
South Africa

country brief

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This document is one of a series of free information tools for exporters produced by New Zealand Trade and Enterprise. New Zealand Trade and Enterprise provides a wide range of standard services and sophisticated solutions that assist businesses through every stage of the export process.

For information or advice, ring NZTE on 0800 555 888, visit www.marketnewzealand.com or contact your client manager.

key economic indicators

Economic Indicator	South Africa
Population	46.9 million (June 2005) <i>African 37.2 m, white 4.4 m, coloured 4.1 m, Indian/Asian 1.1 m.</i>
GDP	US\$527.4 billion (2005)
GDP Growth Rate	4.9 % (2005)
GDP Per Capita	US\$11,900 (2005)
Inflation	3.6 % (2005)
Total Imports	US\$55.5 billion (2005)
Total Exports	US\$52.3 billion (2005)
Currency	1 rand (SAR) = 100 cents
Exchange Rate: NZ\$1	4.50 (June 2006)
Exchange Rate: US\$1	7.43 (June 2006)
Source:	The SA DTI, SA Reserve Bank, World Bank, Stats SA

overview

South Africa is strategically located along the world's trade routes and has been described as the gateway to Africa. It has developed a sophisticated infrastructure that operates on a par with most other countries in the world.

The country has a sophisticated market economy based on private enterprise and ownership. The pillars of the economy are manufacturing, mining and commerce. The industrial sector is seen as the major generator of economic growth.

Gold production in 2005 dropped to 296 tonnes, the lowest level since 1923. However, South Africa still remains world's largest producer with around 15% market share. Since the discovery of gold, Johannesburg has become the focal point of all economic activity in the Gauteng region (greater Johannesburg / Pretoria area), an area that accounts for 40% of South Africa's GDP. However, only 18% of the population lives in this region. South Africa is also the world's largest producer of platinum and chromium.

Since the country's second democratic election in 1999, South Africa has been accepted as a stable, fast growing economy. The government has shown good fiscal discipline and a strong commitment to building capacity in disadvantaged communities, and creating employment and providing housing, health and other essential services to previously disadvantaged communities.

45,000 South Africans are now resident in New Zealand. Their presence has assisted bilateral trade, as some actively look to generate business activities with their former home.

Opportunities exist for New Zealand exporters to South Africa. The government supports free enterprise and private investment; foreign investment is actively encouraged; it has a policy of privatisation; local and foreign investors are treated equally; there are no price controls on manufactured goods; there is huge growth potential in the privatisation of telecommunications, ports and harbours. Labour is readily available and inexpensive, although skilled labour is in short supply.

political

South Africa's legislature is comprised of the National Assembly and the Senate. The Constitution of the Republic of South Africa contains a Bill of Rights, which makes provision for freedom of religion, belief, opinion, expression, and movement. It also provides for equal protection and equality under the law.

The ruling party is the African National Congress (ANC), which has won all three elections held following the 1994 change from apartheid government. The official opposition is the Democratic Alliance, formed in 2000. The other major party is the Inkatha Freedom Party, which has strong support in rural KwaZulu-Natal. There are no major doctrinal differences between these parties.

The ANC won a landslide victory in the latest election, in April 2004, with Thabo Mbeki being elected to a second five-year term as president. Mr Mbeki took over this role from Nelson Mandela in mid-1999. He is, however, considered to have in fact ruled the country for much of the past decade.

The Constitution, signed into law at Sharpeville in 1996, is considered to be the most democratic in the world. It provides for a federal state, governed by a central government and nine provincial governments. It entrenches the separation of powers, offers appropriate checks and balances, and includes a far-reaching Bill of Rights.

imports and exports

South Africa's Top Ten Imports

South Africa's Top Ten Imports, 2005	SAR million
Machinery and equipment	55,199
Mineral fuels, oils and distilled products	49,950
Electrical machinery and equipment	36,399
Vehicles	35,903
Vehicle parts	30,626
Optical, medical and photographic equipment	11,715
Aircraft, spacecraft and parts thereof	9,598
Plastics and plastic products	8,989
Pharmaceuticals	7,444
Precious stones and metals	7,065
Total Imports	351,665

Source: the dti

South Africa's Top Ten Exports

South Africa's Top Ten Exports, 2005	SAR million
Precious stones and metals	82,409
Iron and steel	38,195
Mineral fuels, oils and distilled products	31,538
Motor Vehicles	27,373
Machinery and equipment	22,676
Ores, slag and ash	14,802
Aluminium	10,827

South Africa's Top Ten Exports, 2005	SAR million
Edible fruit and nuts	8,014
Inorganic chemicals	7,661
Electrical machinery and equipment	6,259
Total Exports	331,405
Source: the dti	

Recent Trends – South Africa / World trade

In 2005, South Africa's exports grew by 11.9% while imports grew by 14.3%. The main sources of imports were Germany, China, United States and Japan, while the top export destinations were Japan, United Kingdom, United States and Germany. Bilateral trade with India and China increased substantially in 2005.

New Zealand's Top Ten Imports from South Africa

New Zealand's Top Ten Imports from South Africa, 2005 (CIF)	NZ\$ million
Vehicles	95.0
Paper and paperboard	26.5
Iron and steel	9.1
Carbides	9.0
Machinery and equipment	6.6
Preserved food	4.3
Beverages	3.8
Cosmetic products	3.8
Iron and steel products	3.4
Pharmaceuticals	3.2
Total Exports	210.1
Source: World Trade Atlas	

New Zealand's Top Ten Exports to South Africa

New Zealand's Top Ten Exports to South Africa, 2005 (FOB)	NZ\$ million
Unidentified exports valued under \$10,000	37.8
Dairy products	25.5
Electrical machinery and equipment	19.3
Machinery and equipment	13.6
Sheep meat	9.5
Fish and seafood	7.9
Edible animal offal	7.7
Frozen and dried vegetables	5.0
Optical, medical and photographic equipment	3.7
Other food preparations	3.3
Total Exports	169.4
Source: World Trade Atlas	

Recent Trends - South Africa / New Zealand trade

New Zealand's exports to South Africa have grown significantly over the past 15 years, from NZ\$ 16 million in 1990 to NZ\$ 169 million in 2005. Exports to South Africa increased by 16.5% between 2004 and 2005. Imports also continue to increase, in particular motor vehicles.

New Zealand's exports to South Africa are well diversified, from dairy and other agricultural products to various manufactured goods. Product categories showing significant growth in 2005 include dairy products, aircraft, frozen fish, food preparations and fruit grading machines. Casein, pharmaceutical products, marine vessels and unused postage stamps have shown declines.

sector opportunities

Agritech

South Africa essentially has a dual agricultural economy, comprising a well-developed commercial sector and a predominantly subsistence-oriented sector in the rural areas. Agricultural activities range from intensive crop production and mixed farming in areas receiving plentiful rainfall, to cattle ranching in the bushveld and sheep farming in more arid regions. Cattle and sheep numbers are estimated at 13.8 million and 28.8 million respectively. South Africa is the eighth largest wine producer in the world, and the eleventh largest producer of sunflower seed. Its dairy industry consists of around 4,300 milk producers providing employment for 60,000 farm workers. The four major dairy breeds in South Africa are the Holstein, Jersey, Guernsey and Ayrshire.

Automotive Components

The automotive sector, which includes vehicle and component manufacturers, is the largest manufacturer in South Africa and the country's biggest manufacturing exporter. In 2005, both domestic sales and production rise to all time highs. New vehicle sales increased 28% from 2004 to 617,000 units. Major manufacturers exporting from South Africa include BMW, Daimler Chrysler, Ford, Toyota and Volkswagen. Major motor vehicle production operations are located around Port Elizabeth, Durban, East London and Pretoria. Previous import restrictions have been reduced or nullified.

Consultancy

Opportunities exist especially in, but not exclusive to, training of public service workers, race and gender sensitivity training, trade and investment, privatisation, tourism, fisheries and restructuring. Tourism is a major growth sector, with the South African government placing great hopes on the industry to for continued job creation. Foreign tourist numbers have grown from less than three million in 2004 to around seven million in 2005.

Engineering & Construction

There is continuous growth in this area, with tourism taking the lead in driving development and job creation. A substantial amount of upgrading is taking place, with major projects including the Gautrain initiative which is now set for construction and the updating and development of facilities needed to host the 2010 Soccer World Cup. Fit-out opportunities, new hotels, and the transfer of skills are just some of the areas of opportunity for New Zealand companies.

Food and Beverage Products

South Africa's food and beverage industry is a strongly competitive sector. The South African food and beverage industry reflects sophisticated first world consumer demands within the

context of a larger third world economy. The three greatest drivers behind growth are trends towards health, convenience and value for money. There is a growing middle class with a strong interest in innovative and branded quality products. Several companies have already identified strong partners and are well represented in the market.

Marine

South Africa's marine industry has more than doubled in size since 1994. The number of boat builders alone has increased 68% in the past three years. Of great significance to New Zealand marine exporters is that the majority of all components used in the manufacture (motors, resin, winches, etc) are imported. South African importers and end users have also expressed keen interest in joint ventures, speciality products, technology and expertise with and from New Zealand firms.

Telecommunications

This is a very large and swiftly evolving market, illustrated by the leap-frogging of technology in rural areas where the mobile communications market size is considerably greater than the landline market. The cell phone market size is estimated to be around 23 million users. A second fixed line operator will soon bring much needed competition for Telkom, the partially government owned utility.

market entry

Government procurement is a significant component of the South African economy. Nearly all such purchasing is carried out through competitive tenders on invitations published in State publications and local newspapers. Although the purchasing procedures of the central government and parastatal institutions favour the products of local manufacturers, an overseas firm is not precluded from bidding if the firm has a representative in South Africa to act as the local agent. Participation by previously disadvantaged companies or individuals will allow the bidder a 10% leeway on price.

A part of the overall industrial policy is the National Industrial Participation Programme (NIPP), which stipulates that any government purchase with an imported content equal to or exceeding US\$10 million is subject to an offset obligation by the supplier. This is a compensatory package, which offsets the government purchases with the promise of a development package funded by the recipient company. Successful offset packages include worker training provisions and infrastructure developments. The South African Department of Trade and Industry manages the programme.

South Africa is a signatory to all international protocols relating to the protection of intellectual property and trademarks.

South Africa uses the Harmonised System tariff classification, which is recognised in most countries of the world. It is important for a company contemplating entry into the South African market check the customs and import restrictions applicable to its products. The tariff classification of the product will determine duties and import permit requirements. Industrial Rebates of duties are available for the importation of certain materials for further manufacturing. General rebates of duty are available for specific situations and duties may be rebated on goods that are re-exported. Bonded warehouses are available at various points of entry. Most goods can be imported without restriction.

There are few restrictions on foreign ownership, no restrictions on private enterprise, and freehold property ownership for foreigners is permitted. However, exchange control approval is required for foreign incoming investment and approval is required from a government agency before cash grants are paid. There are no restrictions for foreign ownership of South African companies, providing they are either set up or acquired. The one exception is banking.

The most common form of conducting business in South Africa is through South African-resident subsidiary companies or through branch operations. The structure will often depend on the tax requirements of the foreign parent company. Both branches and South African subsidiaries qualify for tax incentives and government grants.

A number of tax incentives are available in the form of tax holidays and accelerated depreciation. Tax-free grants, relocation grants and a variety of export incentives are available under prescribed circumstances. Foreign investors are equally eligible for all these incentives. The government has instituted an industrial policy, including privatisation of state assets, to support its efforts to attract foreign investment. New investors should be familiar with the government's plans for Special Economic Zones (SEZ), Industrial Development Zones (IDZ) and Spatial Development Initiatives (SDI).

For further information, contact your NZTE client manager or call the Enterprise Hotline on 0800 555 888.

regulatory issues

An outline of some of the regulatory issues New Zealand exporters to South Africa need to be aware of follows:

Anti-Dumping Regulations

As signatories to the World Trade Organisation (WTO), South Africa complies with and monitors anti-dumping actions. Legislation complies with WTO requirements and regulations are fully implemented.

Currency Restrictions

Foreign exchange controls have been steadily relaxed over the past several years and the goal of the government is to remove them completely.

The following are some of the limitations on Exchange Control as at March 2006.

- There is an annual travel facility, irrespective of purpose of trip for adults of SAR 140,000. Alternatively, such amount may be held in foreign currency deposits with authorised foreign currency dealers in South Africa.
- Capital invested in South Africa can be remitted, as can income flowing to non-residents. Dividends must be declared from revenue profits but may be freely remitted. Resident private individuals are allowed to invest SAR 750,000 abroad.
- Emigrants who permanently relinquish their South African residency are now entitled to remit up to SAR 750,000 per individual (or SAR 1.5 million per family unit) for no charge. Further funds may be remitted with the prior approval of the exchange control authorities, subject to an exiting schedule and an exit charge of 10% of the relevant amount.
- South African corporations may transfer of up to SAR 1 billion for the financing of approved investments abroad. Up to SAR 2 billion is allowed for investments in African countries. Over

and above these amounts, up to 10 per cent of the cost of such foreign investments may also be remitted provided that the investor has cash reserves for such investments. Corporates are allowed to raise foreign financing using the strength of their South African balance sheets.

- First-time immigrants can bring unlimited funds into South Africa. During the first five years of their residency, immigrants can freely dispose of their foreign assets and the assets brought into South Africa without interference from the exchange control authorities. Thereafter, the same rules which are applicable to South African residents apply.
- Qualifying South African institutional investors (mainly long term insurance companies, regulated fund managers, pension funds) may acquire offshore investments with up to 15% of their net total assets with the approval of the exchange control authorities.

Company dividends and profits are freely remitable and foreign currency is made available for import of goods.

E-Business

Online retail in South Africa grew by 20% in 2005, down from the 25% growth rate of 2004, as the industry finds itself lagging due to the high cost of broadband Internet access in South Africa. The market is dominated by ten online retail sites, which between them account for most online retail sales in South Africa.

Environment

In South Africa, the government and private organisations, with the help of overseas funding, continue to work to create a viable system of sustainable conservation. South Africa has taken steps to reform environmental policies, ratifying international agreements and participating in many global and regional sustainable development initiatives. The Ministry of Environmental Affairs and Tourism has responsibility for promoting sustainable developments and protecting and improving the quality and safety of the environment.

Health Regulations

Health services in South Africa are provided by both public and private sectors. Total expenditure on health amounts to about 8.5% of GDP. As the right to adequate health care has been enshrined in the constitution, the entire health system is undergoing far-reaching change.

Import Barriers

Stringent requirements are in place for fresh produce and pharmaceutical products. A 6-digit HS code is used to assess import duties for each product. All goods specified in the Import Control Regulations require an import permit. Imports that contravene import control requirements are subject to seizure. New Zealand exporters must make certain that the South African importer has obtained the correct import permit. The South African regulations stipulate that no person shall introduce into the Republic any hay, straw, flax combings, palm packing, or brown coconut fibre used for the packing of merchandise, unless kept under stringent measure and extensive requirements complied with.

Phytosanitary certificates are required for shipments of living plants, seeds, fresh fruits and vegetables. In addition, South African importers must obtain an entry permit in advance of shipment for any item covered by the pertinent regulations in South Africa.

Certification by the state veterinary department is required for the importation of meat products. Specific regulations must be complied with for the importation of hides and skins, animal hair and bristles and honey and products containing honey. A fumigation certificate is required as proof that packing materials, second-hand clothing or certain commodities have been fumigated or sterilised.

Import Quotas and licences

Under the terms of the Import and Export Control Act of 1963, South Africa's Minister of Trade and Industry may act in the national interest to prohibit, ration or otherwise regulate imports. In recent years, the list of restricted goods requiring permits has been reduced. It still includes certain foodstuffs, petroleum products, armaments and all second hand goods. Import permits must be obtained from the director of imports and exports prior to the date of shipment. Failure to produce a required permit could result in the imposition of penalties.

Marking and Bar Codes

Bar coding is normal for most products in South Africa. Legislation exists mandating compliance by each product line, with required marking.

Packing and Labelling

Legislation requires specific labelling and packaging, which differs from product type to product type. On some products, the country of origin must be clearly marked on the packaging. If goods are not packed in cartons that pass a certain standard, any claims on damaged goods would not be met.

All goods shipped to South Africa must conform to the metric International System of Limits (S.I.). Packages should bear the consignee's mark, including port mark, and they should be numbered, unless the shipment is such that the contents of the packages can be readily identified without number.

Special marking regulations are required for textile goods containing sheep's wool and also for potentially harmful drugs and for food. Packaging made from natural materials and fibres must be accompanied by an official certificate stating that the material has been fumigated.

Labels should be in English or Afrikaans (or an African language) - although English is most commonly used.

Product Liability

There is no one standard requirement for all products - the local importer is obligated to ensure that any product imported will comply with any relevant South African Bureau of Standards' (SABS) requirements to pass through Customs and be marketable. For example, all electrical equipment must be passed by the South African Bureau of Standards for safety and compliance with electrical requirements before being allowed into South Africa. The consumer in South Africa, in any event, has recourse to common law.

Safety Regulations

This is product related and must be investigated according to the product.

Tariffs and Duties

Many goods enter duty free and those subject to duty normally pay rates between 5% and 25%. Some rates of tariff protection (especially luxury items) persist in excess of 60%. The government remains publicly committed to its WTO obligations and the simplification of tariff structures has yielded some success in reducing tariff barriers. The dutiable value of goods imported into South Africa is calculated on the FOB price in the country of export. This is in accordance with WTO Customs Valuation Code.

Under its market access commitments, South Africa has substantially reduced its number of tariff lines, binding over 95 percent to WTO agreed levels. Despite plans to replace all remaining quantitative control and formula duties with ad valorem duties, the South African tariff structure remains relatively complex.

Two industries retain extra levels of protection - clothing and textiles, and the automotive sector. Under WTO commitments, maximum tariffs will be reduced but over an extended period.

Specific excise duties are levied for revenue purposes on luxury goods; spirits, wine, beer, cigarettes/tobacco and new cars. In effect, local and imported items are treated equally.

There is free and virtually unimpeded exchange of goods between the member states of the South African Customs Union (SACU); Botswana, Lesotho, Namibia, South Africa and Swaziland. These countries apply the tariffs and regulations in force in South Africa.

taxation

South Africa has a residence based income tax system. Revenue is raised primarily from income tax on business enterprises, individuals and trusts and from a value added tax. There is a capital gains tax. Most taxes in South Africa are levied by the central Government, although the new Constitution gives some taxing powers to the provinces.

VAT is currently levied at 14% and is applied to most products, including hotel accommodation and food. Certain items, such as basic and staple foods, are VAT exempt.

Foreign tourists visiting South Africa can have the sales tax they pay (known as VAT or value added tax) refunded at a port of exit, providing the value of the item purchased exceeds SAR 250. Original tax invoices, foreign passport, plus all the items on which a refund is claimed, must be presented at the VAT refund administration office or an appointed RSA customs and excise official on departure, and the total VAT on these items will be refunded. Visitors will be requested to fill out a VAT Refund Control Sheet.

An Airport Departure Tax is payable at the airport or through travel agencies.

Companies are taxed on income at the rate of 30%. However, due to the secondary tax on companies, which is levied at 12.5% on the net amount of dividends declared by a company, the effective rate is higher than 30%.

A Double Tax Agreement between New Zealand and South Africa was signed in February 2002.

freight

Air Freight

There are daily flights between Johannesburg and most major cities around the world. There are 49 international carriers to South Africa. There are daily direct / non-stop flights to Sydney and Singapore, with good connecting flights from New Zealand.

Sea Freight

There are no direct sailings to New Zealand from South Africa, however frequent and regular sailings are routed via Australia and Singapore. Normal sailing takes 4 – 5 weeks, with the Singapore routing proving the cheaper route for a wide range of commodities.

doing business with south africa

Cultural and Business Tips

- There are eleven official languages in South Africa. However, English-speaking visitors should have no language problems in South Africa, as English is the business language.
- English South African names would be quite familiar to New Zealanders. Afrikaans and indigenous African names could, however, be more complicated. If you are unsure how the name is pronounced, ask the person you are speaking to.
- When performing introductions, the older or senior person's name is mentioned first. It is customary to use the person's surname until you are invited to call them by their first names. It is best to take the lead from your contact as to how formal the proceedings are, as this would vary from company to company, and from culture to culture.
- The handing over of business cards is customary, and one should always read the card when it is passed to you.
- A jacket and tie is considered de rigueur for men, however, you can ask to remove the jacket during the meeting. Women should dress fairly conservatively.
- Air conditioned premises, especially at night, can be cool – dress accordingly.
- South Africans are fond of gift-giving and New Zealanders may sometimes deem this inappropriate, but it is simply considered generous.
- If no response to correspondence is received, South Africans assume the business is lost.
- The preference is for face-to-face dealings and business people feel strongly about forging long-term relationships with their clients and suppliers.
- Pricing is sometimes flexible – negotiate but don't haggle!
- Establish your bona fides by explaining who you are or represent, how you came visiting, and what contacts you have in common.
- Be punctual or call to advise you will be delayed.
- Be clear about shipping terms, despatch dates, delivery and payment requirements.
- Run credit checks on potential clients.

- South Africans are quite open and relaxed in their dealings. Do not try to hurry or hurry others. It is usually best not to issue ultimatums.
- Do not criticise anyone publicly - this is not considered good form.

visa requirements

New Zealanders wishing to visit South Africa for tourism or business for up to 90 days do not require visas to enter South Africa.

The South Africa High Commission in Canberra, Australia, can advise on requirements for longer stays or visits by non New Zealand citizens (Tel. +61 2 6273 2424/25/26/27).

time difference

South Africa is ten to eleven hours behind New Zealand, depending on the time of year. From March-October, South Africa is ten hours behind. During New Zealand's daylight saving (October-March), South Africa is eleven hours behind. South Africa does not operate daylight saving.

For 2006/7

March 19 - October 1	Ten hours behind
October 1 - March 18	Eleven hours behind
March 18 - October 7	Ten hours behind

To find out the current time in South Africa, go to www.timeanddate.com.

holidays

Public holidays* for 2006:

January	1 – New Year's Day, 2 – Public Holiday
March	21 – Human Rights Day
April	14 – Good Friday, 17 – Family Day, 27 – Freedom Day
May	1 – Worker's Day
June	16 – Youth Day
August	9 – National Women's Day
September	24 – Heritage Day, 25 – Public Holiday
December	25 – Christmas Day, 26 – Day of Goodwill

* For all holidays falling on a Sunday, the Monday is declared a public holiday.

The main holiday season in South Africa is between mid-December and the first week of January.

contacts

New Zealand Trade and Enterprise

Enterprise Hotline	Phone 0800 555 888
Web Site	www.nzte.govt.nz

NOTE: NZTE does not operate an office in South Africa. Enquiries should be directed toward your NZTE client manager or the Enterprise Hotline.

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Web Site:	www.nzembassy.com
Office Hours:	Mon-Fri 08:00-12:30hrs, 13:30-16:30hrs
High Commissioner:	Malcolm McGoun

useful websites

Organisation	Web Address
South Africa Government	www.gov.za
The Department of Trade and Industry	www.thedti.gov.za
South African Reserve Bank	www.reservebank.co.za
Statistics South Africa	www.statssa.gov.za
South African Tourism	www.southafrica.net
South Africa Info	www.safrica.info
Business Day	www.bd.co.za
Africa Business	www.mbendi.co.za

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