**THE NATIONAL ASSEMBLY**

**QUESTIONS FOR WRITTEN REPLY**

**3634. Mr J A Esterhuizen (IFP) to ask the Minister of Trade and Industry:**

(1) In view of our outbound foreign direct investment which grew by 17% this year, in contrast to foreign direct investment into the country which has fallen by 24%, can he provide an explanation as to why there seems to be an overarching desire by South African businesses to grow offshore than to invest locally;

(2) what steps is his department taking in order to foster an environment which will attract foreign capital investment in the country? NW4211E

**RESPONSE:**

**(1)** According to the World Investment Report released by United Nations Conference on Trade and Development (UNCTAD) in June 2015 aggregate global Foreign Direct Investment (FDI) inflows declined by 16% in 2014 as a result of the continued uneven and weak recovery of the global economy after the 2008 Global Financial Crisis. Not surprisingly, South Africa was also impacted and FDI inflows slowed from US$8.3 billion in 2013. The fdi report 2015 by fdi intelligence which tracks investment projects also reports a decline in greenfield fdi projects globally.

Nevertheless, South Africa still attracted a substantial US$ 5.7 billion in 2014. By comparison, Nigeria attracted US$ 4.6 billion, Mozambique US$4.9 billion, Kenya US$ 900 million and Mauritius US$ 418 million. In 2014, South Africa was again the largest recipient of FDI on the African continent. South Africa remains an attractive investment destination as per the latest Ernest and Young attractive destination survey launched in June 2015. According to the EY survey South Africa remains the top destination in Africa for fdi projects. Over the past five years South Africa received twice as many fdi projects as any African country. Multinationals have affirmed South Africa as a regional manufacturing hub and have retained and expanded their investments in new plants. Companies such as Unilever have invested R 4 billion in expansions, upgrades and new plants in South Africa.

In addition to South Africa being a destination for FDI, we are now also a leading source of FDI on the African continent. As this Government has stated on many occasions, our domestic market is simply too small to – on its own – sustain high economic growth rates over the long-term. The African continent is now widely acknowledged as the next growth frontier and South Africa is in the fortunate position of having identified the growth opportunities in Africa many years ago already.

This is why our trade policy prioritises regional development through the Southern African Development Community (SADC); the Tripartite Free Trade Area (T-FTA) signed in June 2015 in Sharm el-Sheikh and the Continental Free Trade Area (C-FTA).

These Agreements do not only open the door to South African exporters. They also provide investment opportunities for companies owned by South Africans or domiciled in South Africa.

Companies such as Vodacom, MTN, SAB-Miller, Standard Bank, Pick n Pay, Shoprite-Checkers, Woolworths, Nando’s and mining companies are just a few of the many South African brands which have become instantly recognisable across Africa. These investments partly account for FDI outflows from South Africa and show the extent to which South African entrepreneurs and companies have become serious participants in the global economy. In most cases, these outward investments draw on their South African value-chains, expertise and financial resources.

These outward investments are positive and should be celebrated. Market opportunities are arising as Africa’s population urbanises and consumer demand grows off a low base in many African countries. We encourage our firms to seize these opportunities, noting that their ability to do so is precisely because they are able to leverage off the financial resources and market successes in South Africa.

Such investments by South African companies contribute to Regional Integration, Infrastructure Development and Industrialisation of the African such as Scaw Metals investment in Ghana.

**(2)** President Zuma duringthe State of the Nation Address (SONA), 12th February 2015 announced a nine point plan to push the economy forward, ignite growth and create jobs. Government is also committed to improving the investment climate and ease of doing business. Also announced during the SONA was the establishment of a one stop Inter-Departmental Clearing House to attend to investor complaints and problems. **the dti** has given effect to the Inter- Departmental Clearing House and has established a dedicated division for investment promotion, facilitation and aftercare. Specialised capacity is been added that will fast track, unblock and reduce red tape in Government. Investors are encouraged to contact **the dti** investment unit for this clearing house service.