Maritime Opportunities: South Africa
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OVERVIEW

Population (millions) 50.6
GDP (US$ billions) $384.3
GDP per capita (US$) $7,507
GDP (PPP) as share of world total .70%
Military expenditure as share (%) of GDP 1.7%
Military expenditures, country comparison to the world 85
Human Development Index 2012 (UN) Score: 0.629 Rank: 121/187

DOING BUSINESS IN SOUTH AFRICA

GENERAL CONSIDERATIONS

Global Competitiveness Index (World Economic Forum) Score: 4.4 Rank: 53/148
Doing Business 2014 (World Bank) DTF: 70.93 Rank: 41/189
Trading Across Borders (World Bank) DTF: 69.80 Rank: 106/189
Economic Freedom (Heritage Foundation) Score: 61.8 Rank: 74/177
Trade Freedom (Heritage Foundation) Score: 76.3 Rank: 90/177

TECHNOLOGY AND INNOVATION

Technological Readiness (GCI – WEF) Score: 3.9 Rank: 62/148
Innovation (GCI – WEF) Score: 3.6 Rank: 39/148

SECURITY CONCERNS AND CORRUPTION

Institutions (CGI – WEF) Score: 4.5 Rank: 41/148
Corruption Perceptions Index 2012 (TI) Score: 43 Rank: 69/176
Freedom from Corruption (HF) Score: 41 Rank: 62/185

South Africa is the largest and most diverse economy on the African continent. It possesses great mineral wealth, and it is one of the world’s largest producers and exporters of gold and platinum. Counted among the so-called BRICS group of the world’s major emerging economies (along with Brazil, Russia, India and China), South Africa possesses sophisticated urban infrastructure and financial markets that are comparable to those of more highly developed nations. However, South Africa’s overall development is highly uneven, a legacy of the apartheid area. Despite the peaceful transition of power in 1994, great social inequities persist. The average income of South Africa’s black citizens (who comprise 80 percent of the population) remains just one-sixth of that earned by whites. Overall per capita GDP is $7,507, and South Africa ranks 121st out of 187 countries on the U.N.’s Human Development Index.

These disparities are evident in South Africa’s assessments by the World Economic Forum, World Bank and Heritage Foundation. The Global Competitiveness Report 2012-2013 states in its Country Profile Highlights that “South Africa does well on measures of the quality of its institutions (41st), including intellectual property protection (18th), property rights (20th), and in the efficiency of the legal framework in
challenging and settling disputes (13th and 12, respectively). The high accountability of its private institutions (2nd) further supports the institutional framework. Yet the South African labor market is plagued by grave deficiencies: “The health of the workforce is ranked 133rd out of 148 economies – the result of high rates of communicable diseases and poor health indicators more generally. The quality of the educational system is very poor (116th), hiring and firing practices are extremely rigid (147th), companies cannot set wages flexibly (144th), and significant tensions in labor-employer relations exist (148th).”

Labor tensions have worsened in the past two years, as a series of high-profile strikes have halted production in the mining, construction and automotive industries. In August 2012, 34 striking workers at the Marikana mine were killed “in the worst case of police violence since the end of apartheid in 1994.”¹ The killings have had great political resonance, drawing attention to the unabated economic misery of many South Africans, to rising levels of political violence and to growing popular disillusionment in the ability of the ruling African National Congress party (led by President Jacob Zuma) to enact needed change. Although the ANC is still expected to win next year’s general election, its political challengers have grown stronger.

Security and corruption are serious concerns in South Africa, but less so than among most of its neighbors. The U.S. Commercial Service’s Country Commercial Guide advises that South Africa is “a logical and attractive choice for U.S. companies to enter sub-Saharan Africa.” The United States and South Africa cooperate in a number of economic initiatives, and the two countries signed a new Trade and Investment Facilitation Agreement in 2012. There is, however, well-established trade competition from Europe and Asia, and a trade agreement with the EU allows many European products to enter South Africa duty-free or at lower rates than U.S. products. Information Technology and Transportation Infrastructure are among the most attractive sectors for U.S. export. The Country Commercial Guide notes that “the government-owned Transnet Port Terminals (TPT), which operates South Africa’s ports, is to invest R33 billion over the next seven years for the expansion and improvement of its bulk and container terminals.” Thus, there may be compelling opportunities for American exporters who can offer sophisticated solutions for port security and other operations.

PROCUREMENT STRUCTURE

Defense procurement is decentralized in South Africa. The Department of Defence Departmental Acquisition and Procurement Division (DAPD) sets overall policies, but multiple procurement centers handle specific procurement responsibilities. The Simonstown Procurement Service Centre (SPSC) handles procurement for the South African navy.

South Africa is seeking to develop its defense industrial base through its National Industrial Participation Program, which requires offsets for major procurements from foreign nations. All contracts with a value of greater than US$2 million and less than US$10 million are required to contain a counter-trade proportion of at least 50 percent. The counter-trade obligation is jointly implemented by the Armaments Corporation of South Africa (Armscor) and the DAPD. All contracts with a value of greater than US$10 million are subject to South Africa’s National Industrial Participation Policy, administered jointly by the Department of Trade and Industry and the Department of Defence.

RESOURCES

» U.S. Department of Commerce, U.S. Commercial Service South Africa
  http://export.gov/southafrica/

» Republic of South Africa, Department of Defence, Defence Procurement Centres
  www.dod.mil.za/tender/defence_tenders.htm