitive investment destination. Capital is like water in that it flows to the point where it encounters the least resistance; barriers to financing can be regulatory, socioeconomic, political, or ideological. Competitive countries fundamentally understand what drives investment behaviour, and so try within their own governmental objectives to create an environment conducive to investment.

What effect will Sasol’s expansion abroad have on South Africa’s image?
When Sasol makes a substantial investment in a foreign country, we are representing South Africa, establishing a positive image of the country regarding technological capability and financial strength. If Sasol only invests in South Africa, then we will grow at some multiple of South Africa’s GDP; our ambitions are higher than that.

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www.economic.gov.za

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Pharmaceutical Industry Association of South Africa (PIASA)
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