

South Africa's role in BRICS

Nation steps onto the global stage, and offers many benefits

South Africa's ascension into the BRICS club of emerging economies raised some eyebrows internationally, but there is no doubt that the country has the credentials to back its membership.

Perhaps the foremost advantage South Africa is able to offer its BRIC partners is access to 1 billion consumers living in Africa, as well as the vast mineral and agricultural opportunities the continent offers.

In December 2010, South Africa was formally invited to become the most recent member of the BRICS bloc — formerly BRIC — of powerful and influential emerging economies. These comprise Brazil, Russia, India, and China with the 'S' standing for South Africa.

Between them, this group accounts for nearly 20 percent of the world's GDP, illustrating just how formidable they have become. In three years' time, they are expected to account for 61 percent of the world's growth, according to the International Monetary Fund. It's an elite club and membership is strictly by invitation only.

It is by far the smallest economy to be admitted to this club, with a population of just 50 million people compared to the billion-plus populations of India and China. Likewise, South Africa's GDP is a fraction of that of China, the group's powerhouse economy.

We might therefore legitimately ask how the country has been able to pull off such a feat.

South Africa brings a lot to the BRICS table in its own right. As the gateway to Africa, it offers access to a market of a billion people in 61 territories and 54 countries — equivalent to 15 percent of the world's population.

Membership of the BRICS underlines the potential advantage available through its relationship with African economies, and the increased strategic importance given to Africa and its resources.

BRICS countries are growing rapidly, and to secure their growth, they need Africa's commodities. The BRICS intend to expand inter-trade amongst themselves to \$500 billion by 2015.

Already, South African companies are keen to do their bit in helping the trade bloc to reach this target. After South Africa formally joined the club, Robbie Ragless, head of



President of South Africa Jacob Zuma

immigration specialist Global Visa in South Africa, said:

"In the space of a little over a week, we have seen a 38 percent increase in enquiries from corporate clients and individuals wanting visas and information on obtaining work permits for BRICS countries."

As the country's Minister of Finance Pravin Gordhan remarked in July, the BRICS nations are not only reflecting the shifting trends of the new global economic order but are increasingly shaping it.

South Africa's new allies are calling for change, such as reform of the world's financial bodies and the UN Security Council. Part of its job, as a BRICS member, will be to support these calls and add its own voice and diplomatic weight.

The BRICS countries share several global forums: the United Nations (UN), G20 and the India, Brazil and South Africa (IBSA) Dialogue Forum, which South Africa will host this year.

This year the BRICS will each serve on the UN Security Council as either permanent (China and Russia) or non-permanent (Brazil, India and South Africa) members in a move that augurs positively for enhanced cooperation.

Africa is the last frontier of the global economy and its third-largest market. It must have a voice in all major global forums



Standing tall: Presidents of the new global economies at the BRICS Leaders' Summit, which took place in Sanya, China, in April.

including BRICS.

And it is in Africa's, and South Africa's, interests to call for a restructuring of international economic and political institutions, a more equitable and sustainable trade dispensation, and agreement on climate change. These agreements would ensure that all people are able to sustain and grow their livelihoods.

Bilateral trade

Although the US remains Africa's largest export market, Sino-African trade grew 10-fold between 2001 and 2008.

By 2009, trade values had grown by an incredible annual 53.9 percent, and overtaken the value of US-African trade, which dropped to second place.

Sino-African trade is two-way, with African economies importing almost as much from China as they export. China is now South Africa's premier trading partner, with trade between the two countries valued at 143.3 billion rand (\$21.3 billion).

By contrast, US trade with Africa is more cyclically unstable than China's. In 2009, as commodity prices fell, US-Africa trade almost halved, while China-Africa trade dipped by a

more modest 15 percent, illustrating its resilience.

South Africa is both a benefactor of better access to BRICS markets and, at the same time, a competitor or joint venture partner in the development of Africa. Africa grew at 4.5 to 5 percent last year and is expected to reach 5.5 to 5.7 percent this year. South Africa is set for a more modest 4 percent growth.

South African President, Jacob Zuma, has invited investors from BRICS countries to take up the major infrastructure and manufacturing opportunities in South Africa and on the African continent. Both the private and public sectors of the country, and the continent, stand to be leading beneficiaries of this offer.

Craig Bond, Standard Bank China's chief executive, said the bank was committed to connecting BRIC companies with African markets.

"The BRICS summit has provided us with a great platform for the emerging economic powers to discuss mineral beneficiation, infrastructure development, stimulating foreign investment as a means for supporting employment and job creation," he said.

"By formally engaging one another

and understanding differing socio-economic challenges, the need for BRICS partnership and cooperation will become more visible and manageable. The BRIC countries should also benefit from Africa's growing consumer markets."

In developing trade opportunities even further, South Africa's world-class transport and communications infrastructure will be critical.

Both local and international investors have been able to use the country as a springboard into the rest of the continent, and a sophisticated ports network is vital. South Africa is able to function as a hub for commercial traffic emanating from and destined for Europe, Asia, and the Americas, as well as the east and west coasts of Africa.

Creating value chains between South Africa and its neighbors will allow countries to share benefits from joint development projects. Past development projects have seen Tanzania and South Africa partnering to develop the East African country's tanzanite industry and sugar mills.

South Africa has also been involved in Mozambique's aluminium smelter, and more of these projects are likely,

as 19 billion rand has been set aside to fund South African junior mining companies with interests in expanding into the rest of the continent.

For investors looking to develop business in Africa, South Africa will be a natural partner.

The country accounts for 25 percent of the continent's GDP, and two-thirds of its electricity. Its sophisticated banking and financial markets, political stability, and regulatory efficiency mean that it can be easier for foreign partners to invest there first before looking north of its borders.

Judging by recent economic activity, South Africa is already benefiting from its membership of BRICS.

In July, Tata Motors South Africa, a joint venture between India's Tata Motors and Tata Africa, opened a 100-million-rand truck assembly plant outside Pretoria, the South African capital.

Meanwhile US-based manufacturer Ford Motor Company in June completed a \$500 million upgrade of its manufacturing and assembly plants in South Africa, which will enable locally-produced Ranger pickup trucks to be exported to 148 countries in Africa and Asia.

Looking toward November expos

SA to invite up to 120 home-grown companies to Beijing and Shanghai trade expos

Diplomatic relations between South Africa and China were established on Jan 1, 1998.

In terms of economic relations, South Africa granted China Market Economy Status (in principle) and the commencement of free trade agreement discussions between the South African Customs Union (SACU) and China was announced in June 2004.

An agreement establishing a Joint Trade and Economic Committee between South Africa and was signed on Feb 2, 1999 by the then Minister of Trade and Industry Alec Erwin.

The agreement broadly commits the two countries to:

- Strengthen their mutually beneficial trade and economic ties

- Raise the profile of South Africa — China relations through the creation of an appropriate institutional mechanism for the strengthening of bilateral economic ties, hence the creation

of the Joint Economic Committee, which meets almost every 12 months.

- Facilitate trade and business networking through joint business participation in trade fairs and exhibitions in each country.

Subsequent to South Africa's recent admittance into the BRICS group of countries, the Chinese government has committed itself to assist South Africa with the increase in exports of value-added products to the country.

One of the outcomes of the recent BRICS meetings relates to the Chinese government offering South Africa an opportunity to stage an Expo in Beijing, China from Nov 24 — 26, 2011.

South Africa duly accepted the invitation and also intends to stage an Expo in Shanghai from Nov 28-30, 2011.

As an outcome of the BRICS summit in China, the Chinese government committed to assisting South Africa to increase manufactured/

value-added exports from South Africa to China.

As a practical step the Chinese government proposed the staging of the South African Expo in China.

The Chinese government indicated that it will cover a large portion of the costs to stage the Expo. South Africa has been requested to recruit 100-120 relevant companies for the event.

The mentioned Expos will be combined with Trade and Investment Seminars.

South Africa will, therefore, utilize the platform for the purposes of both penetrating the Chinese market and attracting foreign direct investment. TISA has therefore been tasked with ensuring the successful realization of the Expos targeting 120 South African companies as exhibitors.

China is the largest economy in the world as measured by purchasing power parity (PPP). In terms of US dollar exchange rate, China's economy is seventh largest. The huge population at 1.3 billion results in a

relative per capita income of \$7,518 at PPP.

As one of the fastest-growing economies in the world, China's role in the global economy would be: mature market economy, champion of trade, leadership for developing world and strong voice in the world's councils.

The South-South relationship among Brazil, Russia, India, China and South Africa is also of strategic importance as it grants preferential trade space.

The Expo objectives

- Strengthen mutually beneficial trade and economic ties between the two countries.

- Raise the profile of South Africa — China relations through the creation of an appropriate institutional mechanism for the strengthening of bilateral economic ties.

- Showcase South Africa's technology advancement and innovation, mining beneficiation and technology capabilities, defence technology, agro-processing, energy, ICT and engineering.

- Exhibit South Africa's value-added goods and services in order to create awareness.

- Increase value-added exports

Trade /export sectors

Agro-Processing
Mining beneficiation
Metals
ICT & Electronics
Automotives & components
Capital equipment

Investment sectors

Mining and Beneficiation
Renewable Energy
Energy
Infrastructure
Oil and gas
ICT and Electronics
Capital Projects
Transport
Agro-processing

to China and globally, therefore enabling South African firms to take advantage of export opportunities in the Chinese market.

- Increase foreign direct investment into South Africa and increase joint ventures.

Participation

Up to 120 South African companies in the targeted sectors will be invited to apply to participate during the event.

The approved companies will be provided with payment of air tickets, hotel accommodation, freight forwarding of exhibitor's promotional material, attendance of trade and investment seminars, arrangement of business-to-business meetings and possible site visits.

These companies will be selected from South Africa's nine provinces, namely: Eastern Cape, Free

State, Gauteng, KwaZulu Natal, Limpopo, Mpumalanga, Northern Cape, North West and Western Cape. South African brands from both the private sector and the public sector will be showcased.

The Expo will have 80 percent representation from the private entities (manufacturers and services providers from medium and large exporters), and 20 percent representation from industry associations, export councils, joint action groups, chambers of commerce and Provincial Investment Promotion Agencies.

These approved companies are expected to have a representation of key decision makers from their entities. The representatives' job functions should include: managing directors, general managers, directors, chief executive officers and export managers.