ALFRED NOBEL UNIVERSITY
DEPARTMENT OF GLOBAL ECONOMICS

Bachelor's Thesis

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DEVELOPMENT AND IMPLEMENTATION OF THE INTERNATIONAL INVESTMENT

PROJECT ¨OPENING FREIGHT BROKERAGE COMPANY IN SOUTH AFRICA''

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Student: Nelson Tinashe Matanhire

Group: Meb 16 A______________

Specialty: 292 International economic relations

Supervisor: Alisa Mahdich, PhD in Economics

Last name, initials, scientific degree

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ALFRED NOBEL UNIVERSITY
DEPARTMENT OF GLOBAL ECONOMICS

First (bachelor) level
Specialty 292 International economic relations

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Head of the Department _______________
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(signature, last name, initials, scientific degree, academic status)

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The Bachelor's Thesis Assignment

______________________Nelson Tinashe Matanhire_______________________________________
Student's full name

1. Title _________ Development and implementation of the international investment project "Opening freight brokerage company in South Africa"____

2.Supervisor_____Prof. Alisa Mahdich, Phd in Economics____

____
(last name, initials, scientific degree, academic status)

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3. Deadline for submission ____

4. Aim of the paper: to develop scientifically substantiated recommendations and proposals on development and implementation of international investment project in South Africa

5. Thesis outline (list of issues to be developed): Realization of the goal set in the thesis resulted in consideration and solving of the following tasks: to find out the influence of foreign investment activity and implementation of the project in South Africa; to analyze the methodology of developing the system of investment of South Africa and trade flows in the conditions of globalization; to study the customs regulation in South Africa; To give an analytical assessment of the investment policies in the sphere of foreign economic activity of South Africa; to critically evaluate trends in the development of South Africa foreign direct investment; to identify the key aspects of international investment and how the government deal with attracting potential foreign investors; to analyze possible positive and negative consequences for South Africa accessions.

6. Date of issue of the assignment ______________________

7. Thesis schedule

no	Stages	The deadline for submission	
		Schedule date	Actual date
1	Chapter 1		
2	Chapter 2		
3	Chapter 3		
4	The whole paper		

Student __________ __________________________
signature *last name, initials*

Supervisor __________ __________________________
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АННОТАЦІЯ

Матанхіре Нелсон Тінаше. Розробка та реалізація міжнародного інвестиційного проекту «Відкриття вантажно-брокерської компанії в Південній Африці»

Розробка та реалізація роботи над міжнародним інвестиційним проєктом дає уявлення про інвестиції в Південно-Африканську компанію вантажних брокерських компаній. Характер бізнесу, який вивчається, вимагає капітальних вкладень, навичок розслідування, дослідження та аналізу економічного та інвестиційного клімату Південної Африки. Також розглядається поточна ситуація на ринку Південної Африки та потенціал розташування бізнесу на сайті такого запропонованого проєкт. Основне завдання цієї дипломної роботи полягає в обчисленні та вимірюванні доцільності, життєздатності та фінансових можливостей запропонованої компанії з брокерських перевезень та бізнесу, що працює в Південній Африці.

У процес роботи автор намагався визначити проблеми, що виникають у процесі здійснення процессу інвестування, а також запропонувати деякі рішення, засновані на відгуках на місцях. Результати цього дослідження послужать керівництвом щодо створення потенційної брокерської компанії в Південній Африці.

Ключові слова: *інвестиційний клімат, інвестиційний проєкт, служба доставлення вантажів, прямі іноземні інвестиції, зовнішня торгівля, Південна Африка, ВВП*

ABSTRACT

Nelson Tinashe Matanhire. The Development and Implementation of the International Investment Project: Freight Brokerage Company Business in South Africa

The thesis about development and implementation of the international investment project work gives an idea of investment in South Africa of freight Brokerage Company. The nature of the business being explored requires capital investment, investigative skills, research and analysis the economic and investment climate of South Africa. Also looking at the current situation in South Africa market and business location potential of the site of such a proposed project. The main agenda of this thesis is to calculate and measure the feasibility, viability and financial potentials of a proposed freight brokerage Company and the business on goings in South Africa.

To have a major success on the project, this thesis is going to simply and identify the problems faced in the process of making such an investment then offer some solutions based on the feedbacks from field research.

The results of this study will serve as a guide to establishing a prospective freight brokerage company in South Africa.

Key words: *investment climate, investment project, freight delivery service, foreign direct investment, foreign trade, South Africa, GDP*

ABBREVIATIONS

AU	AFRICAN UNION
SADC	SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
EU	EUROPEAN UNION
GDP	GROSS DOMESTIC PRODUCT
FDI	FOREIGN DIRECT INVESTMENT
IMF	INTERNATIONAL MONETORY FUND
USA	UNITED STATES OF AMERICA
SARB	SOUTH AFRICA RESERVE BANK
FT	FREIGHT TEC
BOL	BILL OF LADING
POD	PROOF OF DELIVERY
ETA	ESTIMATED TIME OF ARRIVAL
OP	OPERATIONS
SCM	SUPPLY CHAIN MANAGEMENT
SACU	SOUTH AFRICA CUSTOMER UNION
BPS	BUSINESS PROCESS OUTSOURCING
IIT	INDIVIDUAL INCOME TAX
VAT	VALUE ADDED TAX
UNDP	UNITED NATIONS DEVELOPMENT PROGRAMME
HDI	HUMAN DEVELOPMENT INDEX
CPI	CONSUMER PRICE INDEX
BRIC	BRAZIL, RUSSIA, INDIA, CHINA AND SOUTH AFRICA
WIPO	WORLD INTELLECTUAL PROPERTY ORGANIZATION

TABLE OF CONTENTS

TABLE OF CONTENTS

INTRODUCTION

Actuality of theme. International investment is one of the main discussions, arguments, and debates in this world today; the economy is the foundation and the super structure of every nation today. The vital aspect of international economics is that the country can be able to build its nation to attract foreign investment in order to build its economy to meet people's needs. Analysis of investment climate in a country on this project lam going to look at the investment climate of a nation South Africa. Before we dig deep into the analysis we need to understand the meaning of the term investment. Investment term stands for a process or procedure that someone does in an act of wanting to gain profit in the near future. For example, someone buys a dozen of eggs for the price of 4 dollars and ends up selling for a higher price, of about 7 dollars that is an investment because of the fact that they got a return on it. A positive arguably some link investment and profit because in an investment when you do that you be hoping for higher returns and it takes place in a lot of different situations that we are going to tackle as we go further because we are not going to leave any stone unturned. Other example of an investment is when a father or parents use all the money and resources that they do have to ensure that their kid gets the best kind of education or knowledge. So that they can be very qualified so that they will get better jobs when they are done with their preferred education. Also be able to provide and take care of their parents when they are old and retired that is an investment. Parents know that they are investing money into something that will be a benefit them in the near future. also investment has something to do with risk taking because there is not so much success guaranteed from it because it may go the other way round that might not be expected so you will have to know what you are getting yourself into.

The purpose of the study. The purpose is to develop scientifically substantiated recommendations and proposals on development and implementation of international investment project in South Africa

Tasks of work.

Realization of the goal set in the thesis resulted in consideration and solving of the following tasks:

- to find out the influence of foreign investment activity and implementation of the project in South Africa;
- to analyze the methodology of developing the system of investment of South Africa and trade flows in the conditions of globalization;
- to study the customs regulation in South Africa;
- To give an analytical assessment of the investment policies in the sphere of foreign economic activity of South Africa;
- to critically evaluate trends in the development of South Africa foreign direct investment;
- to identify the key aspects of international investment and how the government deal with attracting potential foreign investors;
- to analyze possible positive and negative consequences for South Africa accessions.

Object of study is foreign investment of South Africa.

Subject of study is the development and implementation of the international investment project in South Africa.

Method. System analysis, synthesis, theoretical generalization and comparison.

Methodology.

Scientific novelty.

• it is shown that the current system of regulation of foreign direct investment is formed under the influence of qualitative world-economic structural changes in the process of internationalization and globalization, when, on the one hand, new opportunities for investors are emerging, and on the other, the opportunity leads to a sustainable economic growth;

• It is proved that, with the general tendency of foreign direct investment; it is efficient to use instruments of government and investment policies customs of exports and imports;

• The way of achieving an effective openness of the South African economy through a creating a favorable environment for foreign direct investment market have been clarified.

• Putting into consideration that there have been a significant positive changes in the structure of South Africa international investment for a long time, the urgent need to implement the necessary strategic formulas that the quicken the growth of investment in the world market.

• Addressed the challenges of the emergence of certain risks in the development of investment project in connection with South Africa foreign investment, when it is possible to reduce the potential strategic that can solidify the potent of investment

Practical significance. In fact, the very potent aspect of international invest is by facing the reality and the state to implement a clear investment project that would both benefit the economy and the company. Having a strategic plan to seize all internal and external threats. International investment must dynamically react to global international investment, while taking into account many indicators. Simplifying this task can establish a strategic investment that can shake the course of Business Empire in South Africa. At the same time, international cooperation is impossible without clear implementation mechanisms.

SECTION 1.
SOUTH AFRICA ECONOMY: THE CURRENT SITUATION, DEVELOPMENT TRENDS AND MAJOR PROBLEMS

1.1. General characteristics of the development of South Africa economy

South Africa's economic growth performance has strengthened the sustainability of growth at the end of apartheid in 1994. Estimations of potential output growth based on alternative methodologies was conducted, including a standard production function approach. It suggests that during 1995—2003 the rate of potential output growth increased to 3%. The measure of potential output is based on historical rates of factory utilization and total factor productivity (TFP), rather than on literal full employment. In addition, it should be noted that because it is based on historical data, it includes the effects of structural and institutional rigidities that may have impeded growth in the past but not necessarily in the future. The actual rate of real GDP growth also rose to nearly 3,5 from 1/4 0/0 during 1980—94, largely reflecting a turnaround in T FP growth as the combined growth contribution of labour and capital accumulation stayed roughly unchanged in those years (Arora, 2003).

Location South Africa is a country, located at the southern part of the African continent. Which a powerhouse is in terms of business in the modern days it a neighbouring country to Zimbabwe Botswana and Namibia. Which is not a land locked nation it has ports and harbours close to it, which is going to be a big benefiter again on the topic we are looking at. In addition, this country has the 30th strongest economy in the whole world. South African currency is the Rand, which is quite strong and stable and does not just inflate just like that and the South African economy is the second most strong or biggest in Africa after the Nigerian economy and this country South Africa has a lot of races again and that’s why it is called the rainbow nation.

GDP SOUTH AFRICA - South African GDP is at $ 358.8 billion, which is the nominal that estimated as of 2019. It is ranked number 35 in the whole world. Which is quite impressive and when we look at the GDP it is one of the indicators that help to see the strength of an economy and to try to check to see if the climate of investment is favorable. We also look at number of employees' rate to see which number of people are employed and which ones are not. Therefore, it is also a factor then we have things and aspects that we are going to look at. also looking in this scenario to see which kind of investments aspects can be taken a look into we have tourism which are ,agriculture and there is mining then there is manufacturing then there is the financial sector then trade and investment and all of the above listed contents we are going to go deeper into them . As a regional manufacturing hub, it is the most industrialized and diversified economy on the continent (Economy of South Africa, 2020)

South Africa: Real GDP growth/Source: IMF

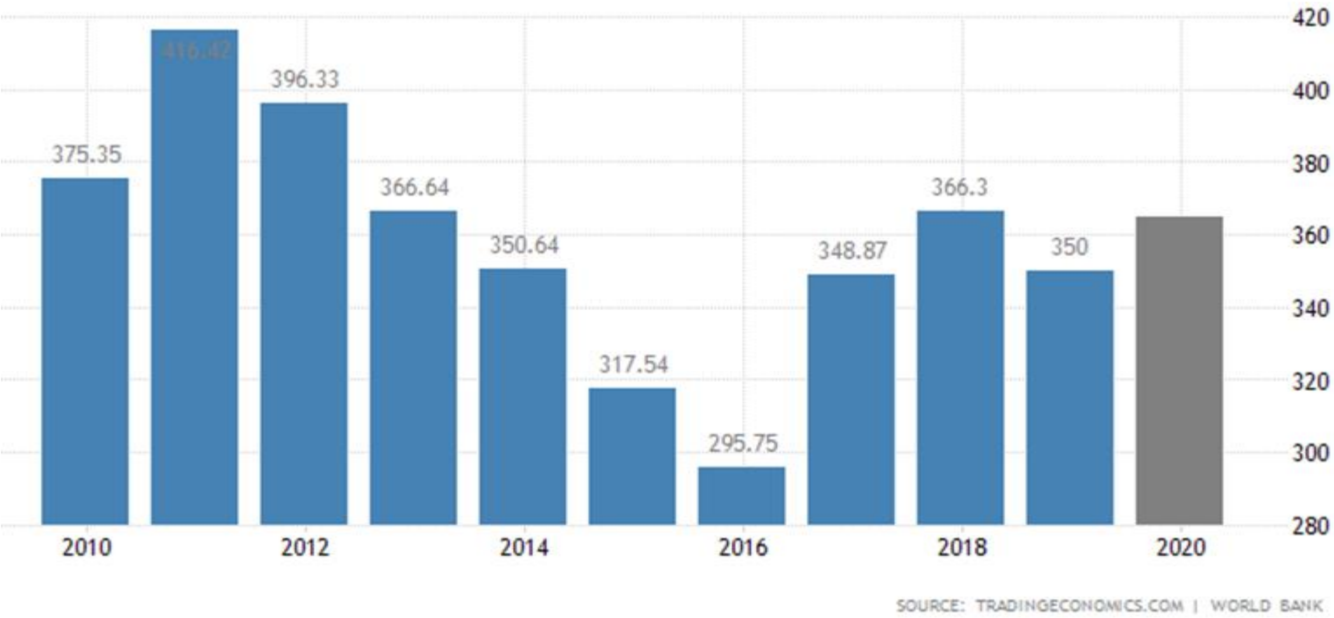

Fig 1.1 South Africa GDP from 2010 to 2020

Inflation South Africa is an integral part of the global economy, and it is imperative to understand its competitiveness relative to that of its main trading partners by focusing primarily on the trends of inflation for the respective countries. Since the adoption of an inflation-targeting framework in 2000, the SARB has been able to maintain inflation within the specified range of 3% and 6%. However, there have been times in the past where the rate of inflation rose above the specified target range of 3%

to 6%, predominantly during its initiation stage, the global financial crisis and post-recession. On average, the rate of inflation has been approximately 6% since the commencement of inflation targeting in 2000. There has been much criticism by various macroeconomists and leaders of trade unions regarding the current monetary policy approach, citing its inability to reduce the unemployment cost of fighting inflation (sacrifice ratio) as one of its major shortcomings (Vellery & Ellyne, 2011). Despite the fact that inflation rates have been moderate since the introduction of the inflation-targeting system in 2000 as compared to the past trends, when inflation was high but relatively stable, the recent rates of inflation have been of great concern. In particular, since 2000 the annual rate of inflation has been frequently on the upper end of the targeted range of 3% to 6%. As a result, this raises concern with regard to the effectiveness of the current monetary policy approach on whether there is a shift in the determinants of inflation differing from those that were identified prior to the change in South Africa's monetary policy system in 2000. High inflation is associated with substantial inflation volatility causing uncertainty in price level expectations thus making long-term economic decision making more difficult, particularly for the unemployed citizens that are already part of a lower income group. Thus, inflation, whether anticipated or unanticipated, has numerous implications in the economy, even at moderate rates.

Table 1.1

Inflation rate table

Period	RSA	USA	UK	CHINA
1970 - 1979	9.89%	7.10%	12.65%	-
1980 - 1989	14.68%	5.55%	7.11%	12.70%
1990 - 1999	8.99%	3.00%	3.31%	7.75%
2000 - 2013	5.88%	2.43%	2.26%	2.23%

Source: (calculations from IMF 2015, World Bank 2015, stats SA (2015))

South Africa: Inflation trends

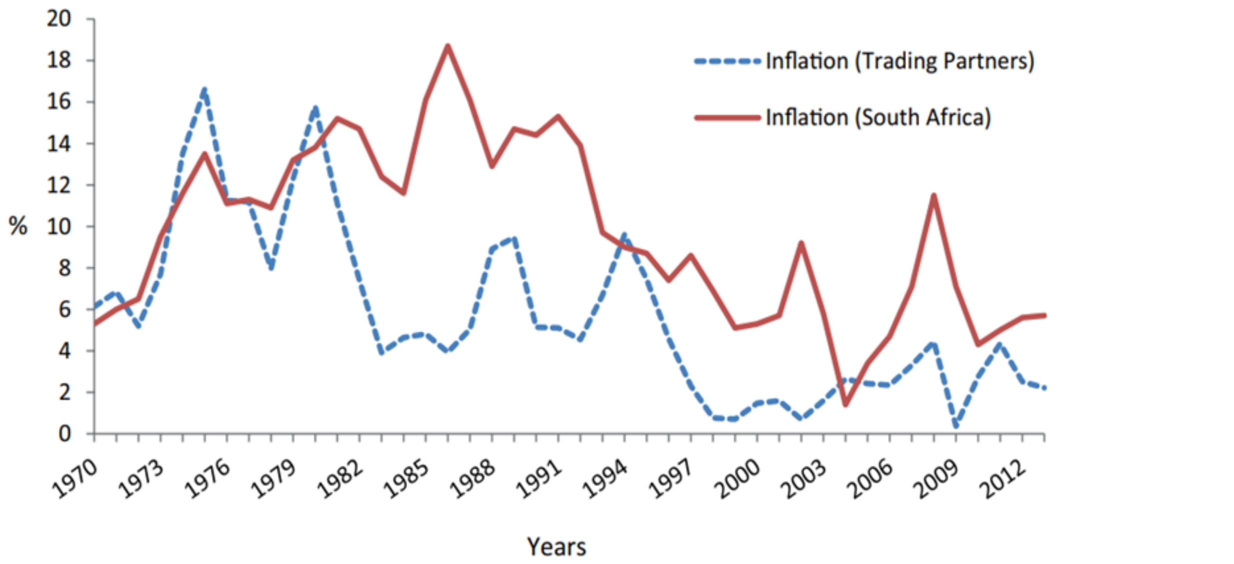

FIGURE 1: **Inflation trends between South Africa and its main trading partners***

Source: IMF (2015); Stats SA (2015)

Fig 1.2. Inflation trends between (1970-2012)

The 1980s was a period of high double-digit inflation in South Africa as indicated by an average inflation rate of 14.68%, which was attributed to monetary policy during Gerhard de Kock’s tenure as Governor of the Reserve Bank between 1981 and 1989 (Fourie & Burger, 2009; Mohr &67 Fourie, 2008). When compared to inflation figures of major trading partners, South Africa experienced relatively high levels of inflation, more than double when compared with those of the USA and UK for the period 1982 to 1987. Figure 1 shows the trends of inflation for South Africa and its trading partners. As shown in Figure 1, inflation in South Africa followed a similar pattern (upward trend) to that of its major trading partners for the period from 1970 till the late 1980s, in particular the USA and UK. The movement of inflation is roughly comparable in terms of a business cycles pattern. A declining trend in inflation since the 1970s is common among the countries. During the 1980s, the average inflation rate for South Africa’s major trading partners declined significantly from 15.79% in 1980 to 3.9% in 1983. This decline recorded the lowest inflation rate since the period of high global inflation which was experienced in the 1970s, particularly for the USA and UK. Since 1983, the average inflation for the major trading partners has been increasing steadily, with the highest rate being 9.5% in 1984, and has been relatively stable with a figure just below

5% since 1996. On the other hand, inflation in South Africa was relatively high in 1986, recording a historic rate of 18.7%, while the USA and UK recorded 13% and 18% respectively in 1980. The rate of inflation had been relatively high but stable, and the trend had been decreasing, albeit at high rates when compared to countries such as the USA, UK and China. Inflation in South Africa remained relatively high between 1980 and 2000 even though there was a steady decline in the rate of inflation for its major trading partners. It is believed that the weaker monetary stance taken during that period was the main reason why inflation remained high, while major trading partners were experiencing disinflation (Fourie & Burger, 2009). The robust or more aggressive monetary policy stance (i.e., high interest rate) that was taken in the early 1990s (an eclectic monetary policy framework) has contributed to a significant decline in the inflation differential between South Africa and its trading partners. The introduction of inflation targeting saw South Africa’s level of inflation declining to an average of 5.55% between 2000 and 2013. Although the financial crisis had a severe effect on domestic and global inflation between 2008 and 2009, South Africa’s average level of inflation followed a more or less similar trend to that of its major trading partners. The evolution of the South African monetary policy since the 1970s signals the importance of examining the causes of inflation to align them with changing economic conditions; as such, this study seeks to bridge the literature gap by identifying alternative factors that cause inflation in South Africa different from the factors that have been investigated in previous studies. This study also takes into account the impact of the inflation-targeting framework and its effect on the level of inflation in South Africa since its introduction. It intends to investigate the determinants of inflation with the aim of evaluating the effectiveness of anti-inflationary policy and providing recommendations based on the results obtained from the model, so that the recommendations would assist policy makers in achieving the desired long-run inflation target of between 3% and 6% in South Africa.

1.2. Structural changes in the economy over the years

Globally after end of the Second World War, global economic actors and policymakers have been very positive and aggressive in regards to the possibilities for international investment. That international investment it will positively stimulate economic growth and development. For example, the high increase of globalization and international trade for the past years, international investment it has been unveiled as one of the main ways in which developing countries can have access to become lands of milk and honey. In term growth and modernize of their economies, and become powerhouses in the world economy. The effects of international investment development on different aspects of the economy are, however, far from conclusive. International investment may have different effects for example:

(1) The macro economy;

(2) Regional economies;

(3) Host countries;

(4) Home countries.

In addition, international investment can influence different economic processes. Giving an example, international investment have an effect on promoting competition in the market. In this area, on the issue of

- Balance of payments;
- Performance of different industries relative to one another;
- Exposure to financial and economic risks in foreign markets; or on economic growth in general.

These points highlighted above is pin pointer of different views on the way international investment can have a positive impact on economic growth and development for host countries.

At the same time, it should be noted that the economic development of the state depends on many different factors that can directly or indirectly influence the pace and nature of economic growth. At the same time, the issue of such dependence on the sphere of foreign economic activity is extremely important and complex, in which the state policy, as a rule, should take into account not only certain regularities and characteristic peculiarities of economic activity of business entities within the country, but also corresponding international agreements, restrictions, trends, etc. In addition, the world economy is undergoing constant changes, forming some trends.

South Africa has lost its last remaining major investment-grade sovereign credit rating, as existing economic weakness is compounded by the potential impact of the global coronavirus pandemic. South Africa has no investment-grade sovereign credit rating from any of the major ratings agencies for the first time since its return to global markets in 1994. Moody's announced that it had cut the country's last investment-grade rating to "junk," sending the Rand to an all-time low of below 18 to the dollar. Standard & Poors and Fitch both downgraded Africa's most industrialized economy to sub-investment grade in 2017. In its release, Moody has cited structurally weak growth, limited capacity to stimulate the economy and an "inexorable rise" in government debt over the medium term as key reasons for the downgrade and maintenance of its "negative" outlook. The situation has been exacerbated by the expected economic impact of the coronavirus pandemic. Confirmed cases in South Africa have now exceeded 1,300, though the government is hoping that drastic early lockdown measures will prevent the exponential spread seen in Europe and the U.S.

Unreliable electricity supply, persistent weak business confidence and investment as well as long-standing structural labor market rigidities continue to constrain South Africa's economic growth," Moody's said, adding that these factors mean South Africa is entering a period of much lower global growth in an "economically vulnerable position." Debt-to-GDP (gross domestic product) increased by 10 percentage points from 2014-18 and Moody's expects this to rise by a further 22 percentage points between 2019 and 2023, with the deficit widening in 2020 to around 8.5% of GDP. Fiscal strains from interest payments and support to state-owned enterprises will continue, the agency predicted. The government debt burden is expected to rise from 69% of GDP in 2019 to 91% by the end of 2023.

'It is up to South Africa'. "South Africa's credit rating has deteriorated because of very low (and currently negative) economic growth, large fiscal deficits and sharply rising public debt, loss-making state-owned entities, and deep contestation of proposed social and economic policy reforms," explained Jeff Gable, head of research at South Africa's Absa Bank.

In a statement Monday, Gable suggested that whether South Africa will return to investment grade or slide further away relies on the country demonstrating "significant improvement" in its economic reforms. "It is hard to argue that South Africa hasn't witnessed a steep deterioration in fundamentals, in part by our own inability to act over the last decade and in part due to the new risks due to the global virus," Gable said. "And so it is the agencies' duty to reflect that in their ratings. Similarly it is clear that it is up to South Africa, and not the credit rating agencies, as to which direction that country would like to take going forward."

Bold structural reforms. Finance Minister Tito Mboweni and South African Reserve Bank (SARB) Governor Lesetja Kganyago held a media conference call, in which Mboweni said that he and President Cyril Ramaphosa had vowed to move "more boldly" on their structural reforms program. Mboweni announced the creation of a unit within the finance ministry called "Vulindlela" – which means, "Lead the way" in isiZulu – that "will become the front soldiers of structural reforms in the South African economy," according to a research note Monday from NKC African Economics.

The finance minister also suggested in an interview with newspaper City Press that the World Bank, and not the IMF (International Monetary Fund), would be the first port of call for loan financing. "The World Bank, unlike the IMF, does not typically attach conditions to its loans. This is why it will be a more politically palatable action for the government in South Africa, where public opinion is generally suspicious of the IMF and the effects its policy prescriptions have had in poor countries," NKC Senior Political Economist Francois Conradie said Monday. However, Conradie suggested that the types of reforms, which will address the issues that led to Moody's downgrade, such as deep cuts to the public sector wage bill, privatizing state-owned enterprises (SOEs), or relaxing strict labor legislation, would be a hard political sell.

1.3. South Africa labor market and its participation in international migration process

The study uses national labor force statistics to show that South Africa's youth continue to experience extraordinary levels of unemployment despite a high level of secondary school completion. In 2010, approximately 90% of the employed youth between 19-24 years old were wage earners and around 85% of the same group were working in private enterprise. One third of the employed 19-24 year olds were concentrated within the whole- sale and retail sectors yet one notes the second major employer for youth was in community, social and personal services. Business Process Services in South Africa may have a role in digital employment in the services sector. Government-funded programmes such as Monyetla youth training initiative is growing after seeing the first round of BPS-trained graduates become absorbed into the sector. Yet the small number of BPS companies (both local and international) will need to expand in the country alongside relevant training programmes in order to complement the growth of ICT usage and high school graduates. Such complementary elements would need to work together in order to meet the required talent pool for South Africa's success in tackling youth employment.

Despite positive economic growth in the early to mid-2000s, the overall level of unemployment (roughly 25%) in post-apartheid South Africa remains one of the highest in the world. Young people (age 15-24, inclusive), as in many other countries, face particularly high rates of unemployment but South Africa is something of an outlier with youth unemployment rates far higher than those in other emerging economies.2 This youth age group makes up roughly a fifth of the South African labor force and has, by far, the highest levels of unemployment (nearly 50% in 2009). While employment did grow between 1995 and 2007 it was outpaced by the increase in the working age population. The larger increase in the labour force (i.e. those who actually wanted work) meant that unemployment increased alongside job growth. Many of the youth, who make up the bulk of the increase in labor force, are new entrants with little to no work experience. However, nearly 85% of unemployed youth, aged 19-24 have completed or some secondary school education and unemployed youth, on average, have higher computer literacy rates than the overall unemployed population in South Africa. While many youth are unemployed, those who are employed tend to find jobs in formal wage earning positions, predominantly within lower paying sectors such as wholesale and retail.

Against this backdrop of high and persistent youth unemployment, this report explores the potential of an emerging sector, Business Process Outsourcing (BPO) to absorb some of these young people into decent work. In particular, this report explores the possibility of Impact Sourcing as an emerging sub-sector within BPO which refers to employing people who are most disadvantaged, with limited opportunity for employment, and will be the principal workers in centres to help service clients both domestically and internationally.4 The overall BPO sector is currently expanding and is generating new digital and service jobs in the country. The recent global economic downturn has pushed many international companies to seek ways to reduce business costs. This includes the chance to contract certain non-core business services to suppliers in countries such as South Africa. The most recent industry report for South Africa estimates that there are now 200,000 jobs in total for both in-house domestic operations as well as offshore work. The majority of BPS work is currently located in major urban areas such as Johannesburg, Cape Town and Durban where experienced labor is more accessible. However, many smaller municipalities are now targeting BPS activities as part of their growth and development frameworks. Most jobs in South African BPS are of domestic clients (captive and onshore) and attract young South African job seekers. The South African government's current incentives package for offshore business process activities, alongside its Monyetla or BPS youth training initiative, is a clear indicator that BPS forms an important part of its industrial strategy to attract foreign investment and to grow the sector.

Implications of BPS and labor. One factor which can play an important role in shifting overseas BPS to South Africa is whether local suppliers of BPS have the capacity to deliver; especially with respect to human resources capabilities. While statistics show some secondary school education, strong English competence and computer literacy among young people, there are still some questions about whether young unemployed South Africans have the requisite skills to be successful BPS employees should the sector expand. In terms of absorbing unemployed youth, the data does suggest some interesting possibilities. There is evidence which demonstrates, for example, that unemployed young people have some skills which may make them more attractive to BPS firms than the broader unemployed population as a whole. Nevertheless, new younger workers who tend to have far less work experience than the older cohorts of the unemployed may compete with older labor participants with work experience for jobs in the BPS sector. Therefore, strategies to promote BPS and Impact Sourcing have to carefully consider how best to ensure the targeted population is given opportunities for decent work.

SECTION 2.
FOREIGN ECONOMIC ACTIVITY OF SOUTH AFRICA: INTERNATIONAL GOODS AND CAPITAL MOVEMENT

2.1. Export-import activity of South Africa

South Africa is the 34th largest export economy in the world and the 47th most complex economy according to the Economic Complexity Index (ECI). In 2017, South Africa exported $108B and imported $81.9B, resulting in a positive trade balance of $26.4B (OEC - South Africa (ZAF) Exports, Imports, and Trade Partners, 2020). According to many sources in the year 2007, the GDP of South Africa was $348 billion and the GDP per capita was $13.5k. South Africa mainly exports gold, diamonds, platinum, cars, and coal. South Africa got its top exports destination, which are Saudi Arabia, United States, China, Germany, India, United Kingdom, and other EU nations. Through its exportation system, South Africa receives billions of dollars, which make south Africa a rightful climatic condition for investment.

South African exports in the year 2017

Figure 2.1 South Africa exports 2017

Investment climate in South Africa is very favorable for investors that are ready to occupy the mining industry, which is growing annually. However, in the same context investment climate of nation is supported by the fact to the policies of the nation when it comes to investors. In 2017 South Africa exported $108B, making it the 34th largest exporter in the world. During the last five years the exports of South Africa have decreased at an annualized rate of -0.2%, from $116B in 2012 to $108B in 2017(OEC - South Africa (ZAF) Exports, Imports, and Trade Partners, 2020).

SOUTH AFRICA IMPORTS

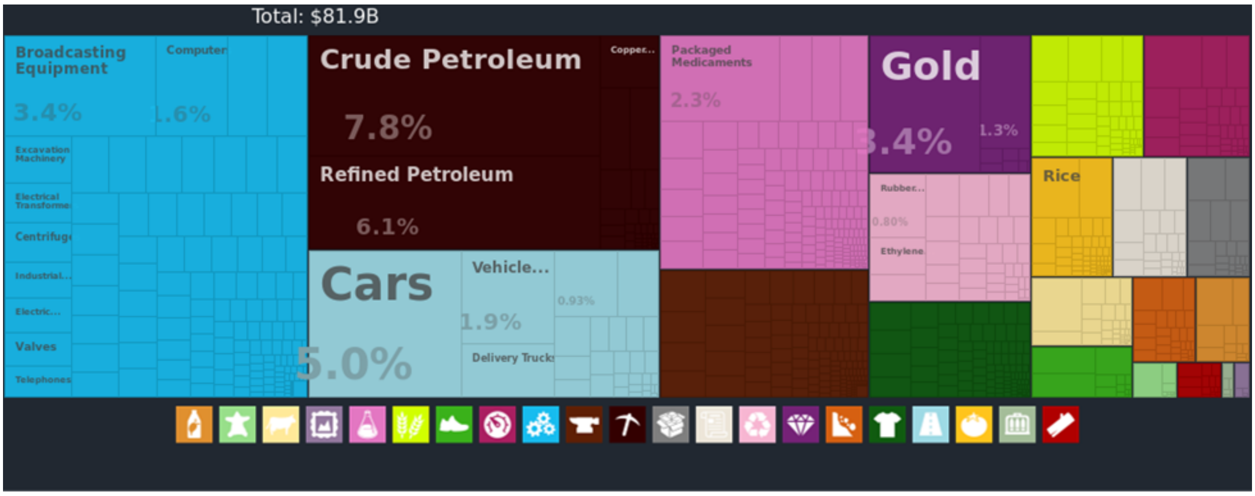

Figure 2.2 south Africa imports 2017

In the year 2017, South Africa managed to import $18.9 Billion, this put the nation 38th position of the nations that are set as the largest importers. During 2012 to 2017 which are basically 5 years in counting South Africa imports decreased with -7% annualized rate. South Africa most recent imports are crude petroleum because mostly South African countries do not process oil, which was 7.83% of the total imports. On the second position was refined oil. South Africa top imports are china, germane, United States, India and Saudi Arabia.

Then as we look at the investment climate of this country we can look at another popular aspect which in the agricultural sector. Which is also very important and helps a lot of countries and looking into this we can see that this country their agricultural sector covers up to 6 % of the formal employment that is there. However, it is relatively low compared to the rest of Africa but the agricultural sector is good form of investment that generates a lot of currency to them it provides up to 2.8% of the nation’s GDP. The agricultural sector also helps them to generate as much as they can in forms of foreign currency because of the inter-trade they will be doing with other countries and their gross domestic value is it contributed by 36 % by maize. Which is one of their main crops and they venture into crops like grape fruits. Which is very common there it is also a good form of investment they also have cereals they have chicory roots they have castor oil seeds and pears which have given the country so much revenue. They have brought R10 billion and have imported for R 8 billion and they have generated 2 billion which is a positive.

Looking into the deeper version when you want to invest especially in South Africa you can acquire maybe your small piece of land but when it comes to agriculture it called a plot. Moreover, get maybe few workers to work with you then if you first bug your plants and crops or seeding and a few equipment. and for example if you are dealing with maize you can get seeds and fertilizers and then get equipment then maybe you use about R 3000. Then you use all of it into the process the after a period you them get 6000 then 3000 will be the profit. Then after the payment of the workers, let us say for example you pay them 1000 the remainder will be a profit and this will be a very positive form of investment.

Table 2.1

Top export products of South Africa in 2018

EXPORT PRODUCTS	**VALUE**
Gems, precious metals	US$16.6 billion
Ores, slag, ash	$11.8 billion
Vehicles	$10.8 billion
Mineral fuels including oil	$10 billion
Iron, steel	$6.3 billion
Machinery including computers	$5.8 billion
Fruits, nuts	$3.7 billion
Aluminum	$2 billion
Electrical machinery, equipment	$1.8 billion
Plastics, plastic articles	$1.4 billion

Data Source: ExportImport Practical

In 2018, industrial production increased by 1.3%, of which: food and beverage group increased by 1.7%. Group of textiles, footwear and shoes increased by 1.4%; Paper and wood products decreased by 0.9%. Petroleum products and rubber and plastic chemicals increased by 1.7%; The group of glass and non-metallic minerals dropped by 0.9%, metal and machinery group increased by 1.3%; The group of electrical equipment increased by 3.7%; The electronics group decreased by 1.7%, the group of means of transport increased by 6.2%; Furniture group decreased by 3.9%.

Table 2.2

Top import products of South Africa

Imports Products	Value
Mineral fuels including oil	US$17 billion
Machinery including computers	$11.5 billion
Electrical machinery, equipment	$8.6 billion
Vehicles	$7.1 billion
Plastics, plastic articles	$2.8 billion
Pharmaceuticals	$2.5 billion
Optical, technical, medical apparatus	$2.3 billion
Other chemical goods	$1.7 billion
Organic chemicals	$1.6 billion
Inorganic chemicals	$1.6 billion

Source: exportimport practical

Import situation of some key products of South Africa in 2018: Vegetable products decreased by 31%; Mineral products decreased by 14%; Metals increase by 13%; Machinery and electronic equipment increased by 6%; Means of transport increased by 12%. South Africa has great import opportunities for small and medium-sized companies.

2.2 The scope and the main direction of foreign direct investment in South Africa

One of the most important thing in the current international economic system is whether certain nations of the world will ever be able to ‘catch up’, and if so, how are they going to do it. Currently the education system is not willing and wanting to invest in the informative part regarding this quest of economic catching up, growing and developing. One of the most important ideal on how to be successful in maintaining economic growth and development currently is through international investment. Thoroughly in context with the ruling neoliberal ideals, proponents of international investment as a way for growth and development believe it to connect its host nations into the rest of the world. Creating a suitable and innovative ways that will benefit both nations, and that it will be able to full fill the expectations and provide nations with funds to promote more investment in the pursuit of profit by the private sector. Development for international investment project that's the topic lam going to look at and the country that lam going to be doing my investment in is South Africa. Firstly, we need to understand by what we mean by the term international investment that means International investing is an investing strategy that involves selecting global investment instruments as part of an investment portfolio.

The country that I have I chosen to do my investment in is South Africa which is based at the Southern part of the African continent neighboring Botswana and Zimbabwe. It is the largest country in southern Africa with over 57 million people it is a rainbow nation. Meaning to say it is a country that comprises of all races and one of the most important factor about this country regarding to the project. We looking into is that this country is the 24th most popular country in the world it has a GDP of $ 894 billion dollars which is ranked number 30 in the whole world which is quite impressive. This country South Africa has a mixed economy, the second largest in Africa after Nigeria. It also has a relatively high gross domestic product (GDP) per capita compared to other despite the fact of international enthusiasm for and focus on international investment development, some regions and countries. Looking at this particular situation the Southern African Development Community, it failed intensively in the area of attracting international investment for a couple of years, as they would have liked to. Moreover, developed countries continue to be both the major hosts and homes to international investment.

Countries in sub-Saharan Africa (US$11,750 at purchasing power parity as of 2012).

The traditional neoliberal global institutions, “swept along by enthusiasm for liberalization and globalization”, are the most important proponents of the wholesome effects of international investment. However, it is arguably contested that international investment will bring the benefits of liberalization and globalization to the nation of South Africa. I believe fervently that the deeper integration into the world economy will a major benefit. It is a fact that to be a forerunner in leading economic growth across the world. People will have better living standards across the world by moving closer together. This summed up about the document that was worked out in an OECD, which gives an outlines of the five ways in which international investment can contribute to economic growth and development:

(i) Through trade and investment
(ii) Through technology transfers
(iii) Through human capital enhancement
(iv) Through competition
(v) Through enterprise development.

The other benefits of international investment that can be experienced in South Africa include:

- the acquiring of new technologies for specific firms in the nation of South Africa and technological spill-over to the rest of the country;
- greater competition it will bring greater efficiency in the market;
- greater quality of products; better quality of management through diversity and implementation of global standards in the market;
- a healthier balance of payments through the inflowing investments;
- it increases the value of exports;
- larger amounts of national savings and investments;
- promotes greater growth in employment sector and production;
- lower prices and new (better) goods on the market for consumers.

However, Almfaji and Almsafir,giving an example, find out that too much dependency on foreign investments can be dangerous for the host countries, as it makes the economy overly vulnerable to external developments outside of their power. This effect statement is very correct when looking in the perspective that when profits made from the international investment are not reinvested in the nation of South Africa, but rather spent on imports. Looking close to this fact some other governments might lose total control over their economies. Looking to the other side of the story, this takes place because foreign nationals own large stakes in often very large companies in the country – meaning foreign nationals have control over large parts of the host's GDP. On the other perspective, the competition for international investment can lead potential host countries to offer certain incentives they might not find efficient to offer. International investment inflows might not comply but rather pass them by – not because of the favorability or flexibility of that market, but rather because the tax incentive can only be gotten elsewhere. Furthermore, to people that are stick to the fact that that international investment can have negative impacts on economic performance. In my research, I find out that international investment and economic growth are not even statistically related. Studies that are mind blowing have also been completed that point out that, more developed countries stand to benefit more from international investment than South Africa which is still a developing country.

Being determined the vital part of international investment in South Africa, emphasizing that the dynamics of international investment within the nations industries and the economy are properly understood; now we are looking into understanding what it is that exactly influences the volume and location of international investment flows.

Frameworks/categorizations. A very popular framework for considering the determinants of international investment is Dunning's OLI-paradigm. The determinants for international investment glued upon the advantages and the benefits that a foreign company might experience in terms of Ownership, Location, or Internationalization when setting up a freight forwarding company.

- ***Ownership advantages*** dealing with the prospect of how beneficial it is for a company, being part of activities across several countries, to actually own the activities taking place in foreign country, which can have to do with economies of scale

- ***Location advantages*** dealing with specific characteristics of the economy and business environment of South Africa – firstly given a question to answer 'why is it advantageous to have activities in South Africa?' This also have to do with the production cycle that several products have, "joining several stages, implementation of advanced and new technology being produced and used in my home country and, once improved, can be moved abroad because either closeness to the market or lower factor costs make this beneficial."
- ***Internationalization advantages*** looking at cost analysis: when the costs of operating within the international trade market are higher than those relating to activities carried out within the firm, "internationalization, that is, establishing an foreign subsidiary, will be tend to be chosen

Proposed three important categorization of international investment determinants: related to the objectives of the individual investing firms, relating to the host country's policy framework regarding international investment and relating to the broader (macro) economic and business environment.

The three categories pointed out above are useful as they have many factors that were written by many economic author who invested time and work in the international investment projects. The OLI paradigm focuses somewhat on this categorization, the first category which is ownership advantage; third category which is the locational advantage; and internationalization advantages the second category.

The UNCTAD pointed out the important efforts that are undertaken to attract international as:

(i) improving the regulatory framework for international investment

(ii) facilitating business

(iii) Improving economic determinants.

These points fall within the second two categories of Salisu's categorization.

As an Investor and my fellow investors, we can have different objectives in moving our activities to foreign nation; the different objectives will have an impact where the investment will take place. However, Salisu distinguishes and explains in more detail the difference between three different types of objectives:

a. **Expanding the accessed market -** This will lead international investment to countries or industries with large economies and/or strong economic growth rates

b. Seeking natural resources – focusing on this objective, companies will typically invest in things like mining sector, and agricultural raw materials. This would make one to think that international market in emerging markets would be flourishing. The balance of resources is very critical to the growth of the international investment is moved away from companies and markets in the South Africa economy, relying superfluous on source firms. This is a major challenge for many European firms in resolving these situations, particulars those with not enough experience dealing in emerging markets; apparently, it helps to describe the relatively modest international investment flows to most crop up markets. **Seeking efficiency -** Greater and higher efficiency also can be found in nations that are to some extent cheap but productive and appropriate skilled labor

Horizontal versus vertical international investment. There is also another way of differentiating between motivations for international investment is horizontal versus vertical international investment. Looking at horizontal international investment, a firm is motivated to access markets in the face of trade frictions. Moreover, vertical international investment arises from a firm striving to access low wages for part of the production process.

2.3. Assessment of South Africa's investment climate and the degree of its attractiveness to USA investors

South Africa, which is located in the Southern part of the African continent neighbouring Botswana and Zimbabwe. It is the largest country in southern Africa with over 57 million people it is a rainbow nation. Meaning to say it is a country that comprises of all races and one of the most important factor about this country regarding to the project. We looking into is that this country is the 24th most popular country in the world it has a GDP of $ 894 billion dollars which is ranked number 30 in the whole world which is quite impressive.

The nation of South Africa is among the hundreds of countries with favourable conditions to business, South Africa is still a developing country located in the Southern part of Africa. It occupies strategically important position, so it is kind of obvious position of African Union to include South Africa to their member list. As the result of necessary directives from the African Union, South Africa has quite positive attitude towards international businesses searching to start their business in one of the most profitable sectors.

Primarily, about South African policies towards international investment, the policies must be transparent and stable to promote good relations with investors. This however stimulate the trust worthy of investing in that nation knowing the firm is not bound to fail or restricted to help the country to develop economically wise. Investors must be thoroughly aware not ignorant of what they can expect and how they can implement their idea for the better of the near and promising future.

The other accepted requirement for better international investment related policies is that they bestow as much as possible to an economy that is free from distortions:

Incentives to captivate international investment might have the unexpected consequence of attracting international investment to sectors that are not that efficient, but be able to present innovative new opportunities for profit through these mangle incentives. Aligning to the issue of international investment development - attraction incentives is that of trade barriers, which are also another way highlighted of economic distortions. Furthermore, trade barriers may stimulate international investment flowing into various sectors where it is not efficient. The government of South Africa can aim to attract more international investors is through taxes. South African companies are currently taxed at a rate of 28% (South African Tax and investment incentive, 2020). The government can put in place here various types of incentive schemes, which are tax concessions; so-called tax holidays; and subsidies. A caution to be noted here is that mostly in many nations incentives are often viewed suspiciously. Moreover, will only actually incentivize international investment when other determinants (such as infrastructural development and satisfactory labor) are already in place. South African branches of foreign companies are taxed at a rate of 28%. No dividend withholding tax is imposed on the remittance of branch profits (South African Tax and investment incentive, 2020)

The major determinant that is corruption practically to mention in international investment. Corruption is a great barrier to international investment development inflow in South Africa; it is seen as the main obstacle. Other factors included available and analyzed in this project are openness to trade. This is very important in promoting business environment that is quite favorable. the creation and development of capital markets, which play a major role in facilitating the process of international investing.

In regards international investment development determinants in the macro-economic setting, it is of vital importance that the economy has a strong and stable growth route.

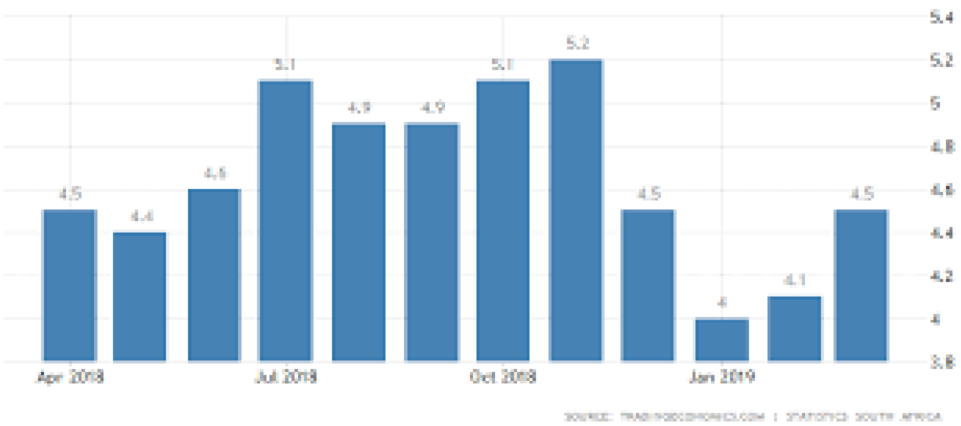

Fig 2.3 South Africa inflation (2018-2019)

Exchange rate of South Africa

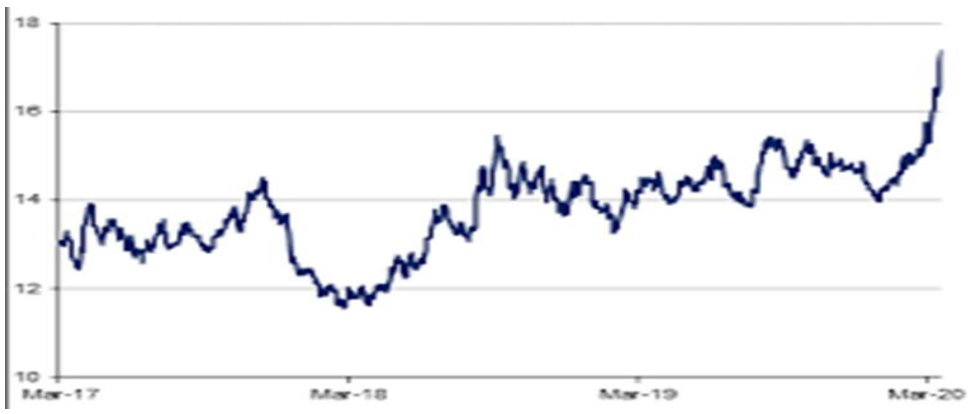

Fig 2.4 South Africa exchange rate (2017-2020)

These are important determinants (exchange rate and inflation rate) because of how they

(i) 'Prove' the stability and strength of an economy

(ii) Provide some certainty with regards to the future and the possibility of repatriating profits from foreign investments

(iii) Usually imply a stable political environment as well.

Furthermore, this pass into the following determinant in this category, which is that of political stability, as political unrest and instability (naturally) do not make for a very attractive context for international investment. For your own information, this is crime and insecurity, which for the same reason should be low. See below the table of crime rate in South Africa. It was reducing immensely over the years. Which is quite suitable and favorable for investment. There is no investor will to invest in a nation were there is high crime rate because it will not provide enough security for the investment allocated**.**

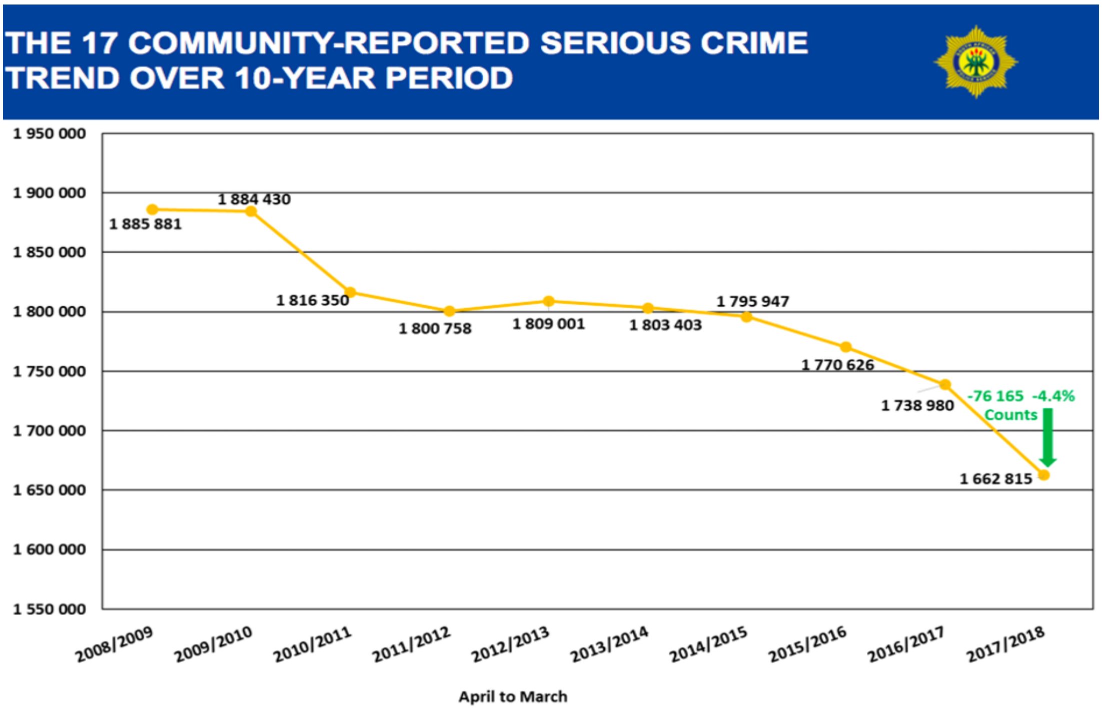

Fig 2.5 crime rate between (2008-2018)

Overall levels of good infrastructural development, telecommunications, electricity, but also factors like better educational facilities may be important factors for attracting international investors.

The primary benefit investment is to bring awareness to the consumer that the product exists to fill a need or a want that the consumer has. For example, if a retail, marketing campaign is promoting a product that gets rid of nail fungus; someone with nail fungus now knows that an over-the-counter product is available to help resolve their nail fungus problem. In return, this marketing helps to boost sales for the nail fungus remover manufacturer and the retailer selling the product on its store shelves. In essence, potential customers of a product have to know that the product exists for the sales of the product to be successful. Freight forwarding helps a lot in the transportation industry because it breaks the bridge between a product and its potential customer target market.

Freight forwarding investment is also has the advantage of boosting business profits. Whether it is announcing the launch of a new product or offering a special sale or coupon on an existing product, this type of retail marketing can attract larger crowds to the retail location. The more potential customers who walk through the door provides a potential for higher sales, and a larger sales volume brings increased profitability to the retail establishment.

Then there will also be employment creation for the people of the community due to the construction on the business. Furthermore, when we get the goods we will need people to see them this it will lower some certain rates and level of crime rate. Because people will now have things to do, they will have a stable job to work up to and go to so they will be well financed. If you are consumer and are considering reasons to shop at traditional retail outlets, as opposed to online, consider some of the same benefits. You can save on shipping costs, receive instant gratification, inspect your items carefully before making your purchase and not have to worry about packages getting lost in the mail. You also can have all of your questions answered immediately by helpful staff, rather than having to rely on email messages and phone calls thus you would get the customer satisfaction and help that you may need and you not be confused and left not knowing what is really needed.

The other reasons for investment projects in this country is that its production sector is very up and running as if their levels of manufacturing are up. Therefore, the country does not import the goods they sell too much from other countries the country has a very good agricultural system. Thus, the products they sell in the food and vegetable side they will be from there and from the agricultural side they might be doing poultry like for chickens and pork. As an owner of a retail market or supermarket you buy them in bulk at a very cheap price and since they will be produced in the country the price of transportation will not be too high because its being done locally unlike countries like Russia and Canada where their climatic conditions are not so favorable so for agriculture its. Not too good, there for they import these goods it will end up being too expensive.

The other good thing about this investment project in this country is that it is not a land locked country thus shipping is not hard so they can import stuff such as kids' toys from japan and China at a cheaper rate. Because those products are not so expensive there and now considering the mode of transportation they will be using it will not be so difficult and not expensive because sea is the one not if not the cheapest mode of transportation of good and products such as rice. The good will be transported in that form and the good thing about having to have goods the cheaper way when you sell them that is when you will get the majority of the profits from because you would have not used much to acquire them. And also when you make profit you can actually expand the business and also be able to afford good and quality stuff to the extent that the level that you trade at will be at higher level.

One of the major reason why also for investment is because in a country like South Africa. where by its economy is up and running and very stable most people from other countries like Zimbabwe for example where their currency is not stable and there is a higher rate of inflation to the extent that today you buy a box of cereals for $4 then the following day it will be going for a whopping $ 20. Which is not so sensible so people from these countries tend to go to South Africa here and there to do their grocery shopping. There and if you had set your standards up very high your goods will be bought and you will maximize your profit.

As of 2017, South Africa had a positive trade balance of $26.4B in net exports. As compared to their trade balance in 1995 when they had a negative trade balance of $7.05B in net imports(OEC - South Africa (ZAF) Exports, Imports, and Trade Partners, 2020)

South Africa trade balance

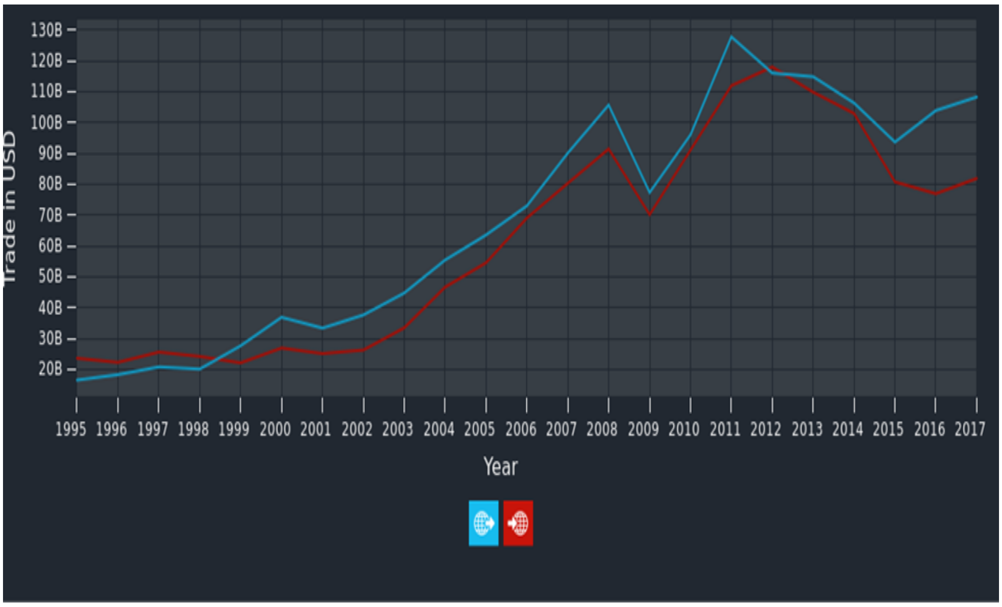

Fig 2.6 Trade balance between (1995-2017)

Trade is another area of investment that can also be looked into. Firstly, we need to try to understand by what we mean by the term trade. The Trade, Development and Co-operation Agreement currently govern South Africa’s trade relations and development co-operation with the European Union. The Trade, Development and Co-operation Agreement has established a free trade area that covers 90% of bilateral trade between the EU and South Africa (South Africa - Trade - European Commission, 2020). Trade is the exchange of goods and services. This has been happening since long back and before we have money it still transpired in the form of what is known as batter trade which is trade for like for like for example you have a bag of maize but you don’t have money and you want meat you would have to go the person who would. Be having the goods that you would want and do direct trade with them.

When looking into the into the investment climate in this country we look at the trade levels and rates of the country South Africa. which goes as follows since the end of the wars they had in the country trade has risen to a much high level than before the sanctions and all the with holders that were put before were removed. thus it gave trade a huge boost in this nation this country is the second biggest producer of gold and one of the biggest producer of the mineral chrome which means the produce they have everyone would want them and looking into the world right now. the minerals l have mentioned everyone wants them and they are highly rated and value-able the country has a big agricultural sector and a big exporter of farming products ,the principal trade parters of the country or the main trade parters are China, Japan , Spain, Britain, United States and Germany these are their go to guys.

Although almost 90% of their trade in Africa happens with the SADC countries, the countries located at the southern region of the continent. For example, countries like Zimbabwe, which is one of the main ones, then there is Botswana then they also deal with Namibia, there is Zambia also involved. However, to look at which one they usually trade with and these countries help each other in a way that they can but South Africa's economy situation effects on what will be going on also in the southern region. Trade is very important when it comes to investment because it is the one that starts and finish everything.

When looking into the investment climate of this country also we can look at the Tourism sector. Which is a quite popular one in South Africa and the world it is popular destination in the world and it receives around 18 to 19 million people every year. In 2018, the number of tourists in South Africa amounted to 16.44 million – a figure that steadily increased over the past five years and is expected to see growth in the future. By 2023, it was forecasted that the number of tourists in South Africa would reach 19.6 million(Number of tourists in South Africa 2012-2023 | Statista, 2020)

The statistics of tourism are very important because it creates many opportunities for the people in the country. In terms of employment because of the number of people working in the whole country, 10 % are under this sector and tourism has contributed almost $ 102 billion to the South African economy in the GDP. That shows how great it has done, it is a very vital, and pivotal part of the investment scheme among the most attractive attractions there is the picturesque landscape and game reserves and local winery that generate a lot of currency into the country and foreign currency.

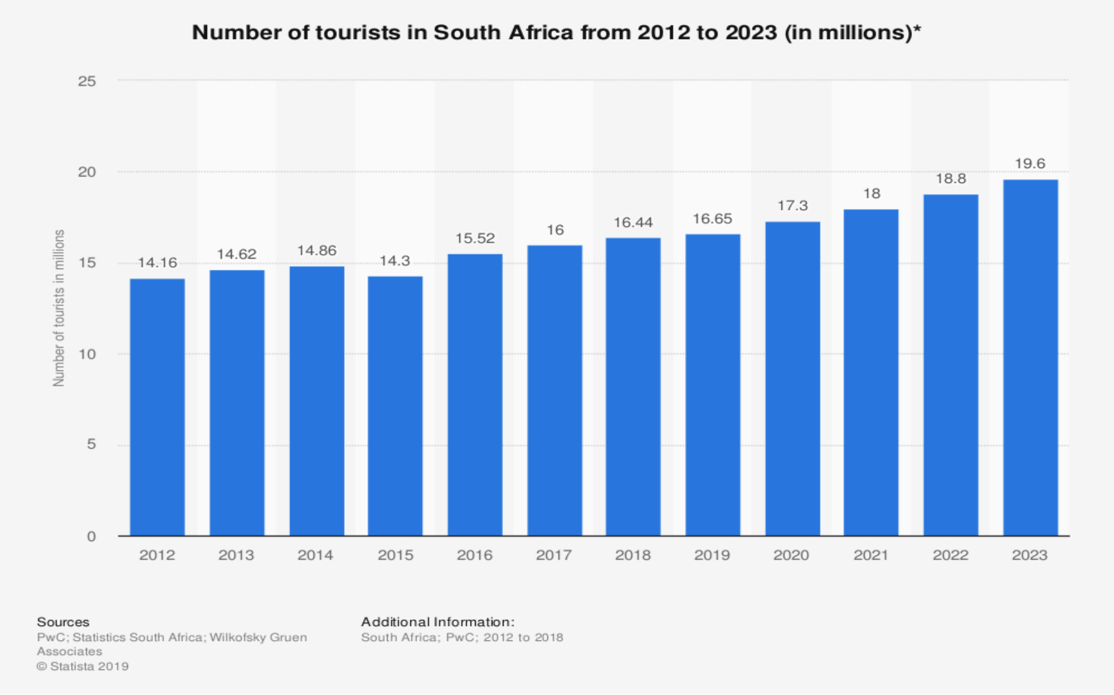

Fig 2.7. Number of Tourist in South Africa 2012 -2023

Source Statistica 2019

SECTION 3.

DEVELOPMENT OF AN INTERNATIONAL INVESTMENT PROJECT TO ESTABLISH A FREIGHT BROKERAGE COMPANY

3.1. Purpose of the project and analysis of the freight business

This chapter, the main purpose is to look into development, implementation of the international investment project in South Africa. The chosen project is very important because it involves the transportation of goods and services from point A to point B. Looking at South Africa it is a good place for starting a freight forwarding company. South Africa got a population of 57.78 million and the land space area of the whole country is 1.22 million km² which quite big and good for business. The population is also another vital part of business because when you are dealing with business are serving the people. It has good business standards and only necessary much of bureaucratic procedures. In addition, one more good reason to develop the project in the Republic of South Africa is the lowest corporate tax among all the countries-members of the SADC at the point of 28%.

The vital part of the project is to create an informative project that will be both demanded and profitable. On the part, form of legal entity in the project is not difficult because the Freight forwarding does not really need to own a large of land because freight forwarders do not really own its but work as mediators between customers and carriers. Freight Forwarding job is quite risk in the sense that every transportation available it is supposed to provide sufficient coverage in their insurance to cover the specific cargo. What is not the case for merger-acquisition deals – this issue shall be included into consultation with legal company, it is included in Table 1. For the reason of authenticity of the project, the form of licensed/franchised business is not an option. Therefore, this project is designed for an American company involved into freight forwarding business in United Stated, and which to cross boarders and become a powerhouse of freight management.

3.2. Substantiation of the investment project for the creation of freight Brokerage Company, assessment of the need for investment resources and identification of sources of their involvement

The calculation the investment requirement – initial value of the project – should include all necessary preliminary payments in order to start the business. All considered requirements are show cased in the Table 3.1:

Table 3.1

Expected Requirement to Start the Investment Project

№	Name of requirement	Amount, $
1	**2**	**3**
1	Cost of purchase of the main office	450,000.00
2	Legal consultations	2,000.00
3	Legal procedures (including company registration)	1,500.00
4	Renovation of the office	50,000.00
5	office opening deposit	10,000.00
6	Software and hardware for the office	12,000.00
7	Re-branding	6,000.00
8	Kitchen appliances	4,000.00
9	Headhunting expenses	12,000.00
10	Stationary and miscellaneous	2,000.00
11	Marketing expenses (development of campaign)	20,000.00
12	Advertising expenses (keeping the ad up)	4,000.00
13	*Additional investment to the office (end of the 1st year)*	*50,000.00*
	Total investment:	**(1)623,500.00** **(2)76,000**

Therefore, the first resource put into the project is the office. Looking at our type of job buying a land and build our own structure is important because are duty is just to connect customer to asset based carriers. Buying an office is really a big move because our management really need to start to do the processing and looking for agents that work as dispatchers in South Africa. After that, costs will include legal consultations and some legal procedures, both of them necessary to navigate through peculiarities and obstacles in the process of purchasing the office. Company registration of the company to suit our vision expanding. Furthermore, the costs will be required for renovation of the office and put new materials and technology that can suit our business. Other requirements to start our daily operational duties include the following things, re-branding, stationary and miscellaneous. To complete the office renovations, it would be necessary to also get kitchen appliances and inventory. After these stages are cleared, the next part of expenses will be headhunting expenses and marketing-advertising expenses. Total investment requirement will account to approximately $**623,500.00** for the first year, and additional $76,000.00 for the second year. We were given the limit of payback period of three years.

Calculation of operating costs.

The office is now kicking and operations has begun intensively so that we can start to make great sales, so it is of uttermost importance to calculate salary expenditures.

In South the taxes systems work like this put on wage of an individual divide into two categories:

- paid by the owner
- Paid by employee.

Employees Tax are personal income (depends on the annual amount of the earnings, is paid annually).

Income tax rates in South Africa

South Africa’s income tax bands for the 2020 tax year are as follows:

Among taxes paid by employee are personal income tax

It is also important to include salary premiums into consideration – the sum referring to amount of money dedicated monthly to pay workers incentives for quality of work, – in order to improve competition and quality of service amongst the employees.

Individual taxation:

Rates for 2020 tax year (1 March 2019–29 February 2020)

Individual income tax rate	Taxable income (ZAR)	Rate
	1–195,850	18% of taxable income
	195,851–305,850	35,253 + 26% of taxable income above 195,850
	305,851–423,300	63,853 + 31% of taxable income above 305,850
	423,301–555,600	100,263 + 36% of taxable income above 423,300
	555,601–708,310	147,891 + 39% of taxable income above 555,600
	708,311–1,500,000	207,448 + 41% of taxable income above 708,310
	1,500,001 and above	532,041 + 45% of taxable income above 1,500,000

Fig 3.1 taxes (2019-2020)

The tax for my workers is 18%. The necessary provisions are to be provided in the working agreement, so the employees will know what the process of obtaining the bonus pay is. With these conditions given, salary expenditures are expected to differentiate as following during the three given years:

Table 3.2

1 Year Monthly Salary Distribution

№	Position	1 Year				
		Workers	Salary, $	Total salary, $	Taxes paid by the company, $	Total gross salary, $
1	2	3	4	5	6	7
1	Chief Financial officer	1	3,000.00	3,000.00	540.00	3,540.00
2	Agent Recruitment Manager	2	1,500.00	3,000.00	540..00	3,540.00
3	Accountant	4	2000.00	8,000.00	1440.00	9,440.00
4	Sales manager	2	1,500.00	3,000.00	540.00	3,540.00
5	Billing manager	4	1200.00	4,800.00	864.00	5,664.80
6	Cleaner and chefs	3	500.00	1,500.00	270.00	1,770.00
7	Agent support	4	1,000.00	4,000.00	720.00	4,720.00
8	Salary premiums*	-		500.00	90.00	590.00
Total:		**20**		**27,850.00**	**5,004.00**	**32,584.00**

During the first year of operation, monthly salary expenditures are to be distributed between the required staff (20 people): two sales managers for the office, 1 recruitment manager, I chief financial officer, two chefs and cleaner, agent recruitment manager, one agent support, and four accountants. Monthly expenditures are expected to average about $27,850.00, including $500.00 to be spent on salary premiums. Taxes payable by the company are $5,004.00 adding to the total salary expenditures at the point of $32,584.

Table 3.3

2 Year Monthly Salary Distribution

№	Position	2 Year				
		Workers	Salary, €	Total salary, €	Taxes paid by the company, €	Total gross salary, €
1	2	3	4	5	6	7
1	Chief Financial officer	1	3,000.00	3,000.00	540.00	3,540.00
2	Agent Recruitment Manager	2	1,500.00	3,000.00	540..00	3,540.00
3	Accountant	4	2000.00	8,000.00	1440.00	9,440.00
4	Sales manager	2	1,500.00	3,000.00	540.00	3,540.00
5	Billing manager	4	1200.00	4,800.00	864.00	5,664.80
6	Cleaner and chefs	5	500.00	2,500.00	450.00	1,950.00
7	Agent support	4	1,000.00	4,000.00	720.00	4,720.00
8	Salary premiums*	-		1000.00	90.00	1090.00
Total:		**22**		**30,850.00**	**5,274.00**	**36,124.00**

During the second year the staff amount is expected to increase to 22 people, two sales managers for the office, 1 recruitment manager, I chief financial officer, increase of three chefs and two cleaner, agent recruitment manager, one agent support, and four accountants. Monthly expenditures are expected to average about $30,850.00, including $1000.00 to be spent on salary premiums increased. Taxes payable by the company are $5,004.00 adding to the total salary expenditures at the point of $36,124.00

Table 3.4

3 Year Monthly Salary Distribution

№	Position	3 Year				
		Workers	Salary, €	Total salary, €	Taxes paid by the company, €	Total gross salary, €
1	2	3	4	5	6	7
1	Chief Financial officer	1	3,000.00	3,000.00	540.00	3,540.00
2	Agent Recruitment Manager	4	1,500.00	6,000.00	1080..00	7,080.00
3	Accountant	4	2000.00	8,000.00	1440.00	9,440.00
4	Sales manager	2	1,500.00	3,000.00	540.00	3,540.00
5	Billing manager	4	1200.00	4,800.00	864.00	5,664.80
6	Cleaner and chefs	5	500.00	2,500.00	450.00	1,950.00
7	Agent support	6	1,000.00	6,000.00	1080.00	7,080.00
8	Salary premiums*	-		2000.00	360.00	2,360.00
Total:		**26**		**35,300.00**	**6,354.00**	**41,654.00**

During the third year it is also expected to have increase in amount of staff to 26 people, two sales managers for the office, 4 recruitment manager, 1 chief financial officer, increase of three chefs and two cleaner, 6 agent support, and four accountants and 2 sales managers. Monthly expenditures are expected to average about $35,300.00, including $2000.00 to be spent on salary premiums increased. Taxes payable by the company are $6,354.00 adding to the total salary expenditures at the point of $41,654.00

Other expenditures, therefore, are to be divided into four main categories: services (water supply, electricity), foods (for workers), and other expenses (miscellaneous, stationary, Internet, security, etc.) and events. Events expenditure may exist or may be absent. Monthly sum is given so that the expenditure is distributed evenly – all the figures expressed in the Table 3.5.

Table 3.5

Other monthly expenditures

№	Name of expenditure	1 Year	2 Year	3 Year
1	**2**	**3**	**4**	**5**
1	Services (water, electricity)	$2,000.00	$ 3,000.00	$4,000.00
2	Foods	$1,000.00	$2,000.00	$3,000.00
3	Events	$250.00	$ 500.00	$750.00
4	Other	$500.00	$750.00	$1000.00
	Total	**$3,750**	**$6,250.00**	**$8,750.00**

Throughout the three years of implementation of the investment project, the total amount of other expenditures will gradually increase from $3,750.00 in the first year to $6,250.00 in the second and will eventually reach the peak of $8,750 with all amounts expressed per one month.

The next step is to sum up all the expenditures and derive total costs per each year of implementation. Therefore, total expenditures are as following:

Table 3.6

Total expenditures

	Salary expenditures, €		**Other expenditures, €**		**Total, €**
	Monthly	Annually	*Monthly*	Annually	
1	2	3	4	5	6
1 Year	*32,584.00*	391,008.00	**3,750.00**	45,000.00	**436,008.00**
2 Year	*36,124.00*	385,488.00	**6,250.00**	75,000.00	**460,488.00**
3 Year	*41,654.00*	499,848.80	**8,750.00**	105,000.00	**604,848.00**

For the first year, total expenditures are to be $ **436,008.00**, monthly expenditures at $ 36,334.00. For the second year, total expenditures are to be $ **460,488.00**, monthly expenditures at $ 42,374.00; for the third year, total expenditures are to be $ **604,848.00**, monthly expenditures at $50,404.00

This sums up the section of calculating expenses for the project.

Break-even point calculation

The next thing for consideration is deriving the daily break-even point to understand what prices to set to meet the bottom line of the project. To calculate the break-even point, it is mandatory to include taxes into the minimum requirement of gains, hence salary taxes that are already incorporated in the total expenses. The only tax to include, however, is 15% VAT rate in South Africa, that applies in case the threshold $ 6,574.70 is overcome annually, which is the case in any way. The corporation tax is 28%, all the calculations presented in the Table 2.7:

Table 3.7

Break-even point calculation

Year	**Expenditures (monthly)**	**Calculation**	**Daily minimum, $/day**
1	**2**	**3**	**4**
1 Year	$ 36,334.00	*1st month: 36,334.00/ 30 = 1211.13* *2nd month: 46,248.00* / 30 = 1,412.47* **(36,334.00x2 – 6,574.70 + 15%) + 36,334.00= 9,914 + 27,661.85 = 46,248.00* *after 3rd: (36,334.00+ 15.00%) / 30 = 1,392.80*	1211.13 1,541.60 1,392.80 Average: 1,380.00
2 Year	$ 42,374.00	*(42,374.00+ 15.00%) / 30 = 1,623.300*	1,623.30
3 Year	$50,404.00	*($50,404.00+ 15.00%) / 30 = 1932.00*	*1932.00*

The first year monthly expenditures are set to be $ 36,334.00, both salary and other expenditures. To find out the break-even point, it is necessary to consider taxation on turnover: South Africa has first $ 6,574.70 to be subjected only to corporate tax, whilst turnover that exceeds the value of $ 6,574.70 is to be taxed by the value-added tax, what divides the calculation of break-even point to two parts: before the $ 6,574.70 limit and after. After that we receive three results: for the first month, for the second one and for the rest ten months: from these three we derive average daily requirement to earn to break even between financial flows in the project, for the first year the break-even point per day is $ 1,380.00. With increase of both salary and other expenses, break-even point for the second year increases to $ 1,623.300 per day, and peaks at $1932.00per day during the third year.

Estimating revenues

The next modulation – calculation sequence is going to take the direction to revenues – potential incomes. For the reason of adequacy of further calculation, the first step is going to require simulation of full capacity – business operating at its possible maximum. It is necessary to divide the price per room into sections, because the customer rarely would pay for the room itself, yet for the services included into the price. Into the Table 3.8 are included basic services that can be provided at the start of the project. At this point, it is clear that the break-even point is quite achievable, and therefore the calculations may proceed further.

Table 3.8

Freight revenues

№	Name of service provided	1 Year		2 Year		3 Year	
		Price, $	Total, $	Price, $	Total, $	Price, $	Total, $
1	2	3	4	5	6	7	8
1	packaging	10.00	300.00	20.00	600.00	30.00	900.00
2	Agent fee	30.00	900.00	60.00	1800.00	90.00	2700.00
3	Carrier fee	150.00	4500.00	300.00	9000.00	450.00	13,500.00
4	rent	60.00	1,800.00	90.00	2,700.00	120.00	3,600.00
5	tracking	20.00	600.00	40.00	1,200.00	60.00	1,800.00
6	Accounting services	15.00	450.00	30.00	900.00	45.00	1,350.00
7	warehousing	40.00	1,200.00	80.00	2400.00	120.00	3,600.00
8	Services	10	300.00	20.00	600.00	30.00	900.00
9	commission	25	750.00	50.00	1500.00	75.00	2,250.00
10	internet	10.00	300.00	20.00	600.00	30.00	900.00
Total /d:		**370.00**	**11,100.00**	**710.00**	**21,300.00**	**1,050.00**	**31,500.00**
Total /m:		**11,100.00**	**333,000.00**	**21,300.00**	**639,000.00**	**31,500.00**	**945,000.00**
Total /y:		**133,000.00**	**3,996,000.00**	**255,600.00**	**7,668,000.00**	**378,000.00**	**11,340,000.00**

The moving of freight in its maximum capacity can offer $ 11,100.00 daily revenue, $ 333,000.00 monthly revenue and annual maximum of $ 3,996,000.00 in the first year of operation. In the second year of operation daily maximum increases to $ 21,300.00, monthly maximum jumps up to $ 639,000.00, and total maximum revenue is expected to reach $ 7,668,000.00. Moreover, to conclude, the third year daily maximum is expected to be $ 31,500.00, monthly amount reaching $ 945,000.00, and totalling at the point of $ 11,340,000.00.

Table 3.9

Averaging Revenue

Name	1 Year	2 Year	3 Year
Maximum estimation			
1	2	3	4
Freight brokerage revenue	$ 333,000.00	$ 639,000.00	$ 945,000.00
Breakeven estimation			
Earnings estimation, daily	$ 1,380.00	$ 1,623.30	$1,932.00
Earnings estimation, monthly	$ 41,400.00	$ 48,699.00	€ 57,960.00
Average estimation			
Average earnings, daily	$ 187,200.00	$ 343,849.50	$ 595,287.50
Average earnings, annually	€ 1,166,400.00	€ 2,430,360.00	€ 2,946,900.00

Table 3.10

Investment effectiveness

Name	1 Year	2 Year	3 Year
1	2	3	4
Revenue*	$ 3,996,000.00	$ 7,668,000.00	$ 11,340,000
Expenditures	$ 436,008.00	$ 460,488.00	$ 604,848.00
VAT 15 %	$ 599,400	$1,150,200.00	$1,701,000.00
Profit-before-tax	$ 3,559,992.00	$ 7,207,512.00	$ 10,735,152.00
Tax 28 %	$ 999,797.76	$ 2,018,103.36	$ 3,175,200.00
Net Income	**$ 1,960,794.24**	**$ 4,039,208.64**	**$ 5,858,952.00**

3.3. Estimated income calculations and assessment of the economic attractiveness of the investment project

After calculating proximate income, it is necessary to assess if the investment project is attractive or not. For that aim, it is necessary to find the discount rate, at which investment inputs and returns will be equalized taking into account the course of time.

Table 3.13

Year	Inflation rate
2018	4.62
2019	4.13
2020	2.43

After the calculation, the discount rate is as following:

i = 1.0462×1.0413×1.0243 – 1 = 0.116

Over the three years of implementation of the project, the discount rate is expected to change as following:

1 + i1 = 1.116

1 + i2 = 1.116^2 = 1.25

1 + i3 = 1.116^3 = 1.39

The next step is to calculate discounted outflow, what is done in three steps:

1) Discounted outflow for the first year: $ 558,691.77

DCF1 = 623,500.00/ 1.116 = 558,691.77

2) Discounted outflow for the second year: $ 60,800

DCF2 = 76,000/ 1.25 = 60,800

3) Total discounted outflow: € 3,176,664.15

DCFT = 558,691.77+ 60,800= 619,791.77

After that, consider all inflows – net income that is not redistributed into production but is going to undergo the repatriation procedure

1) Discounted inflow for the first year: $ 1,669,134.88

DCF1 = (1,960,794.24– 5%) / 1.116 = 1,862,754.53 / 1.116 = 1,669,134.88

2) Discounted inflow for the second year: $ 1,633,383.65

DCF2 = (4,039,208.64– 5%) / 1.25 = 3,837,248.21 / 1.25 = 3,069,798.57

3) Discounted inflow for the third year: $ 1,878,009.00

DCF3 = (5,858,952.00– 5%) / 1.39 = 5,566,004.40 / 1.39 = 4,004,319.71

4) Total discounted inflow: $ 4,183,607.15

DCFT = 1,669,134.88+ 3,069,798.57+ 4,004,319.71= 8,743,253.16

The next step is to calculate indicators to assess attractiveness of the international investment project. Starting from the calculating the Net Present Value which is the difference between the discounted inflow and outflow, then Profitability Index which is the result of dividing the discounted inflow by discounted outflow, and calculation of the Payback Period which is the result of dividing the discounted outflow by average annual income (Zadoya, 2015).

Net Present Value = 8,743,253.16 – 619,791.77= 8,123,461.39

Profitability Index = 8,743,253.16 / 619,791.77= 14.17

Payback Period = 619,791.77/ (8,743,253.16 / 3) = 619,791.77/ 2,914,417.72 = 0.21 years = roughly 4 – 5 months.

From obtained results, the following conclusions can be made: Net Present Value exceeds zero, so the project should be considered in any case, it is profitable. The profitability index is greater than one, what also confirms profitability. Payback period is less than three years, what meets the requirement.

CONCLUSIONS

Conclusively the international investment development fall within three distinct Categories: relating to firms' investment objectives, relating to FDI policies of South Africa and Relating to the macro-economy of host countries. The illustrations given in the sections above gives more flesh to these vital categories. Which are analysed a lot of time in this course work, however, there are many specific instruments that are contextual to other cases. The most important thing that was mentioned in this essay is that it the characteristics that will remain key to attraction of international investment development. There are whole lot of authors, that argue about one should not expect too much from any kind of general international investment determinants. Since their effects over different contexts are either statistically weak, or they are simply too broad to be applied effectively to any case. Notable in this respect is that country-specific characteristics are hardly mentioned as something to investigate. Indeed, while Salisu includes the firms' particular objectives in his categorization, this category remains woefully empty when one tries to fill it in based on other ideas about international investment development determinants. The next section, where international investment development attraction in SADC is analysed, will present why this is a loss.

The international investment project of freight Brokerage Company in United States of America that is expanding in South Africa. The project meets the requirements set: the payback period is at most 4 months (0.21 years) out of 36 months (3 years), and the investment requirement is $ 623,500.00 for the first year. Overall, the project is profitable and promising – being established in South Africa it faces next to no risks, the major risk it will be competition as any other business, the most important aspect of this project is that it deals with the transportation. The company does not own any equipment but it provides services to both carriers and customers.

zConsidering the environment and the general investment attractiveness of South Africa, the project shall be quite simple in realization, providing no changes to the current Agreements between South Africa and America –South Africa is one of the country with a leading economy in Africa and United States it has a leading economy in

America and the whole of the world. Moreover, this project can be easily developed into more complex system – the setup of a brokerage company is real deal and the project that doesn’t need a lot of hard work.

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