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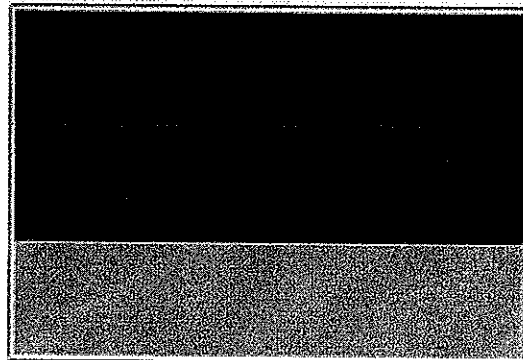
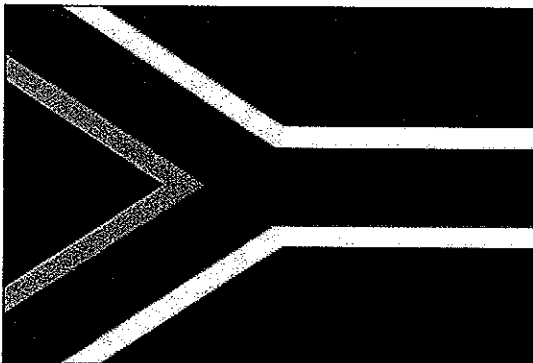
# international relations & cooperation

Department:  
International Relations and Cooperation  
**REPUBLIC OF SOUTH AFRICA**

**BRIEFING NOTES FOR THE MEETING WITH  
THE CHAIRMAN OF THE GERMAN PARLIAMENTARY COMMITTEE ON SPORTS**

**Ms DAGMAR FREITAG**

**25 JULY 2012**



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### 2. ENVIRONMENTAL SCAN

#### 2.1 SOUTH AFRICA-GERMANY BILATERAL RELATIONS

##### 2.1.1 POLITICAL

Since 1994, bilateral relations between South Africa and Germany have steadily developed. Today, they are strong and multifaceted, covering an extensive range. The South Africa-Germany Binational Commission (BNC), established in 1996, is the principal framework within which these relations are managed. Currently, it has seven committees: Economic, Development Cooperation, Environment, Science and Technology, Defence, Arts and Culture, and Labour and Social Affairs.

At the 7<sup>th</sup> Session of the South Africa-Germany BNC, it was agreed to include two additional committees, Education and Vocational Training, and Energy, to address these focal areas that are integral to both South African and German interests.

The countries share a similar commitment to the values of democracy and human rights and both are committed to working together to achieve peace and security, as well as development in Africa and in the wider world. In its Africa Strategy, Germany stresses that it views its relations with African countries, including South Africa, as a partnership of equals.

Development Cooperation between South Africa and Germany from 1992 to date amounts to a contribution of approximately €656.8 million, spread evenly between technical and financial co-operation. At the 7<sup>th</sup> BNC, Germany committed a further €286.9 million over the period 2012-2013, of which €251.4 million is allocated for Financial Cooperation programs and €35.5 million towards Technical Cooperation programs.

A Trilateral Cooperation (TriCo) Fund has been established to jointly assist third countries and regional initiatives in development activities as well as to support the establishment of development cooperation capacities in South Africa. In this regard, Germany has indicated that it is keen to support South Africa in the establishment of the South African Development Partnership Agency (SADPA).

Another area of development cooperation, in addition to the bilateral programme, is the partnerships between several **German federal states** and South African provinces. Often, but not exclusively, the cooperation agreements encompass joint initiatives in the field of development assistance. In this respect, the partnerships between Lower Saxony/Eastern Cape, North Rhine Westphalia/Mpumalanga and Bavaria/Gauteng and Western Cape have to be highlighted in particular.

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Several high level visits have taken place, the most recent by the Minister of International Relations and Cooperation to Bonn in February 2012 in her capacity as COP17/CMP7. Dr Annette Schavan, the Federal Minister for Education and Research, visited South Africa on 16 – 17 April 2012 to launch the South Africa German Year of Science that will run until March 2013.

### 2.1.2 ECONOMIC

South Africa and Germany are closely interlinked by multifaceted economical relations that are exceedingly good and still expanding. Germany is a strategic partner with more than 450 German companies active in SA, including multinationals such as BMW, Siemens, Daimler AG, Volkswagen, Bayer and BASF. These companies make an important contribution to the industrial output, employment, professional training and technological development via diversified technology transfer. There are around 100 000 Germans living in South Africa. There is also a presence of South African companies in Germany, namely: SASOL, SAPPI and Dimension Data.

#### Bilateral Trade

Germany is one of South Africa's most important trading partners. Germany is ranked the 4<sup>th</sup> largest export destination for South Africa in the world after China, the United States<sup>1</sup>(NAFTA) and Japan (North-East-Asia), ahead of the Netherlands (EU) and Switzerland (EFTA). Germany is the second largest source of imports after China, ahead of the United States (NAFTA).

South Africa's exports to Germany have shown an upward trend over the years. Exports increased from R34 billion in 2007 to R45.9 billion in 2008. However, the year 2009 saw exports to Germany dropping significantly to R32.4 billion. The decline in South Africa's exports to Germany in 2009 can be attributed to the global economic crisis which ultimately led to a recession in 2008 and 2009. Exports for 2011 increased to R43.2 billion, indicating a steady recovery.

Similarly, imports from Germany to South Africa have also been rising. Imports increased from R65.6 billion in 2007 to R82.6 billion in 2008, before falling to R63.2 billion in 2009. Imports from Germany in 2011 were R77.6 billion. The imports basket from Germany consists mainly of industrial products.

Major South African exports to Germany include base metals such as Ferro-alloys, primary commodities notably coal, iron ores/metal ash, platinum, food products and motor vehicles/parts.

#### Investment

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<sup>1</sup> [www.thedti.gov.za](http://www.thedti.gov.za)

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Germany is a major investor in South Africa with direct investment volume estimated at over R33.77 billion over the period 2003 - 2012, the main sectors being the automotive industry, chemical industry, and mechanical and electrical engineering. Over 71 German companies invested in South Africa in this period and created more than 17,387 jobs. Major German investors include BMW, Siemens, Daimler AG, Volkswagen, and Bayer.

German companies based in South Africa plan to continue production despite the current global economic challenges. This has been confirmed by the fact that Mercedes-Benz South Africa had already announced that it will invest US\$ 286.5 million in production facilities to build the next generation C-Class model which will be launched worldwide in 2014.

## 2.2 GERMAN DOMESTIC POLITICAL AND ECONOMIC SITUATION

### 2.2.1 Political Situation

The Government of the Christian Democratic Union (CDU), its sister party in Bavaria, the Christian Social Union (CSU), and the Free Democratic Party (FDP), came to power in elections held on 27 September 2009. The next elections are expected to take place in September 2013.

While the coalition has endured defeats in regional elections and weakness in national opinion polls, the CDU/CSU retains solid support, helped to a large extent by popular approval of the CDU Chancellor, Angela Merkel, and her management of the euro zone crisis. Increasingly tense relations between the parties will continue to test the cohesion and effectiveness of the coalition, but it would be a major gamble for either the CDU/CSU or the FDP to trigger early elections.

The election of the new Federal President Mr Joachim Gauck on 17 March 2012 after the forced resignation of President Christian Wulff (CDU) in February 2012 was evidence of the tension and confrontation between the coalition partners. It was interesting to note that Germany is now headed by two former East Germans both with strong Protestant roots.

The CDU remains the largest party in Germany at around 36% support. Considering the fragility of the Black-Yellow Coalition (CDU/CSU and FDP) analysts are predicting a return of the Grand Coalition (CDU/CSU and SPD) in the 2013 elections. The Social Democratic Party (SPD) is standing at 25% at the moment having recovered from the slump in 2009. In May 2012, the SPD, dealt a crushing defeat to the CDU, in the North Rhine –Westphalia regional elections, the biggest state with 18 million inhabitants, which is interpreted by analysts as a sign of political sentiment moving in favour of the SPD.

While Chancellor Merkel remains personally popular, future votes on euro area rescue measures could nonetheless pose a threat to broader stability, as she seems to be reaching the limit of what she can obtain from her coalition parliamentarians in this

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regard. This reflects growing popular unease about the funds that Germany is putting at risk and discomfort with the interventionist measures of the European Central Bank (ECB). German policy makers and voters remain strongly attached to monetary stability and central bank independence.

Future legislation relating to euro zone rescue measures could be passed with support from the opposition SPD and the Greens, which in fact will be necessary for bills that require a two-thirds majority in parliament, but over time this would weaken the Chancellor's position and increase the prospect of party-specific demands triggering a government crisis.

This became evident in the vote on rescue package on 27 February 2012, where although the Chancellor did receive the necessary support, she did for the first time fall short of the symbolic absolute majority known as a "chancellor majority" and had to rely on the opposition to pass the vote.

### 2.2.2 Economic Situation

The German economy, the fifth largest economy in the world in Purchasing Power Parity (PPP) terms and Europe's largest, is a leading exporter of machinery, vehicles, chemicals, and household equipment and benefits from a highly skilled labor force. Like its western European neighbours, Germany faces significant demographic challenges to sustained long-term growth. Low fertility rates, an aging population and declining net immigration are increasing pressure on the country's social welfare system and necessitate structural reforms.

Germany's Gross Domestic Product (GDP) grew by 3 % in 2011. The increase in domestic investments in equipment and construction as well as the higher public and private expenditures has assisted in growing the economy. Moreover, the increase in imports and exports has led to a positive trade balance which has contributed to the strong economic growth recently experienced.

Economic growth in 2011 was based mainly on domestic demand: Both capital formation and final consumption expenditure grew considerably. Especially capital formation in construction (+5.4%) and in machinery and equipment (+8.3%) – including also vehicles – were markedly up in 2011. Household final consumption expenditure rose by 1.5%, while government final consumption expenditure was up more markedly (+1.2%).

German exports crossed the 1 trillion Euro mark for the first time (Euro 1.06 trillion) in 2011. The GDP over the whole year of 2011 was achieved by 41.094 million persons in employment within the domestic territory.

After expanding a robust 3.1% in 2011, real GDP is forecast to stagnate in 2012. Thereafter, the projection is that the economy will grow by 0.7% in 2013 and an average of 1.5 % in 2014-16 (Economic Intelligence Unit).

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SPEAKING NOTES FOR THE MEETING FOR THE MEETING WITH THE  
CHAIRMAN OF THE GERMAN PARLIAMENTARY COMMITTEE ON SPORT MS  
DAGMAR FREITAG

25<sup>TH</sup> JULY 2012

**Current Developments**

Bilateral relations between South Africa and Germany are excellent and cover a wide spectrum of political, economic and social issues which have a real impact. Given the depth of bilateral relations as well as Germany's global importance, relations with Germany are of strategic importance to South Africa.

**Discussions/SA Position**

Express South Africa's appreciation to the Chairperson Ms Freitag for the excellent relations with Germany. Further, one may wish to inform the Honourable Chairperson that South Africa sees Germany as an important partner in the European Union and values its support for African priorities, within the EU.

The Sports Portfolio Committee may wish to express the satisfaction of the South African Government at the excellent economic relations between the two countries, both in trade and investment.

The Sports Portfolio Committee may further express his satisfaction at the positive sentiments among German business people about doing business in South Africa, as reflected in the decision of Mercedes Benz South Africa to invest US\$ 286.5 million in production facilities to build the next generation C-Class model, as well which will help South Africa achieve its national priorities.

The Sports Portfolio Committee may wish to add that the positive sentiments among German people about South Africa are also reflected in the excellent tourism figures, which have grown by 9% from 2010 to 2011.

The Sports Portfolio Committee may consider thanking the Federal German Republic for the excellent development cooperation with Germany over the years.

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**World Cup**

The Sports Portfolio Committee may wish to recall the great success of the 2010 Football World Cup and thank the Chairperson for the superb contribution of Germany in support of this success. During the last Binational Commission in South Africa, preparations for the 2010 Football World Cup were an important part of the discussions. Cooperation with Germany as the host before South Africa, as well as investment by German companies, was important contributors to the success of the 2010 Football World Cup.

**Background**

Bilateral relations between South Africa and Germany are excellent and cover a wide spectrum of political, economic and social issues which have a real impact. Given the depth of bilateral relations as well as Germany's global importance, relations with Germany are of strategic importance to South Africa.

The Binational Commission (BNC) which was held in May 2012, has developed into an efficient framework to manage bilateral relations and its seven committees cover a wide range of fields: Development Cooperation, Economic, Defence, Environment, Science and Technology, Arts and Culture, and Labour and Social Affairs. Each of these Committees represents a high level of cooperation, often including bilateral projects which are highly appreciated in South Africa.

A new development in the BNC has been the decision also to have bilateral Foreign Relations Consultations at the level of Deputy Director-General, covering issues such as the African Agenda and UN Security Council cooperation.

While the former President of Germany, Dr Christian Wulff, as well as the Chancellor, Ms Angela Merkel, have visited South Africa in the past few years. Germany had invited the President to undertake a State Visit last year, but due to a tight schedule, the President was unable to go. A possible visit later in 2012 or in 2013 is currently under consideration.