

SOUTH AFRICA – BELGIUM ECONOMIC RELATIONS

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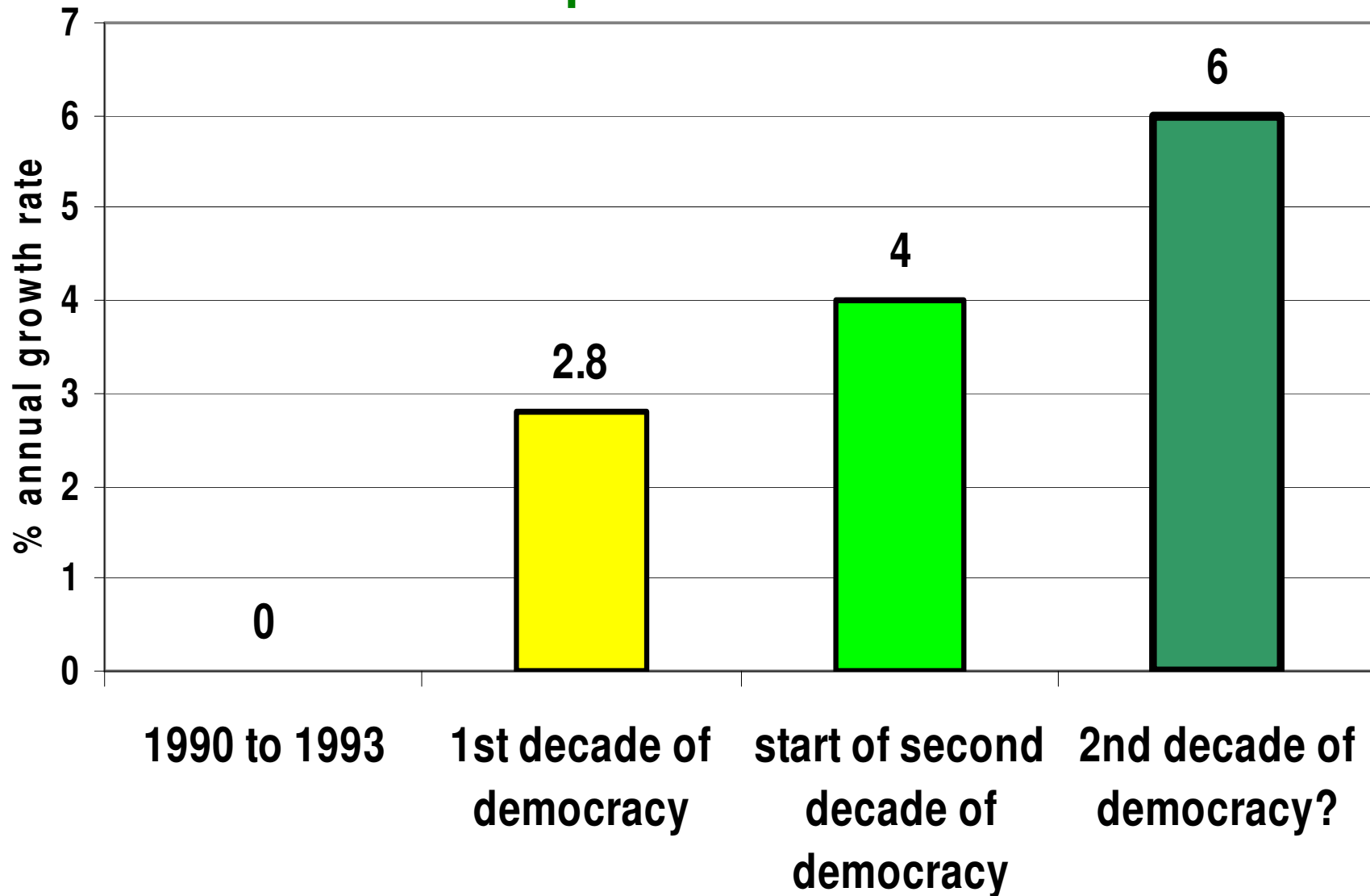
Overview

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SA's First Decade of Democracy

- Sustained year-on-year economic growth
- Budget deficits reduced to 1-2%
- Outward orientation of economy
- Shift in budget allocations towards, education, health and welfare
- Stable, low inflation macro-economic environment to lower unemployment
- Inflation and interest rates are at historic lows
- The economy is experiencing its highest levels of business and consumer confidence in 16 years
- Improved investment environment – the World Bank has ranked South Africa 28th out of 155 countries in its latest “Ease of Doing Business Index”, with a ranking of 8th for protecting investors
- And while unemployment remains a challenge, there are encouraging signs of a turnaround in job creation over the past four years

South Africa's improving economic growth performance

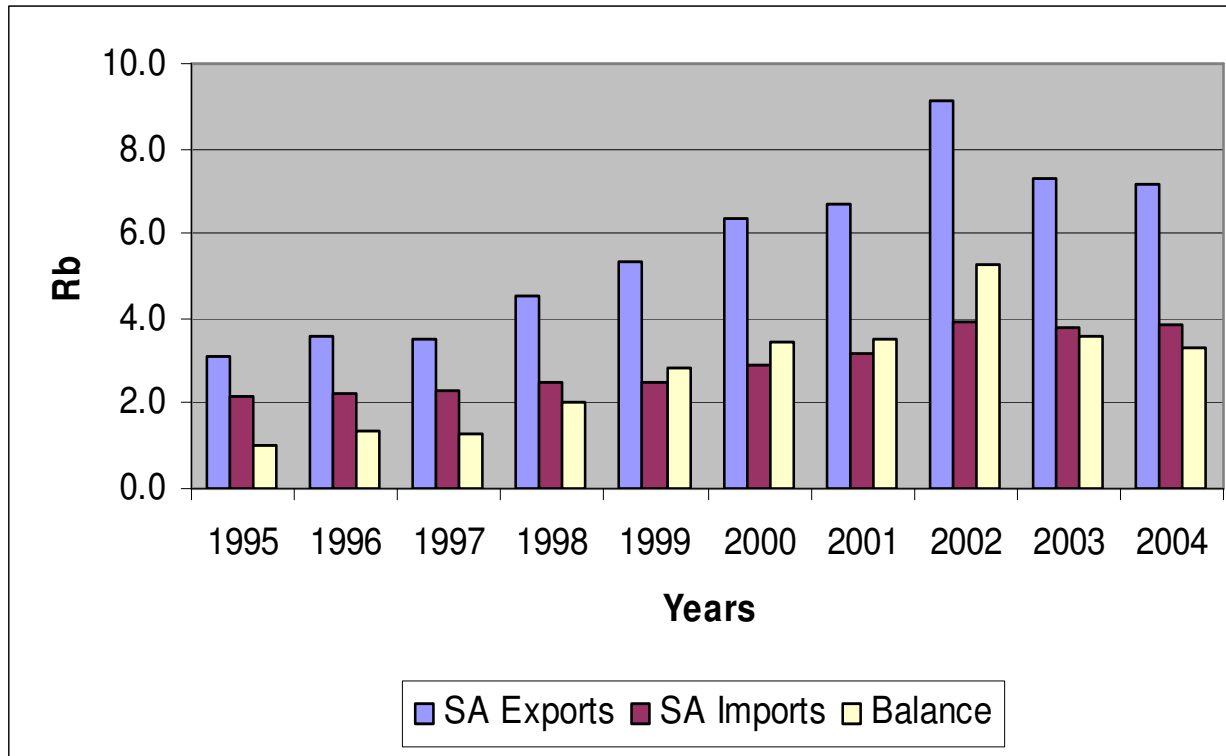


Economic Relations between SA and Belgium

Economic Agreements

- 1995 – Convention for the Avoidance of Double Taxation
- 1998 – Agreement for the Reciprocal Protection of Investments
- Development Cooperation Agreements in numerous areas, including: SMMEs, Gemology and Minerals Beneficiation, Education & Training, Science & Technology.

SA-Belgium Bilateral Trade



SA-Belgium Bilateral Trade

SA Exports to Belgium (Rm)				
	2001	2002	2003	2004
H71: Pearls, precious stones, metals, coins, etc	2,318.1	3,721.1	2,902.7	2,570.3
H72: Iron and steel	297.9	299.5	428.8	968.2
H08: Edible fruit, nuts, peel of citrus fruit, melons	464.9	555.7	589.5	612.9
H27: Mineral fuels, oils, distillation products, etc	542.9	742.4	501.8	531.0
H84: Nuclear reactors, boilers, machinery, etc	933.4	1,065.5	631.9	401.2
H87: Vehicles other than railway, tramway	248.3	409.3	309.2	265.7
H29: Organic chemicals	103.6	116.2	99.5	234.5
H26: Ores, slag and ash	422.2	447.4	343.8	231.3
H48: Paper & paperboard, articles of pulp, paper and board	119.5	219.1	169.3	152.1
H28: Inorganic chemicals, precious metal compound, isotopes	152.0	234.4	177.2	113.8
Total Top 10 Products	5,602.8	7,810.6	6,153.7	6,081.0

SA Imports from Belgium (Rm)				
	2001	2002	2003	2004
H84: Nuclear reactors, boilers, machinery, etc	632.2	738.6	726.5	653.3
H39: Plastics and articles thereof	367.0	462.9	341.9	456.5
H29: Organic chemicals	280.1	375.4	384.5	410.5
H71: Pearls, precious stones, metals, coins, etc	86.1	126.7	232.8	232.6
H30: Pharmaceutical products	245.7	231.5	380.1	204.3
H38: Miscellaneous chemical products	93.9	142.0	146.9	179.1
H85: Electrical, electronic equipment	120.8	151.3	149.2	136.5
H27: Mineral fuels, oils, distillation products, etc	115.9	173.7	130.8	107.3
H28: Inorganic chemicals, precious metal compound	103.3	123.7	91.0	97.2
H72: Iron and steel	59.9	71.0	76.6	93.2
Total Top 10 Products	2,105.0	2,596.6	2,660.3	2,570.5

Source: Customs & Excise

SA Trade and Distribution Hubs in Belgium

- Belgium's strategic location, excellent infrastructure network and state of the art warehousing and logistics facilities makes the country an ideal platform for export into the European market.
- South African trading and distribution hubs include the ports of:
 - Antwerp
 - Ghent
 - Zeebrugge

Foreign Direct Investment

- Belgium is among the top 10 foreign investors in South Africa in sectors including agro-processing, automotive and components, textiles, chemicals, electro technical, and tourism infrastructure.
- Announcement in May 2005 by Belgian textile company Sander International of €25 Million investment in the Coega IDZ to build a sophisticated weaving mill, finishing operations and production facility.
- Phase one of construction is already nearing completion.
- An estimated 550 jobs are likely to be created over the 3 phased project.

Growing Economic Relations

- South African Embassy activities aimed at forging stronger economic relations with Belgium:
 - South Africa 10 Years of Freedom Celebrations 2004
 - Product promotions in Delhaize supermarkets (316 stores)
 - Collaboration with Chambers of Commerce in hosting Seminars on Doing Business in South Africa
 - Belgium/Luxembourg Trade Mission to South Africa, April 2005
 - Wine and food tasting exhibitions including Food and Wine Fair at Upignac Restaurants
 - Awarding of Marine Stewardship Council Certification to South African fishing industry, leading to increased exports
 - Tourism exhibitions – South Africa as guest of honour at International Travel Fair, January 2006, Antwerp (approximately 40 000 Belgian tourists visit South Africa annually)

Challenges and Opportunities

- **Challenges posed by South Africa's dual economy in meeting the needs of our economic citizens in a sustainable way:**
 - Access to quality work and enterprise opportunities & necessary capacities and skills
 - Adaptive, innovative & competitive enterprises
 - Growth of SMME sector
 - Broad-based black economic empowerment
 - Platform of economic efficiency, inputs, infrastructure, services etc.
 - Increased investment in export-oriented value-added manufacturing industries
 - Built on the potential of all our people, resources and geographic areas

Opportunities

- Growing economic cooperation between South Africa and Belgium in key areas e.g. SMMEs; Gemology; Science & Technology
- Implementation of the JCC
- Visit of His Royal Highness Prince Philippe to South Africa, March 2006
- Soccer World Cup in 2010 will require extensive infrastructural investment (including tourism facilities)
- Business opportunities opening up through regional integration in Southern Africa and NEPAD
- Direct air links (increased business and tourism)
- Trilateral economic cooperation in Sub-Saharan Africa in general and the Great Lakes Region in particular

Opportunities

- Investment required in the expansion of national infrastructure over the next 4 years amounts to around R310 billion (€40 billion):
 - The need to expand transport infrastructure will result in approximately R70 billion (€9.2 billion) investment in ports and rail infrastructure alone
 - Expanding electricity supply will require over R90 billion (€11.8 billion)
 - Continued expansion of access to telecommunications, water, housing and roads will require further significant investment

Opportunities

- Opportunities identified in high growth sectors for value-added investments:
 - Agro-processing
 - Automotives and components
 - Chemicals & pharmaceuticals
 - Business process outsourcing and IT enables services
 - Electro Technical
 - Tourism infrastructure
 - Textiles, clothing, leather and footwear
 - Metals and minerals beneficiation
 - Aerospace, rail and marine

Thank you