

South Africa & International Capital Flows

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This paper considers the current state and development trends of South Africa in the world of international capital flows.

Considering historical features of South Africa as a country of “settler” colonialism and the long-term period of concentration of power in the hands of white minority, international capital movement played and continues to play a key role in the economy of South Africa.

First, historical overview of inward investment into South Africa since the 1980s, when economic sanctions were in effect, and up to the current global economic crisis is given. Largest inward foreign direct investment (FDI) transactions since the 1994 power transfer are considered. Distribution of FDI by economic sector and by country of origin is assessed noting how it has changed over the last decade. Also, structure of capital inflow is analysed (this includes comparison of FDI and portfolio investment), mentioning what seems the primary factor behind relatively limited level of FDI into South Africa.

Second, outward investment from South Africa is looked upon. So the author examines the quantity of capital outflows over the years, both before and after 1994. In addition there is an overview of how the country’s capital controls have been liberalised since the mid 1990s. Besides the author evaluates geographic distribution of South African FDI (by regions and by countries) and the extent to which it has changed in time (including expansion of South African capital into the rest of Africa and the logic behind it).

Further attention is drawn towards the “flight” of companies from South Africa (like, for instance, “De Beers” and “Anglo American”).

Towards the end of the paper South African investments in Russia and Russian investments in South Africa are considered.

And in conclusion there is a summary about the influence of a global economic crisis on South Africa’s inward and outward investment (how investors behaved under such conditions).

It seems in the future we will see further change in distribution of inward investment into South Africa (reduction in the share of EU and increase in importance of developing countries). Also distribution of South African outward investment will change (bigger role for Africa and lesser role for EU).