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**South Africa needs to be
pragmatic in foreign policy**

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South Africa needs to be pragmatic in foreign policy

Foreign policy, which once was not something that most South Africans concerned themselves with, is now becoming increasingly prominent in policy discussions.

The reason for this is that countries in the West, particularly the United States, have lost patience with Pretoria's foreign orientations and who it seeks to cosy up with – these often being dictatorships which are explicitly opposed to the West and the US. South Africa's foreign policy orientation could soon see real negative consequences. As has been argued why should the United States treat South Africa as a friendly country when it often explicitly supports countries which are opposed to American interests?

South Africa does not need to move in lockstep with the West when it comes to foreign policy but it needs to be pragmatic. Our foreign policy should result in the best outcomes for South Africa, not result in negative consequences.

This edition of *FreeFACTS* looks at South Africa's trade relations and levels of foreign direct investment (FDI).

With the exception of China, the vast majority of South Africa's trade and FDI flows comes from Western countries. These countries have been solid commercial and trading partners for years and it makes little sense to alienate them through our foreign policy.

In addition, the countries which South Africa defends and allies with on the global stage – countries like Russia, Iran, and Cuba – do relatively low levels of trade with us and are also authoritarian countries. Before he became president in 1994 Nelson Mandela had written that human rights would be South Africa's guiding light when it came to foreign policy. This is clearly untrue.

There is no need for South Africa to align its foreign policy with Western countries but there is a need for pragmatism. We should not be adversarial for no reason against countries who we rely on for trade and investment, we need strong, mutually beneficial partnerships.

South Africa must do what is best for its people and not base foreign policy on outdated ideology and friendships which no longer exist.

— Marius Roodt

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Trade

Total direct investment, 1994-2022

Year	Foreign liabilities Rbn	Foreign assets Rbn	Ratio to 1
1994	44.7	67.7	0.66
1995	54.8	85.0	0.64
1996	62.0	98.5	0.63
1997	81.5	93.8	0.87
1998	91.9	133.2	0.69
1999	318.6	172.8	1.84
2000	328.9	206.8	1.59
2001	420.7	175.7	2.39
2002	310.0	170.1	1.82
2003	378.9	161.9	2.34
2004	452.0	194.7	2.32
2005	611.6	196.3	3.12
2006	745.3	286.5	2.60
2007	897.8	376.0	2.39
2008	778.4	460.0	1.69
2009	1 024.0	518.8	1.97
2010	1 190.8	552.1	2.16
2011	1 297.9	790.3	1.64
2012	1 390.0	950.3	1.46
2013	1 595.8	1 349.9	1.18
2014	1 608.7	1 691.1	0.95
2015	1 970.4	2 404.6	0.82
2016	1 853.6	2 403.5	0.77
2017	1 925.5	3 361.9	0.57
2018	1 992.1	3 543.0	0.56
2019	2 037.2	3 015.5	0.68
2020	1 955.1	3 685.6	0.53
2021	2 780.0	3 560.1	0.78
2022	2 926.3	3 533.9	0.83

Source: SARB, www.resbank.co.za, time series data, accessed 24 June 2024

Trade

Foreign liabilities (foreign investment in South Africa), 1994-2022

Year	Direct investment ^a Rbn	Non-direct investment ^b Rbn	Total investment Rbn	Change	Direct investment as a proportion of total investment
1994	44.7	132.5	177.2	24.6%	25.2%
1995	54.8	166.2	221.0	24.7%	24.8%
1996	62.0	212.6	274.6	24.3%	22.6%
1997	81.5	244.9	326.4	18.9%	25.0%
1998	91.9	313.1	405.0	24.1%	22.7%
1999 ^c	318.6	389.6	708.2	74.9%	45.0%
2000	328.9	429.8	758.7	7.1%	43.3%
2001	420.7	555.8	976.5	28.7%	43.1%
2002	310.0	471.7	781.7	-19.9%	39.7%
2003	378.9	462.5	841.4	7.6%	45.0%
2004	452.0	498.6	950.6	13.0%	47.5%
2005	611.6	700.2	1 311.8	38.0%	46.6%
2006	745.3	969.3	1 714.6	30.7%	43.5%
2007	897.8	1 273.1	2 170.9	26.6%	41.4%
2008	778.4	1 388.8	2 167.2	-0.2%	35.9%
2009	1 024.0	1 373.4	2 397.4	10.6%	42.7%
2010	1 190.8	1 624.4	2 815.2	17.4%	42.3%
2011	1 297.9	1 803.2	3 101.1	10.2%	41.9%
2012	1 390.0	2 277.7	3 667.7	18.3%	37.9%
2013	1 595.8	2 694.2	4 290.0	17.0%	37.2%
2014	1 608.7	3 324.6	4 933.3	15.0%	32.6%
2015	1 970.4	3 573.9	5 544.3	12.4%	35.5%
2016	1 853.6	3 636.3	5 489.9	-1.0%	33.8%
2017	1 925.5	4 522.5	6 448.0	17.5%	29.9%
2018	1 992.1	4 417.1	6 409.2	-0.6%	31.1%
2019	2 037.2	4 508.0	6 545.2	2.1%	31.1%
2020	1 955.1	4 492.1	6 447.2	-1.5%	30.3%
2021	2 780.0	4 439.2	7 219.2	12.0%	38.5%
2022	2 926.3	4 636.2	7 562.5	4.8%	38.7%

Source: SARB, www.resbank.co.za, time series data, accessed 24 June 2024

- a Investment by foreigners in undertakings in South Africa in which they (individually or collectively in the case of affiliated organisations or persons) have at least 10% of the voting rights.
- b Includes portfolio investment, banking sector financial derivatives and long- and short-term loans from various sources.
- c According to the Reserve Bank the very large increase in South Africa's foreign liabilities in 1999 and 2000 was the result of the transfer of the primary listing of certain companies from the Johannesburg to the London Stock Exchange.

Trade

Foreign liabilities (foreign investment in South Africa) by country/region at 31st December 2022

Country/region	Direct	Non-direct investment ^a	Country/ region total	Country/ region total investment as a share of all foreign investment	Country/ region direct investment as a share of country/ region total investment
	—Rbn—			—%—	
United Kingdom	715.6	760.8	1 476.4	19.5%	48.5%
Netherlands	1 073.9	77.4	1 151.3	15.2%	93.3%
Belgium	200.1	673.8	873.9	11.6%	22.9%
Germany	121.0	50.5	171.5	2.3%	70.6%
Luxembourg	68.3	99.3	167.6	2.2%	40.8%
Switzerland	31.4	61.3	92.7	1.2%	33.9%
Rest of Europe	129.4	268.4	397.8	5.3%	32.5%
United States	160.6	1 630.3	1 790.9	23.7%	9.0%
Rest of North and South America	43.1	32.3	75.4	1.0%	57.2%
Africa	94.3	210.4	304.7	4.0%	30.9%
Japan	50.9	14.7	65.6	0.9%	77.6%
China	100.8	185.2	286.0	3.8%	35.2%
Rest of Asia ^b	73.5	231.4	304.9	4.0%	24.1%
Oceania ^c	58.8	20.6	79.4	1.0%	74.1%
International organisations	4.6	319.8	324.4	4.3%	1.4%
Total	2 926.3	4 636.2	7 562.5	100.0%	38.7%

Source: SARB, Quarterly Bulletin, March 2024, pp98-101

a Includes portfolio investment, banking sector financial derivatives and long- and short-term loans from various sources.

b Hong Kong, India, Malaysia, Singapore, South Korea and other.

c Australia and other.

Trade

Foreign direct investment (FDI) in South Africa by economic activity (actual numbers), 1994-2022							
Sector	1994	2005	2010	2015	2020	2021	2022
Agriculture, forestry and fishing	0.32	0.73	0.93	1.46	2.17	4.23	5.02
Mining and quarrying	1.96	168.27	388.77	314.00	656.71	818.55	707.30
Manufacturing	14.88	136.03	262.92	569.94	303.63	860.12	1 126.53
Electricity, gas and water	—	0.03	0.03	1.13	0.69	4.43	4.40
Construction	0.56	1.98	2.04	3.97	3.50	5.72	2.63
Trade etc	6.70	14.72	34.51	80.02	121.62	131.16	113.48
Transport and communication	0.47	9.45	83.94	196.32	163.44	198.71	339.70
Finance etc	11.10	157.59	241.79	802.68	684.40	722.11	584.16
Community, social and personal services	0.04	0.52	0.58	0.91	18.94	34.96	43.11
Total^a	36.02	489.32	1 015.52	1 970.41	1 955.09	2 780.00	2 926.34

Source: SARB, Quarterly Bulletins, 1996-2024

^a Figures should add up horizontally but may not, owing to rounding.

Foreign direct investment (FDI) in South Africa by economic activity (actual numbers), 1994-2022							
Sector	1994	2005	2010	2015	2020	2021	2022
Agriculture, forestry and fishing	0.9%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%
Mining and quarrying	5.4%	34.4%	38.3%	15.9%	33.6%	29.4%	24.2%
Manufacturing	41.3%	27.8%	25.9%	28.9%	15.5%	30.9%	38.5%
Electricity, gas and water	—	0.0%	0.0%	0.1%	0.0%	0.2%	0.2%
Construction	1.6%	0.4%	0.2%	0.2%	0.2%	0.2%	0.1%
Trade etc	18.6%	3.0%	3.4%	4.1%	6.2%	4.7%	3.9%
Transport and communication	1.3%	1.9%	8.3%	10.0%	8.4%	7.1%	11.6%
Finance etc	30.8%	32.2%	23.8%	40.7%	35.0%	26.0%	20.0%
Community, social and personal services	0.1%	0.1%	0.1%	0.0%	1.0%	1.3%	1.5%
Total^a	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: SARB, Quarterly Bulletins, 1996-2024

^a Figures should add up horizontally but may not, owing to rounding.

Trade

Comparison of trading partner country total trade weights, 1999-2020

	Prior to 1999	1999	2003	2008	2014	2020
Euro area	38.58 ^a	35.70	36.38	34.82	29.26	30.68
China	2.91	3.11	3.14	12.49	20.54	24.53
United States	14.44	15.15	15.47	14.88	13.72	10.56
Japan	9.90	10.26	10.43	10.12	6.03	4.95
India	—	—	—	2.01	3.98	4.85
United Kingdom	14.09	14.91	15.37	10.71	5.82	4.03
South Korea	2.50	2.57	2.64	1.96	3.10	2.75
Botswana	—	—	—	—	2.09	2.45
Vietnam	—	—	—	—	—	1.87
Thailand	—	—	—	—	1.86	1.85
Zambia	—	—	—	0.80	1.42	1.56
United Arab Emirates	—	—	—	—	—	1.43
Switzerland	4.99	5.28	5.54	2.83	1.78	1.33
Sweden	1.58	1.79	1.81	1.99	1.81	1.21
Malaysia	—	—	—	—	1.27	1.10
Mozambique	—	—	—	—	0.97	1.07
Brazil	—	—	—	1.37	1.16	1.06
Poland	—	—	—	—	0.89	0.99
Australia	1.59	1.62	1.68	2.04	1.19	0.95
Saudi Arabia	—	—	—	—	—	0.78
Hong Kong	2.59	2.62	2.70	1.48	—	—
Zimbabwe	2.27	2.27	—	—	1.25	—
Canada	1.87	1.93	1.96	—	0.98	—
Singapore	1.55	1.62	1.66	1.40	—	—
Israel	1.14	1.17	1.22	1.11	0.88	—

Source: SARB, *Quarterly Bulletin*, June 2020, p84

^a Prior to 1 January 1999, the Euro area weights comprised Germany, Italy, France, Netherlands, Belgium, Spain, Ireland, Australia, Finland and Portugal.

Trade

South Africa's chief merchandise^a trading partners, 2023

Country	Exports	Imports	Trade balance	Total	Proportion of total
			—Rbn—		
China	228.6	404.4	-175.8	633.0	15.7%
United States	155.0	169.7	-14.7	324.7	8.1%
Germany	142.8	159.9	-17.1	302.7	7.5%
India	91.4	138.4	-47.0	229.8	5.7%
Japan	105.9	50.0	55.9	155.9	3.9%
Mozambique	114.6	19.0	95.6	133.6	3.3%
United Kingdom	99.2	33.7	65.5	132.9	3.3%
United Arab Emirates	47.3	73.8	-26.5	121.1	3.0%
Netherlands	78.6	29.7	48.9	108.3	2.7%
Belgium	68.3	22.8	45.5	91.1	2.3%
Botswana	77.1	9.7	67.4	86.8	2.2%
Namibia	62.3	18.8	43.5	81.1	2.0%
Thailand	7.9	64.5	-56.6	72.4	1.8%
Zimbabwe	62.5	4.8	57.7	67.3	1.7%
Saudi Arabia	8.0	57.9	-49.9	65.9	1.6%
Italy	20.7	44.6	-23.9	65.3	1.6%
Spain	29.1	32.4	-3.3	61.5	1.5%
Zambia	51.1	4.9	46.2	56.0	1.4%
South Korea	37.4	18.4	19.0	55.8	1.4%
Eswatini	29.6	25.3	4.3	54.9	1.4%
Nigeria	6.5	43.7	-37.2	50.2	1.2%
France	10.7	39.1	-28.4	49.8	1.2%
Oman	0.9	47.1	-46.2	48.0	1.2%
Australia	19.6	19.5	0.1	39.1	1.0%
Brazil	8.3	26.5	-18.2	34.8	0.9%
Lesotho	25.3	5.9	19.4	31.2	0.8%
Congo (DRC)	28.7	2.1	26.6	30.8	0.8%
Taiwan	17.1	13.3	3.8	30.4	0.8%
Hong Kong	27.4	1.7	25.7	29.1	0.7%
Bahrain	0.5	28.0	-27.5	28.5	0.7%
Singapore	13.0	15.3	-2.3	28.3	0.7%
Indonesia	9.1	17.9	-8.8	27.0	0.7%
Poland	2.9	23.6	-20.7	26.5	0.7%
Other unclassified ^b	117.8	8.2	109.6	126.0	3.1%
Other countries	235.8	304.2	-68.4	540.0	13.4%
Total	2 041.0	1 978.8	62.2	4 019.8	100.0%

Source: South African Revenue Service (SARS), Customs and Excise, *Trade statistics*, data accessed 14 March 2024; IRR calculations

a Refers to merchandise trade in all physical goods, which consist of raw materials as well as intermediate and final goods.

b Origin of the goods is unknown.