

Sub-Saharan Report

Sub-Saharan Africa is one of the focal regions of Global Challenge 2015.

These reports are by Mr. Kenshi Tsunemine, an expatriate employee working in Johannesburg with a view across the region.

Vol. 30 - South Africa

Part 1 (Overview/Daily Life/Politics)

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Sawubona! (note 1)

Up until this point I have introduced many countries in sub-Saharan Africa that many of you might have first wondered, where is that country? Well, this time I'm introducing a country that I'm sure all of you know, South Africa. What comes to mind, especially through the media, when you think of the Republic of South Africa are things like 'apartheid', "President Mandela", "BRICS", and the "2010 FIFA World Cup", among others. However, it seems that there are relatively few people, especially from Japan, who have actually been to the country.

So it is the Republic of South Africa (hereafter South Africa) that I would like to introduce to you this time in two parts from the perspective of an expatriate (table 1).

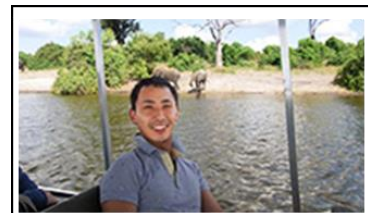
Table 1: South Africa Information

Basic Data (2016)	
Population	55.9 million
Land Area	1.219 million km ²
Nominal GDP	\$280 billion
Per Capital GDP	\$5,018
Official Language	English, Afrikaans, Zulu
Cell Phone Penetration	159% (2015)
Installed Capacity	46GW (2014)
Electrification	85.4% (2012)

Source: IMF, World Bank, CIA

As its name suggests, South Africa is at the southernmost tip of the African continent. It is bordered by Namibia, Botswana, Zimbabwe and Mozambique to the north and faces the Indian Ocean to the east and the Atlantic Ocean to the west. It also has a most unique feature as two small countries Lesotho (vol. 4) and Swaziland (vol. 20) are found within South Africa's own boundaries (note 2).

The country has a population of around 56 million (4th largest in sub-Saharan Africa), a nominal GDP of \$280 billion (2nd largest in sub-Saharan Africa), and a land area of about 1.22 million square kilometers making it a major and leading African country. In particular, it had sub-Saharan Africa's largest GDP until 2014 when Nigeria revised the way it calculated its GDP.



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In order for the Marubeni Research Institute to acquire live information from the field and contribute to the Company's strategy, young Marubeni staff well-versed in economic and industry analysis have been posted to the region.

The time difference with Japan is 7 hours behind (it is in the same time zone as Egypt), and Cape Town, which is located on the coast of South Africa's southernmost point, is roughly at the same latitude as Santiago in Chile (33 degrees south).

South Africa's climate is very diverse. In the northwest near Namibia and in the western central part of the country the climate is desert-like. The northeast and inland from there has steppe-like weather, while the inland eastern region around Johannesburg has a mild winter climate and receives light rains. The south around Cape Town has a Mediterranean climate, while the western part of the country around Durban has warm and humid weather. As background to this diverse climate, it is affected by the cold Benguela Current that flows along the Atlantis Ocean side of South Africa and the warm Algulhas Current (Mozambique) which flows on the Indian Ocean side as well as the Drakensburg mountain range which rises to more than 3,000 meters and runs across South Africa from the northeast to the southwest. As a result, the country's regions have very different physical features, but many very scenic spots.

In South Africa, the nation's governmental functions are divided between Cape Town (Western Cape Province), which houses the legislature, Pretoria (Gauteng Province), with the country's administrative functions and Bloemfontein (Free State Province) where the judiciary is located (3 power centers). On the other hand, South Africa's economic center is in Johannesburg (Gauteng Province) where many companies, including Marubeni, are based. In Johannesburg, the new business district of Sandton reminds me somewhat of the affluent Roppongi district in Tokyo, and at first glance you think you are in an advanced country rather than Africa (picture 1).



Picture 1: View of shopping mall and Sandton Station which is located in front of Marubeni's Johannesburg Office

Marubeni's expatriates live in Johannesburg in Gauteng Province which is at an altitude of between 1,500 and 1,800 meters with the highest temperatures averaging about 22°C annually with the lowest temperatures averaging around 10°C yearly. It is difficult to explain through numbers, but to put it simply, summer is not too hot, winter is not too cold and with little humidity it makes for easy living. Most houses aren't even equipped with air conditioners. It is rare for rain to continue for any length of time, and since most people move around by car, partially for security reasons, umbrellas do not really feature much in daily life, except maybe when playing golf.

I had never been to Africa before moving to Johannesburg in April of 2014 and my first impression on my way to work was "I didn't know Africa had such a modern city, it seems like I'm in Europe" (note 3). It is not only Johannesburg (population 8 million) that gives off this impression, but also Cape Town (population 3.5 million), which is South Africa's tourism and resort mecca and second in economic size, as well as other large cities such as the port city of Durban (population 3 million). The centers of all these cities have very modern buildings and cityscapes. South Africa's cities are far, far more developed than cities in other sub-Saharan countries with road, water and other infrastructure for daily living being very substantial. It is as if they are not the same Africa. However, while the urban areas are highly developed, if you drive one hour out of Sandton you will find vast expanses of untouched, unspoiled land. Cows and goats will cross your path on the motorways and you

will see African-like scenery free of any signs of electricity or water supply.

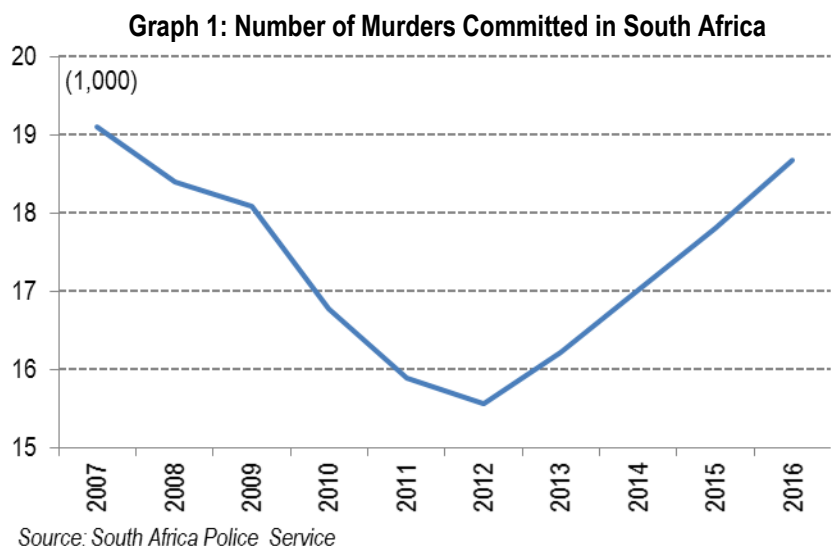


Picture 2: Cows leisurely crossing the road, where's the owner?

The per capita GDP in South Africa is about \$5,000 (6th in sub-Saharan Africa) which is on a par with Thailand in Asia. However, you see many shiny BMWs, Mercedes and Porsches and large-scale shopping malls with numerous luxury brand stores like Louis Vuitton and Chanel, which is a reflection of the large disparities and inequalities that exist with other areas within South Africa.

The environment in Johannesburg, at least on the surface, gives you the feeling that South Africa is a very nice country, and that the country is very livable. However, there are of course some serious underlying conditions afflicting the country. There are frequent electricity blackouts as a result of power shortages (note 4), there are traffic jams in the morning and the evening due to traffic signal breakdowns, and much attention must be paid to driving following rains as large holes often emerge in the roads leading one to exclaim "is this an emerging country or what". These things can even be seen in the up-scale Sandton district of Johannesburg.

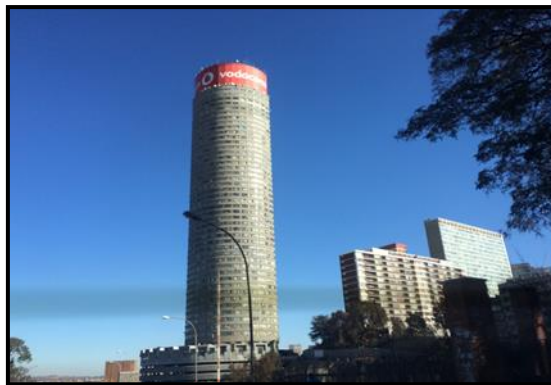
Then there is the most pressing issue, that of safety and security. Currently, the risk of terrorism is low in South Africa. On the other hand it is plagued by violent offenses and general crime. When speaking of South Africa and Johannesburg, for many, dangerous country and crime-ridden city may come to mind (picture 3). In fact, many Japanese have experienced theft, robbery and other crimes while in the country and there is no doubt it is a risky environment that one must learn to live with on a daily basis (graph 1).



In addition, unemployment has increased due to job losses from a deteriorating economy, and a strong anti-foreigner (xenophobia) movement (riots) in reaction to the influx of foreigner workers has emerged. These combined with general frustration with the direction South African society is going as a whole makes for a climate where crime is likely to occur.

While there is no intention to publicly announce the poor state of security in the country, like in other sub-Saharan countries there are commonly understood self-restrictions like “don’t go out at night”. Still, it is a fact that due to economic development large numbers of people from surrounding countries have flowed into South Africa and the disparities between the rich and the poor have widened even more.

There’s no doubt that South Africa is a country where you have to be sensitive and alert to what is going on around you.



Picture 3: Vodacom Tower, built in the old part of Johannesburg, was said to have been at one time a haven for criminals

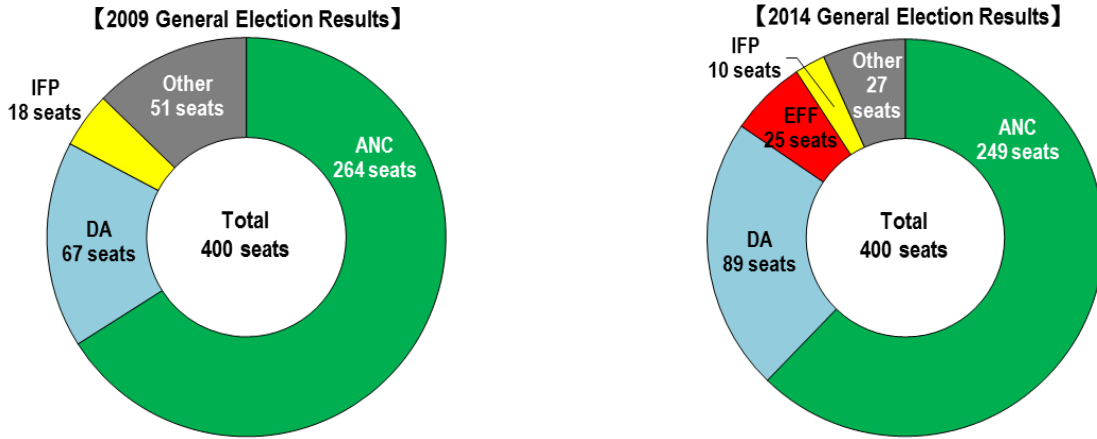
Such a deterioration in the living environment is thought to have been caused by political stagnation in the country. Although we can’t avoid apartheid when talking about South African politics, I want to start with contemporary politics here and leave the system and era of apartheid and other historical details to part 2. In 1994, the first general election to represent all citizens, including blacks, was held marking the end of apartheid in South Africa (notes 6 and 7).

The current ruling party, the African National Congress (ANC), achieved the termination of the apartheid system in South Africa led by the great leader Nelson Mandela and strove to realize ethnic harmony and create a new South African society and was supported mainly by black people who make up the majority of South Africa’s population. As the party in power under past presidents Nelson Mandala (1994 - 1999), Thabo Mbeki (1999 - 2008), Kgalema Motlanthe (2008 - 2009) and the current president Jacob Zuma (2009 - present), it carried out and adhered to a policy of black economic preferentialism (Black Economic Empowerment or BEE, to be explained in the next issue) in order to improve the conditions of poor and impoverished black people.

However, the reality was it created a group of super wealthy black people while finding it difficult and failing to improve the lives of most blacks resulting in a situation of widening inequality. Furthermore, graft and corruption has spread throughout the government over the long-term with the support rate for the ANC gradually dropping along with it (note 8). As a result, although the ANC again came out on top in the 2014 general elections, the level of support for them fell. On the other hand,

the radical left wing party Economic Freedom Fighters (EFF), just formed in 2013, scored a breakthrough by becoming the 2nd largest opposition party reflecting the dissatisfaction in society, especially among young people (graphs 3 and 4).

Graphs 3 and 4: South African General Election Results



As support for the ANC continues to fall, political confusion only deepens further. At the end of 2015, President Zuma, in a political confrontation, dismissed the finance minister, Mr. Nhlanhla Nene, who the markets had strong confidence in, and appointed a novice parliamentary member (Mr. David Van Rooyen) to replace him. South Africa’s currency plummeted sending a clear message that political turmoil is a hindrance to the South African economy (note 9).

Under these circumstances the ANC will hold their party convention in December where the party’s presidential candidate will be elected. The current deputy president of South Africa, Mr. Cyril Ramaphosa and Mrs. Diamini Zuma, former chairperson of the African Union and wife of current president Jacob Zuma, are said to be the frontrunners to replace President Zuma. It is expected that a post-Zuma power struggle will ensue and intensify toward the end of the year possibly straining the current political situation, so we should keep an eye on the political circumstances in South Africa from this point.

It has been over 20 years since the end of apartheid and the dream of realizing a “rainbow nation” through ethnic reconciliation and harmony has not really been fulfilled. The actual situation in South Africa is that various areas of society are fraying particularly in the political and economic arenas (picture 4).

While we have some future worries about this country with the comfortable climate, in part 2 I would like to introduce information on South Africa’s traditional cuisine, tourism and the economic and industrial situation from my experience as an expatriate living in South Africa.



Picture 4: A statue of Nelson Mandela in front of a shopping mall, it seems he is looking out at and can see the political confusion in South Africa

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- Note 1:** *The word basically means “hello” in the Zulu language.*
- Note 2:** *Part of Swaziland’s border touches Mozambique.*
- Note 3:** *The ethnic breakdown of South Africa’s population is Black African: 80.5%, Colored (mixed): 8.8%, Caucasian: 8.3%, and Indian: 2.5% (as of 2015 according to South Africa’s Bureau of Statistics). While black Africans make up the majority of the population, South Africa has a fairly large white population for an African country which gives it somewhat of a European flavor. There are about 1,500 Japanese residing in South Africa and about 5,000 Koreans, and it is said that around 500,000 Chinese are living in the country.*
- Note 4:** *Due to the recent completion of a power plant where construction had been delayed, the recent situation has slightly improved. Still, electric power shortages are hindering industrial development.*
- Note 5:** *There is the theft and robbery method of smash and grab, where the culprit smashes the window of a car and grabs whatever is inside, sometimes even when the car is occupied and has been known to happen even in the areas where expatriates live. There is also robbery and blackmail committed by people impersonating police officers and ATM-related and other crimes (fraud, skimming) that frequently occur. Also, in one travel guidebook about Johannesburg’s “Old Town” (downtown) it was written about safety concerns that “to go downtown one risks being beaten and robbed of one’s valuables and in the worst case even killed”. Recently, the “Old Town” has been undergoing redevelopment and the situation has become much improved, however, one still needs to pay attention to one’s security.*
- Note 6:** *The long-term resistance movement by the ANC and strong condemnation by the international community including economic sanctions pressured South Africa into abolishing its apartheid policy in February of 1991. In the general elections of 1994, all South African citizens, including blacks, were allowed to participate and vote.*
- Note 7:** *Nelson Mandela continued to fight for black freedom and rights throughout his 27 years of imprisonment as did Walter Sisulu, who was sentenced to life imprisonment together with Mandela. The international airport in Johannesburg is named after Oliver Tambo (O.R. Tambo International Airport), another ANC freedom fighter, and the names of these and other ANC freedom fighters and politicians who fought to end apartheid adorn many places in South Africa.*
- Note 8:** *Most recently President Zuma has come under fire for using public funds for lavish improvements on his private residence and his and his family’s shady connection to one of South Africa’s richest entrepreneurs.*
- Note 9:** *As a result of this political disorder, in the two days following the finance minister’s dismissal (December 9, 2015) the South African rand’s value against the dollar dove by 10% (it plunged by 30% during the 2015 currency year). As such, President Zuma re-appointed a former finance minister, Mr. Pravin Gordon, as the new finance minister 5 days later to try and end the confusion. However, there is current conflict between Finance Minister Gordon and President Zuma which is a concern for the South African economy.*
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