

Swot analysis of  
south africa strength  
natural resources  
economics essay



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South Africa has the world's biggest stock of manganese & platinum group metals (PGMs), as per the US Geological Survey, and among the highest reserves of gold, diamonds, chromite ore as well as vanadium.

South Africa's economy built on diamond mining and gold. This zone is an key foreign exchange earner, with gold accounting for more than one-third to its exports. In 2009, the country's diamond manufacturing was the fourth biggest in the world.

South Africa's prolific mineral reserves include precious metals & minerals, energy minerals, non-ferrous metals & minerals, ferrous minerals, as well as industrial minerals.

South Africa has high level of technical as well as production expertise, and broad research & development activities in this field.

### **Political Stability**

As an emerging financial system, South Africa has not remained totally unaffected by the turmoil in other emerging economies world-wide, especially in Asia, as well as recently also in Russia. These negatively affect investor believed in these countries.

South Africa's peaceful and stable transition to democracy, recognized as one of the major achievement of the 20th Century across the world , is not a fluke or a mere short-term achievement: the realities in South Africa, which made this amazing transition possible, are still in place and assurance to future stability.

## **International Dimension**

Besides large-scale foreign investment in South Africa like,

Large and longstanding investments by leading European companies

BMW invested in it.

Coupled with this are the large & well-established overseas communities in South Africa, especially from Europe which includes Greece, Portugal, the UK and Germany which represent a further guarantee for continued global interest and association with South Africa.

### **The level of corruption is low:**

South Africa is the second least corrupt country on the continent of Africa, with a slightly better rating in the 2006 Corruption Perception Index by global watchdog Transparency International.

The country scored 4.6 in the annual survey, up from the 2005 score of 4. (South Africa Info)

### **Inflation is well under control;**

The inflation rate in South Africa was noted at 5.60 percent in month of October of 2012. Historically, from 1981 until 2012, South Africa Inflation Rate averaged 9.7 Percent reaching an all time high of 20.8 Percent in January of 1986 and a record low of 0.1 Percent in January of 2004 (Tradding Economics)

## **Strategic Location**

South Africa's seven business ports form by far the largest, one of the best equipped and most efficient network on the African continent, managing yearly approx 500 million tons of cargo. They work as strategic transshipment hubs for traffic connecting Europe, Asia, the Americas & Africa. The extraordinary growth in airline traffic since 1994, through the major international airports in Johannesburg, Durban & Cape Town, is due to the rapid.

## **Modern Infrastructure**

Due to modern infrastructure currently the most satisfying surprise which many first-time visitors get on coming in South Africa is the outstanding physical infrastructure which includes modern rail, road, air as well as other transportation services. The harbour & road systems are well maintain & hold immense potential for public-private joint venture.

## **Government Commitment to Investment Facilitation**

The South African government invites more and more foreign investors. All exchange controls on non-residents have been lifted so that investors are free to take their money out of the country at any time.

## **Weakness**

### **Coastal Area**

South Africa have 3000 Km coastal line which is connected with both the Atlantic ocean and Indian Ocean. Due to this, if any natural calamities arise in an ocean, its direct impact seems over the South African economy. South Africa's major five cities are located at a coastal area which are Cape Town,

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Durban, Johannesburg, so there may be chances of breakdown of economy due to this reason.

### **Inadequate Technology**

Due to lack of technology South Africa fail to utilize their natural resources effectively. South Africa holds not only minerals but also agricultural resources so that their agriculture can also grow at a effective margin but due to lack of advance technology indirectly south Africa lose the opportunity of gaining the employment and welfare as well from the natural resources and they exports such resources which will not generate good amount for the south Africa.

### **HIV-AIDs**

The South African health sector has a main problem of HIV-AIDs. The impact of the AIDS epidemic is seen in the dramatic change in South Africa's general mortality rates. The overall annual number of deaths increased sharply between 1997, when 316, 559 people died, and 2006 when 607, 184 people died. (Avert)

### **High Taxation Level**

In a South Africa, there is found a high taxation level, because of this reason people generally avoid to pay a tax and also small player never ever pay a income tax, foreign company think that whatever we earn here, its major portion we have to give to the government so why we do the business here.

A South African taxpayer under the age of 65 with taxable income of R500 000 would have to pay PIT of R127 095 at an effective tax rate of 25.4% and a marginal rate of 38%. (The South African Institute of Tax Practitioners)

## **High Unemployment**

South Africa's rate of unemployment is one of the highest in the globe. It is known as one of the major critical socio-political troubles faced by the Government of the South Africa. It is estimated that approx 40% of the South African labor force is unemployed, and more than half of the unemployed populace has never been occupied in some kind of employment. Nearly 25-30% of people look for jobs are without a job. (Economy Watch)

## **Electricity Problem**

There is trouble of distribution of the power in South Africa. About 85% of the country's power is used by big company, that is, most of the power is used to make profits. Big company paid about 8 cents per kilowatt-hour while home consumers pay about 26 cents. The abuse of the country's power by the capitalist can be seen in the long-term deals Eskom makes with aluminium smelter bosses that get them huge amounts of power for as little as 3 cents per unit.

## **Personal Safety**

Crime continues to be a most common issue in South Africa. Most tourists who visit South Africa leave after their vacation without any unpleasant occurrences. Certain places witness violent crime as a routine activity but this tends to be in places like downtown Johannesburg & certain townships which are the poorer areas.

## **Lack of Capital Management**

Public sector employees in South Africa feel entitled to large annual pay increases, because they hold much power in South Africa's political elections. Unfortunately, as the governments pays off this large block of workers, they fail to increase programs that help the country to operate better. Government programs to help the poor will see less money due to the pay increase to public sector workers.

## **Crime in Big Cities**

In South Africa there found the crime in the big cities as well. There is always a crime in rural area but in urban area as well found as highest level of crime so that people are afraid to do a business in a south Africa because there are not a safety measure and government also fail to prevent those crime.

## **High Education Cost**

In South Africa, the cost of the higher education is high, so that poor student cannot afford the high cost of education. While the student who belong to rich class also many a time not want to spend money for the education. Education is a fundamental for the future of the nation.

## **Opportunity**

### **Online selling**

There is a large scope for the south African retailers and other retailer to develop a online store for selling Their products to retail customer. In number of people aware of internet in south Africa has gone up by many times. People now do know how to us internet and how to purchase products online. The no of internet users in south Africa in 2009 where 4. 42 million

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which is 54 in country comparison to the world. (Countries of the World) Due to the change in the psychology people now are ready to buy products from the internet and are becoming regular user of it. Online selling would help the manufacture to cut the price of products as there is no middle man involved here and ultimately help the consumer.

### **Large young labour force**

South Africa has a large number of people who are young and are able to do any type of task. According to one statistics the 65% of total population of South Africa is aged between 15 to 65 years of age i. e. 65 % of people of South Africa can do work easily (Department, 2008). A large number of people who can do work both physical and mental is an asset of the country and would help country to develop at a much faster rate. Young labour force would help to develop industry which are labour intensive like cloth industry, paper, handicraft etc.

### **Transshipment point**

The location of the South Africa gives it an opportunity to become a largest transshipment point in the world. South Africa is between the Asian and American continents so any ship that wants to go from Asian continents to African has to move from South Africa. South Africa is situated in such a way that its between Indian and Atlantic ocean. South Africa thus has the opportunity to develop a transshipment point for both American and Asian continents. Transshipment point would help South Africa to fetch large revenue as all the ship would be using the port and the machinery of South Africa. Developing South Africa as transshipment point another ancillary

industries would also develop in South Africa and would create revenue from <https://assignbuster.com/swot-analysis-of-south-africa-strength-natural-resources-economics-essay/>



voyagers. Another advantage would be the people of south Africa would get exposure of new products that are been used by developed countries.

### **Renewable source of energy**

South Africa is situated in the southern hemisphere subtropical zone so it's a clear dry hot weather there most of the time. South Africa can build the cheapest source of energy i. e. solar energy on a large extent. A cheap source of energy is very useful for the country to develop an industrial economy. A cheap electricity supply would help the industries to produce goods at lower price and with economy of scale. South Africa UN till now produces its electricity with help of coal but as the weather is hot and sunny a solar power plant can be installed in major parts of South Africa to get a cheap and renewable source of energy. A solar power plant would also help to reduce carbon emission preserving the natural beauty of South Africa for tourism industry to develop.

### **Act as an test field for technology**

South Africa has the 4th largest telecommunication sector in the world. South Africa has also the diverse market for testing of new technology in the market. South Africa is also the one of the highest media concentrated country thus South Africa can become the one of the major player in the field of testing and piloting of systems and application due to its growing number of users everyday and a diverse group of people living.

### **Tourism**

South Africa can become one of the best tourist destinations for people how like to have some adventure along with the fun and the beautiful landscapes.

South Africa has some of the most adventures sites that can be developed as a tourist attraction with a safety system installed. The banks of sabie river landscapes of Mpumalanga and many others have the potential to become a great tourist attrition place. Along with these south Africa has a both the land and the ocean so people how likes to go for desert safari can go on long with the interior of south Africa. The people who love to see the marine life can live near the coast of Africa and enjoy the beauty of marine life. And scuba diving facility can also be developed for the tourist to watch the imagistic life under water.

## **Huge infrastructure opportunities**

President Jacob Zuma has urged South African business to take benefit of the opportunities that will be formed by the massive new infrastructure build agenda announced in the 2012 State of the Nation address.

## **Threats**

### **Racism**

It is clear to most South Africans that discrimination remains a key challenge to their democracy there is more discrimination between white and black people. As such, as a society they owe it to their selves to connect with this problem with honesty and openness. Inequality shaped and institutionalized by apartheid are still rampant 14 years into the new dispensation. Coupled with attitudinal shift, fighting these inequalities in all their manifestation would be one way of handling this challenge rather than coming up till we are stunned by a humiliating act such as the University of the Free State and Riverlea Secondary School sagas.

## **Terrorist Threat**

Two massive bombs exploded on August 7, 1998 outside of the U. S. embassies in Dar es Salaam, Tanzania, and Nairobi, Kenya, killing 224 people — including 12 Americans — and injuring 5,000

There are many terrorist groups activated in South Africa like :

Al Qaeda

Al Shabaab [http://www.criticalthreats.org/sites/default/files/imagecache/530width/main\\_images/analysis/Militants\\_Truck\\_Mog\\_main.jpg](http://www.criticalthreats.org/sites/default/files/imagecache/530width/main_images/analysis/Militants_Truck_Mog_main.jpg)

Somalian Group

Etc.

## **Health care**

Top of Form

South Africa had cases of health-care staff being attacked who were not targeted, but who got in the way of conflict among persons or groups. Once, an Emergency Medical Services (EMS) coworker was nearly petrol-bombed during gang cruelty in Cape Town. In another instance, a patient was bashed through the window of an ambulance.

Healthcare sector is not protected by the government of South Africa for example when an ambulance goes into a place; it is not always seen as an ambulance, menace that no one will touch it. Furthermore, the ambulance

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team might be pick up somebody that the neighbourhood, or a exacting group, doesn't want to be treated.

Ethics is one of the issue that needs to be explore further in a provincial conference for the reason that, even in times of disaster, the issues can be very same.

### **South African miner threats pressure**

Prominent South African platinum miners delivered much high pay demands and threatened to extend trade action further, deepen a crisis that is fitting the major threat to the ruling party ANC from the time when the end of apartheid.

More than 100 chanting strikers groups , many “ knobkerry” clubs as well as waving sticks, accompany protest leaders as they deliver a printed memorandum laying out their demands to Amplats administration offices near the Bleskop stadium. Police hard-edged vehicles kept the larger mass of miners in the stadium, within view of a white clubhouse painted with Amplats crowd slogans such as we value and care about each other and we are one team.

### **South Africa mine: Lonmin drops threat to fire workers**

Striking platinum miners gather on 20 August 2012 at Lonmin's Marikana platinum mine

### **Climate ‘ threat to African food security**

The food security threat posed by climate change is one of the most important challenges facing by the African continent.

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Africa has the liability to feed the world and its own African people, the Africa faced with enormous weather change constraint such as severe drought, floods dreadful diseases.

Global warming as well as the rise of sea levels could also threaten fisheries & reduce the agricultural production in African.

## **South African Cell phone Banking Faces Threat from New Law**

The tuition of Interception of Communications and Provision of Communication Related Information (Rica) Amendment Bill was due to have been implemented this month. However, completion was delayed awaiting amendments to the act.

As it stands, the bill will require cell phone operators to recognize and record more than 30-million consumers within 12 months of execution of the act. Those who cannot be identified will have their services suspended. The amendment bill is aimed at improving transparency in communications by monitoring cellular & fixed-line customers in an attempt to fight fraud and other crimes.