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South African Investment Protection Bill considered inadequate by German businesses

Berlin / Johannesburg - German businesses have indicated that the South African Investment Protection Bill that is supposed to regulate foreign investments is inadequate. Representatives of the German economy therefore call on the South African government to improve the protection of German investments. This happens on the occasion of the 4th bilateral German- South African Business Forum, which is going to be hosted by the German-African Business Association and the Southern African-German Chamber of Commerce and Industries (SAGCCI) in Johannesburg. The hosts expect about 200 participants from both countries.

“The new draft law shows obvious weaknesses. German companies suspect that their new investments in South Africa will not be assured by investment guarantees of the government” says Stefan Liebing, chairman of the German-African Business Association. There will not be any compensations for actions that are comparable to compulsory acquisitions, but are no direct compulsory acquisitions. Furthermore there is no mediation by international arbitral courts. “We know about the reliability of the South African rule of law. International treaties are a better instrument to win investor’s trust though,” says Liebing.

Clive Kellow, chairman of the Southern African-German Chamber of Commerce and Industries says, “We are all aware of the termination of the bilateral investment protection treaty (BIT). At the moment there is no legislation to protect investment. This kind of framework is in the mutual interest of both countries and will benefit the continued cooperation in developing the South African and German economies.”

The South African government has just cancelled a bilateral investment protection treaty (BIT) with Germany in October 2013. Investments that were implemented prior to the cancellation of the treaty are still protected for 20 more years. However new investments will be subject of the National Investment Protection Bill.

At the German-South African Business Forum representatives from the private sector and political institutions of South Africa and Germany will discuss the future of bilateral business relations and concrete business opportunities from September 17th – 19th.

South Africa stays the most important African market for German companies. About 6 out of 10 billion Euros of German foreign direct investment in Africa go right into South Africa. There are about 600 German companies settled in South Africa, employing about 90.000 employees. Some of these companies are amongst the most important and most modern production plants of the country. The main emphasis for German companies in South Africa lies in the car sector, the chemical industry, manufacturing systems engineering, electrical engineering and the insurance sector. In a ranking of the most important oversea markets South Africa lies on a draw with Canada and Mexico on rank 11. To South Africa, Germany is the most important trade partner after China (2013: 13.9 billion EURO). Besides playing an important role for employment, professional training and technological advances in South Africa, many German companies are engaged in social and public affairs.