



NORTH-WEST UNIVERSITY  
YUNIBESITHI YA BOKONE-BOPHIRIMA  
NOORDWES-UNIVERSITEIT  
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# Matching BRIC foreign direct investment with the NW Province's priority sectors

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*NORTH WEST BRICS EXPO AND INTERNATIONAL TRADE &  
TOURISM CONFERENCE*

*21 – 24 February 2013*

*Mmabatho Convention Centre*



# Discussion outline

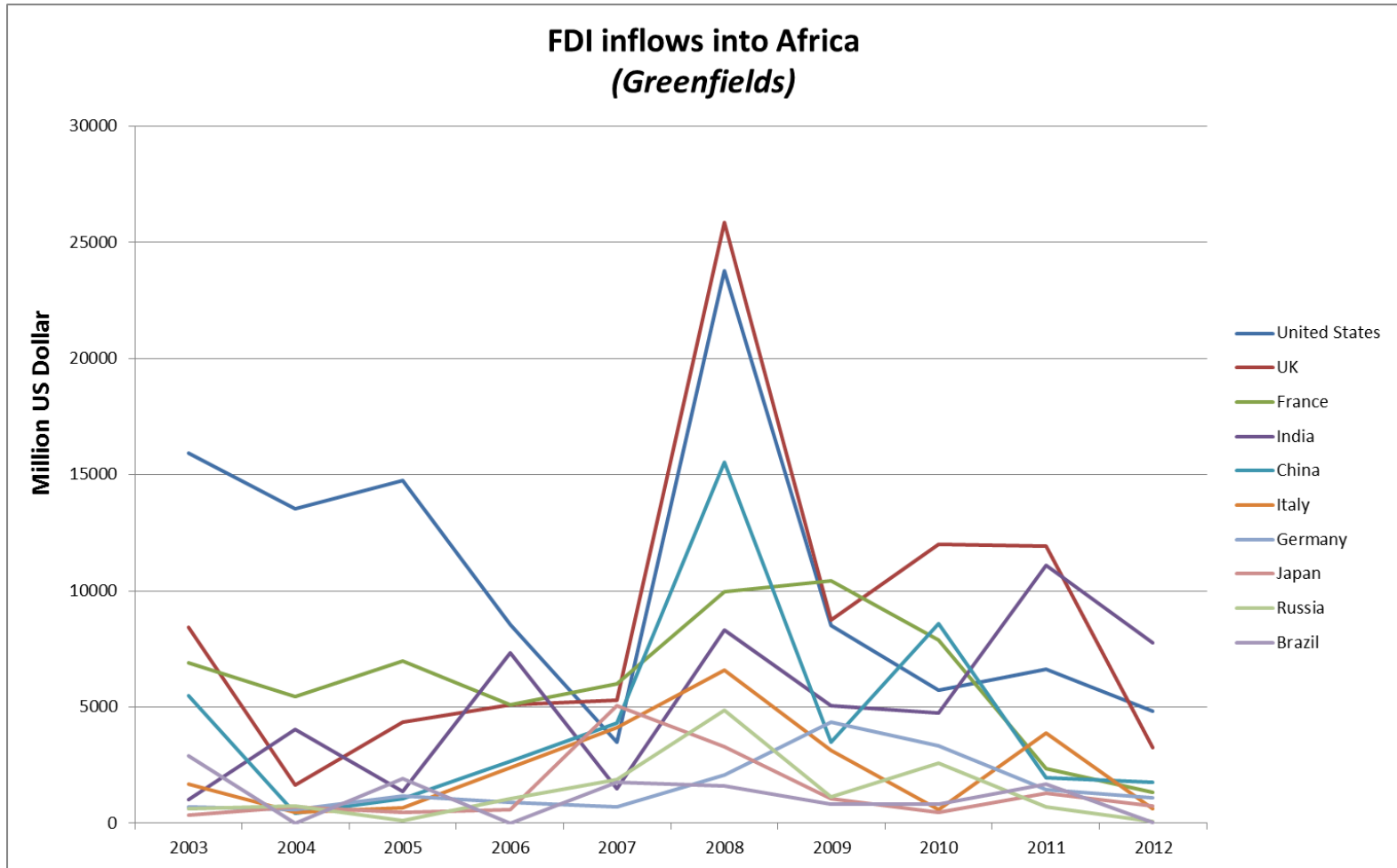
- 1. Introduction**
- 2. African FDI trends**
- 3. North West Sectors**
- 4. The BRIC in South Africa**
- 5. The most relevant sectors**
- 6. Back to African context**
- 7. Conclusion**
- 8. Questions**

# Introduction

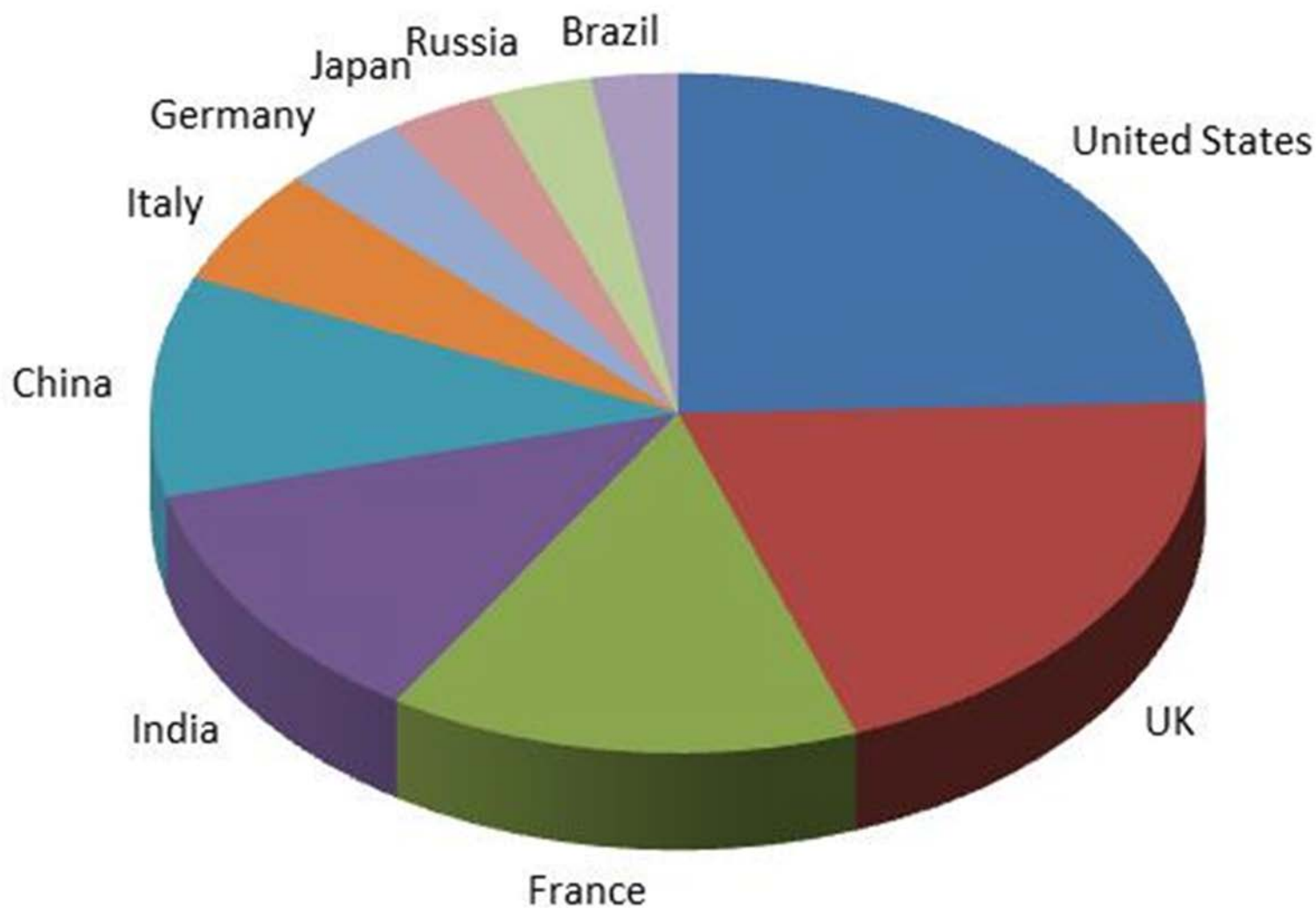
## ... from the Economist to corporate boardrooms

- **FDI into Africa is on everyone's lips...**
  - Abundant natural resources
  - Ever improving transport and logistics infrastructure
  - Growing markets
  - Easier market access
  
- **South Africa is in a strong position...**
  - First-rate financial system
  - Favourable cost of doing business
  - Skills availability
  - Competitive sectors / industries
  - Macro-economic stability
  
- Ernst Young Report indicates that SA is still the No 1 FDI destination
  - Not in the key resources sectors though
  - Declining share

# Spaghetti Bowl – 2012 was not a good year



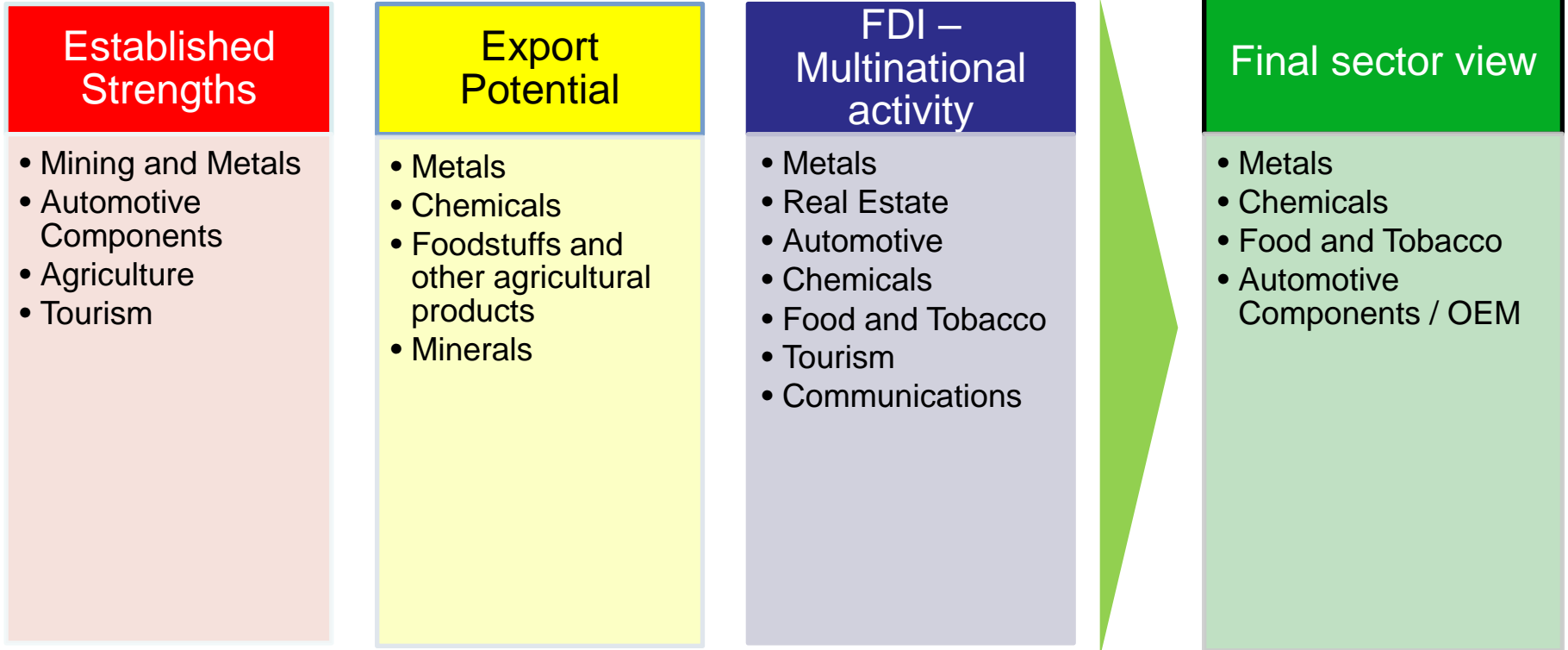
# Total FDI inflows (Selected Partners 2003-2012)



The  
Rise  
of  
BRIC

# North West Sectors

Combining three views



# BRIC in South Africa

## Whats the real picture?

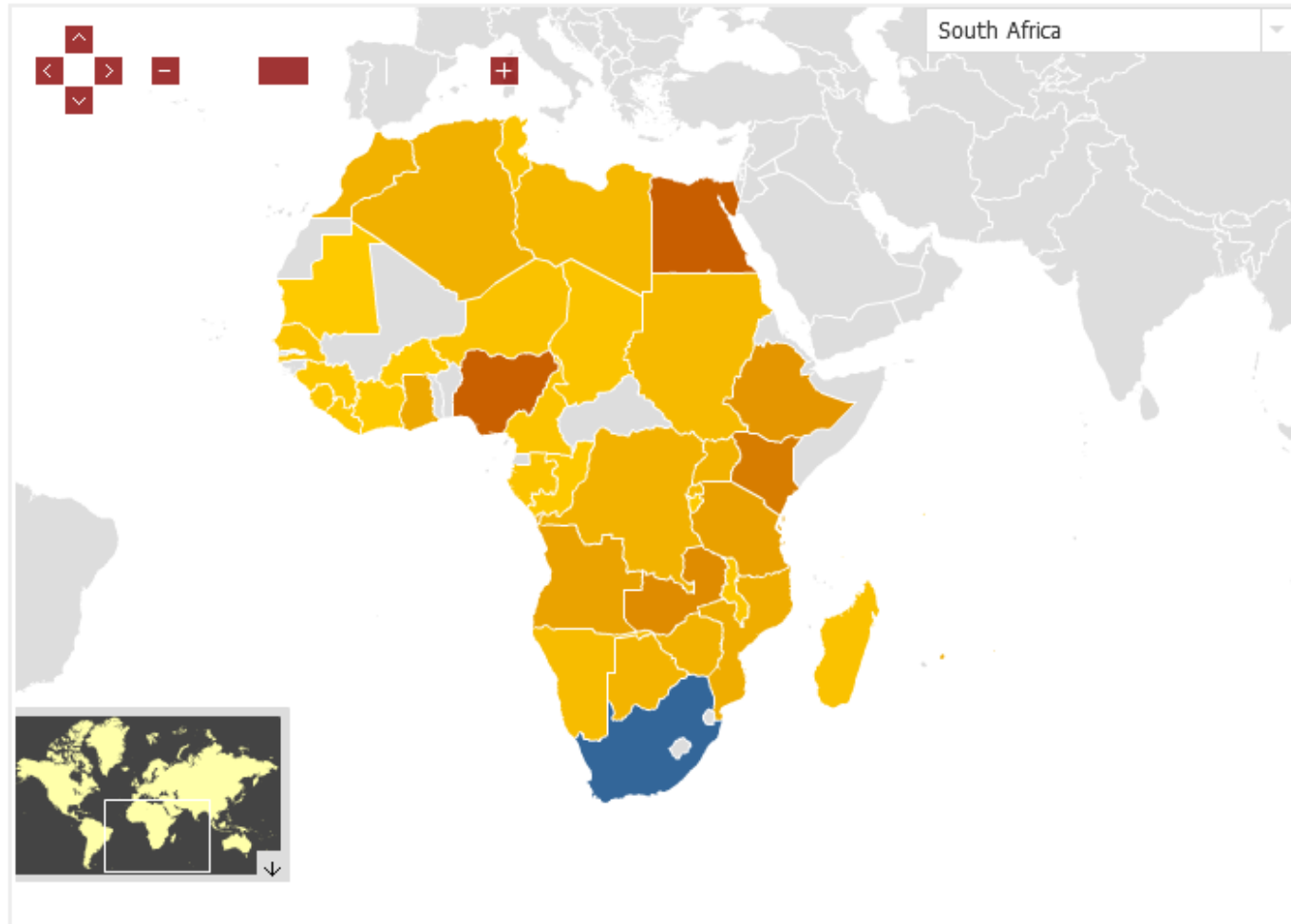


South Africa

- FDI projects: 106
- 18.37% of Projects in search
- Capital Investment: \$7,789.60 m
- Average Capex: \$73.50 m
- Job creation: 25,059
- Average Jobs: 236
- Companies: 82

### Top 5 destination cities

City name	Projects
Johannesburg	35
Cape Town	8
Durban	7
Ladysmith	2
Port Elizabeth	2
Other	10
Not Specified	42



# BRIC in South Africa

Whats the real picture?

## China

### Stats

- Projects : 33
- Capex : 1.7 bill U\$
- Jobs : 10 200

### Top Sectors

- Metals, Automotive OEM, Communications, Financial Services, Food and Tobacco, Building & Construction, Chemicals

Top Companies  
Sinosteel  
Longyu Pigments  
Jidong Cement  
GAIG, GWM, FAW

## India

### Stats

- Projects : 59
- Capex : 4.64 bill U\$
- Jobs : 9643

### Top Sectors

Coal, Oil and Gas  
Automotive OEM  
Hotels & Tourism  
Metals  
Software & IT

Top Companies  
Tata Group, OP Jindal  
Wipro, Apollo Tyres  
Mahindra, Ashok Leyland  
Bharrat Biotech

## Brazil

### Stats

- Projects : 4
- Capex : 24.7 mil U\$
- Jobs : 117

### Top Sectors

Automotive OEM  
Automotive Components  
Chemicals

Top Companies  
Marcopolo  
Embrapa

## Russia

### Stats

- Projects : 10
- Capex : 1.36 bill U\$
- Jobs : 4735

### Top Sectors

Metals  
Coal, Oil and Gas  
Aerospace  
Financial services  
Communications

Top Companies  
Renova  
Norilsk Nickel  
Rosatom  
Utair Aviation  
Renaissance Capital



# NWU Studies

## FDI in Africa research team

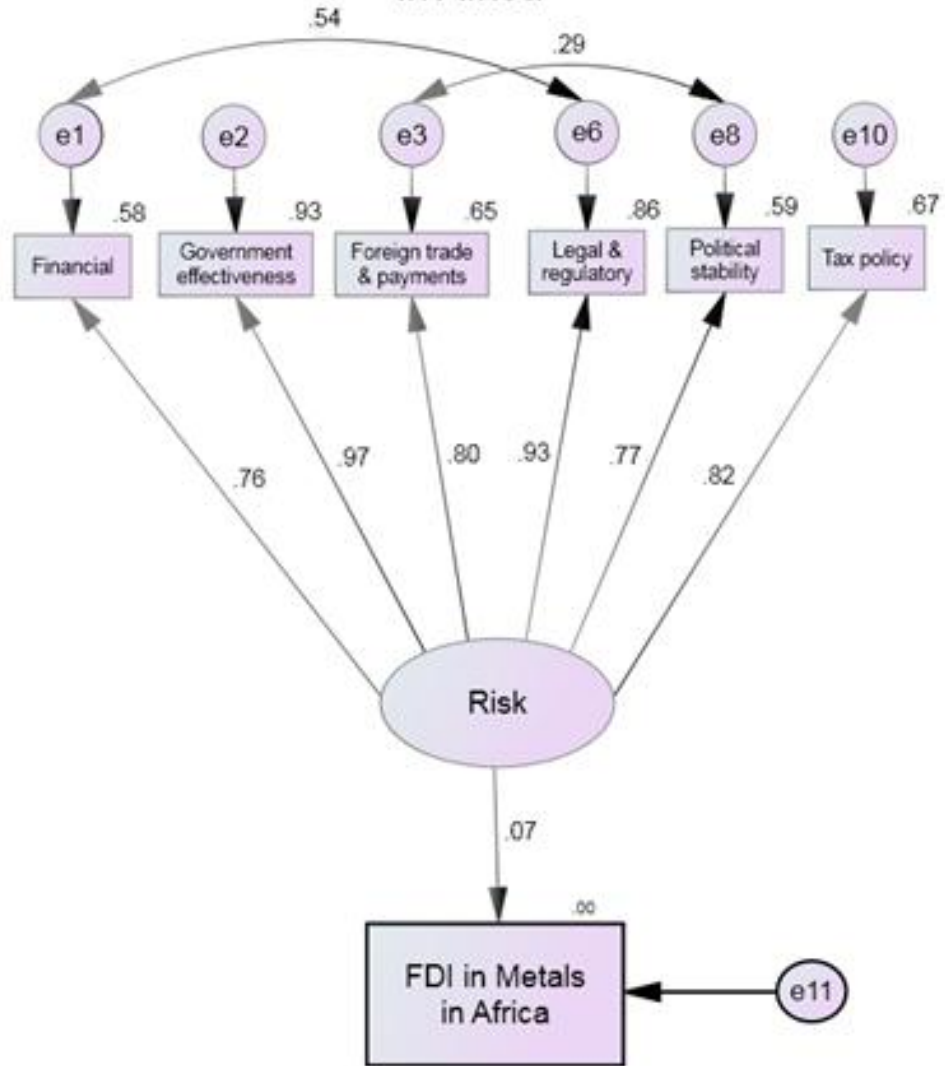
- **The state of Chinese FDI in Africa**
  - Medium growth
  - Diversified Economies and Oil Economies
  - Southern Africa (SADC 66%)
  - Market seeking as well as Resource seeking
  - Food security
- **Profiling the determinants of Indian FDI in Africa (continuing)**
  - Role of good governance
  - Global variables
  - Macro economic variables
  - Lesser impact of micro variables
- **Sectoral risk perspective on FDI in Africa**
  - Metals
  - Automotive OEM
  - Real Estate
  - Communications

# Metals

North West: Strongest and Weakest Link

- **All the BRIC countries are involved**
- **Africa is opening up and the competition for investment in Metals is growing**
- **North West and South Africa has a distinct advantage**
  - Supporting industries
    - Equipment component manufacture
    - Distribution networks
    - Equipment Service
    - Business Management Services
- **Can no longer compete with BRIC in manufacture**
  - Active policies required to transform uncompetitive support industries in to continent wide service industries

# FDI in the metals sector in Africa

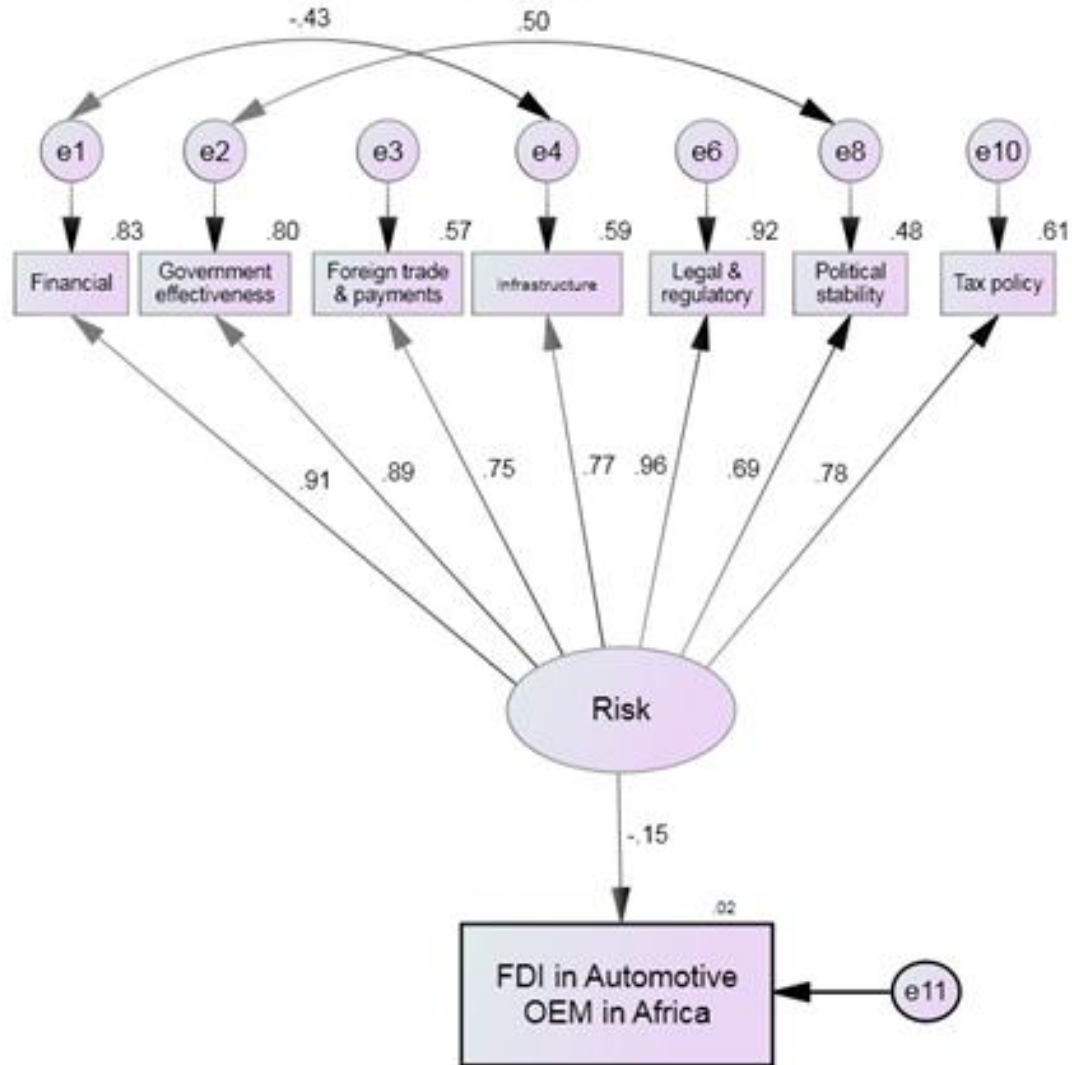


# Automotive Components / OEM

## A Provincial Mindset Shift

- **South Africa has a strong signature when it comes to the Automotive Industry**
- **The Brits cluster is geared for Component Manufacture – servicing primarily the Gauteng Factories**
- **A long term strategy should be shifting to the OEM industry**
- **Global lesson indicated that this starts, *rather small*, with**
  - Scooters
  - Atv's & Quads
  - Jet ski's
  - Customization for specific industries (Tourism, Transport and Agriculture)
- **A new vision for the province is required**
- **BRIC brings this opportunity**

# FDI in Automotive in Africa



# Food and Tobacco

Opportunity abounds

- **Agriculture and related products is well established throughout the province**
- **Strong investment opportunities exist for focused investment**
- **Recent milk powder plant by Nestlé (prime example)**
- **The focus should be on which BRIC companies are investing and whether they are investing for local production or export**
- **Smaller projects, with high job creation potential, along the value chain**

# Chemicals

The missing piece

- **This sector is not well established in North West**
- **It is as if it's a missing piece**
  
- **North West has the mineral and other resources**
  
- **BRIC is actively investing this sector all over the continent**
  
- **Investing companies should be surveyed on possibilities for the province**

- **Insert Dashboard here -**



# Conclusion

## Summary of opportunities and challenges

- **To summarise we can highlight the following:**

- The main sectors for the North West Province to focus on in the BRICS context
  - Metals
  - Automotive Components/ OEM
  - Chemicals
  - Food and Tobacco
  - Real Estate and Tourism
- Although BRIC may exist as one entity - each BRIC member is unique and has his own FDI preferences and corporate culture
- BRIC has changed the FDI landscape in Africa, but this new relationship is still in its infancy
- Whether BRIC investment in South Africa and North West will be beneficial or not will be determined by our application

# Questions

**Q & A** Please feel free to contact me any time during the proceedings if you require more information





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# Thank you

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