

SA role in Brics

What are the benefits?

As an emerging economy and Africa's economic power house, what role is South Africa playing in Brics? **Memory Dube** explores South Africa's position in the run-up to the Brics summit.

South Africa is due to host the fifth Brics summit on 27 March 2013 and the government has reported that preparations are in full swing. From being dismissed as just another talk-shop for heads of state to being applauded as representative of a new world order, the Brics group, composed of Brazil, Russia, India, China and South Africa, has sparked much interest and controversy.

Critics and proponents alike wait with bated breath at each summit to see how the group evolves. It is becoming increasingly clear, however, that the Brics have come to represent shifts in the global political economy and a growing multi-polar world, spurred on by the sluggish economic growth being experienced in the West.

For South Africa, which is hosting the summit for the first time, the upcoming summit is particularly important. As the incoming chair, South Africa chose to make this year's summit about African priorities. Aptly themed, 'A Partnership for Development, Integration and Industrialisation', the 2013 summit will focus on African priorities such as infrastructure development and regional integration.

Such an approach signifies confidence in the future and viability of the Brics group and emphasises its significance for Africa. Of course, at a bilateral level, each Brics member has strong ties

with Africa (Russia to a much lesser extent but the country is in the process of re-engaging Africa) and particularly with the resource-rich countries.

The Brics as we know them today evolved from a simple acronym coined by a Goldman Sachs economist, Jim O'Neill, when he was forecasting and drawing projections for the future economic potential and importance of Brazil, Russia, India and China. The then Bric countries have since become Brics, with South Africa joining the grouping in 2011.

A quick glance at the statistics reveals that in 2011, the Brics accounted for 25% of global gross domestic product (GDP), 30% of global land area, and 45% of the world's population is resident in the Brics countries. Total trade among the Brics countries has increased at a rate of 28% per annum since 2001 and in 2010 the figure stood at US\$239-billion. Also, according to International Monetary Fund (IMF) statistics, China, India, Russia and Brazil were, in 2010, among the top ten economies in the world.

EMERGING ECONOMIES

Probably because the concept of Bric was coined on the basis of economic projections as the countries are much more strongly identified with a trade and economic agenda and the emerging economy status of its members. Indeed, all of the Brics analyses

from the Goldman Sachs group still focuses trade and economic outlooks and continues to create other groupings which have so far not taken root.

However, the Brics' biggest strength is in its political economy and there is need to view them outside of the economic lens in order to understand their true potential as each of the Brics members is a regional giant in its own right. Brics as it is today is more of a political than economic grouping, especially after South Africa's accession to the group.

The Brics New Delhi summit of 2012 was significant for having completed the full hosting cycle of the original members (which excluded South Africa). It was also a symbol of the consolidation of the Brics summit, marking its permanency in the global governance arena.

Based on the summit statements and declarations, a Brics core agenda includes global financial and economic management, trade, investment, sustainable development, energy, food security, health, terrorism, development, science, technology and innovation, and strengthened dialogue and cooperation.

With the Brics having been formalised as a group in the wake of the global economic crisis, underlying the agenda is the stated desire to see a reform of international institutions and to

secure better representation of developing countries. The summits also always discuss topical issues on the global agenda, from food security in 2009 to peace and security concerns in North Africa and Syria, and the Iranian nuclear issue in 2011.

In its development, the Brics agenda has evolved significantly from the first summit where it was closely linked to that of the G20 – creating the impression that it was a forum for coordinating positions in the G20. Instead, the group is becoming more structured with expanded sectoral discussions taking place outside of the leader's track. These sectoral discussions are becoming institutionalised through regular meetings of trade, agriculture and finance ministers, cooperation among development banks, and the establishment of business and academic/think tank forums.

The New Delhi summit in March 2012 also considered the idea of setting up a Brics Development Bank and a working group was set up to discuss related issues. Indications from South African government officials are that plans for the establishment of the bank are gathering momentum. These developments indicate a group that is independently defining the contours of its existence and is willing to consider new institutional structures where necessary.

The Brics analysis becomes difficult when attempts are made to evaluate the group's future viability. There seems to be more divergence than commonalities among the group's members, including on pertinent global issues. For instance, their political systems vary with three members, South Africa, India and Brazil, being democracies while the other two, Russia and China, are more totalitarian. The latter two countries hold permanent membership of the United Nations Security Council (UNSC) while the other three are aspiring members of the UNSC.



Foreign Affairs Minister Maite Nkoana-Mashabane to promote trade interests in Brics.

Despite the Brics summit declarations that pronounce Russian and Chinese endorsement of the UNSC aspirations of the other three members, Russia and China have never explicitly supported these efforts in other fora. Further, there is hostility between China and India over their disputed common borders, and India has always played host to the Dalai Lama, the spiritual leader of Tibet, and about 80,000 exiled Tibetans who are fighting for independence from China.

In their trading relations, Russia, Brazil and South Africa tend to supply commodities to China and India and get manufactured goods

in return, more so from China than India. This may sound like a complementary relationship but South Africa, for instance, is keen to promote product value-addition and beneficiation, particularly in the mining sector, and this creates competition.

COMPETITION

The Brics countries also compete against each other on the international markets and, in the World Trade Organisation (WTO), the largest number of complaints against the Chinese have been initiated by Brazil. India is also seen as a threat to Brazilian producers



Finance Minister Pravin Gordhan has a task to obtain economic benefits from Brics.

in the steel and software sectors. There is also the Chinese currency manipulation issue where the pegging of the renminbi to the US dollar makes Chinese exports cheaper, and Brazil has openly criticised this practice.

Two incidents related to the reform of global economic governance and particularly the reform of the international financial institutions point to the failure of the Brics to make common decisions on issues which, surprisingly, they agreed upon, and which issues have featured on every summit declaration. For example, on the occasion of the appointment

of the IMF managing director in 2011, the Brics revealed a failure to collectively respond to global events and opportunities as they presented themselves.

The failure of the Brics countries to nominate a common candidate also revealed a cooperation deficit. It was mostly agreed in policy circles that the IMF head selection process was a missed opportunity and a lesson for the Brics. Nevertheless, when an opportunity again presented itself in the selection of the World Bank president in 2012, all that the Brics achieved was a rhetorical statement in the Delhi declaration

calling for an open and merit-based selection process. The Brics failed to endorse the candidacy of the Nigerian finance minister for this position and Russia went as far as endorsing the US candidate although it was widely agreed that the Nigerian candidate had better credentials.

The Brics also disagreed when it came to the issue of military intervention in Libya as well as on the proposed plan for the removal of the Syrian president in the wake of the political disturbances, with the three democracies supporting the initiative, while Russia and China opposed the proposal in the UNSC.

The above differences tend to give Brics sceptics and critics ammunition to dismiss the project, particularly as a political grouping. It could be, however, that with a little tweaking, the Brics project could still live up to its potential. The leaders have always been careful not to pronounce the grouping as being a counterbalance to any other grouping or country. Instead, they have opted to portray themselves as complementary to the current global governance bodies and as a complement to other country groupings such as the G20.

At the core of it all is not necessarily finding points of convergence, but changing the structure of global governance to give more representation to developing countries, particularly the emerging economies. Nevertheless, a significant amount of coherence would still be needed for such a project.

The Brics have scored some relative successes to date, which are worth noting. At the 8th WTO Ministerial Conference in Geneva in December 2011, they issued a joint statement on trade issues confronting the WTO thus gaining significant influence. Russia's accession to the WTO might strengthen this influence although

this is doubtful given Russia's ill-fit within the group and particularly because it is, for all intents and purposes, more of a developed economy in transition than an emerging one.

Within the G20, the Brics managed to push through a decision to redistribute some of the voting shares in both the IMF and the World Bank at the London summit in September 2009. Also, they were agreed on the need to contribute to the IMF firewall fund designed to stop the Eurozone crisis in 2012 from spreading to other countries.

The various pledges made by the Brics countries to the IMF signify an acceptance by the Brics, of the responsibilities that come with increased voice and power. This will place them in good stead when it comes to global economic negotiations. Also, at a domestic level, the Brics members do share commonalities on development, inequality and poverty reduction concerns.

According to foreign minister Maite Nkoana-Mashabane, South Africa had three objectives in mind when it joined Brics. These were to advance its national interests, to promote the regional integration programme and related infrastructure development programmes (Southern African Development Community, SADC) Regional Infrastructure Master Plan, New Economic Partnership for Africa's Development (Nepad) infrastructure programme and for a South-South partnership towards the advancement of global governance and its reform.

South Africa has often reiterated the importance of 'African interests' in its interaction with its counterparts in the Brics, particularly on issues of development and regional integration. The Africa focus has been built on the idea of South Africa as an economic gateway to the continent.

Nevertheless, South Africa's gateway status has been challenged in some circles, while others contend that other, better economic gateways are emerging in Africa. If anything, South Africa is more of a political gateway that needs to work on the economic environment. Also, there is the issue of the existing bilateral relationships between the other Brics countries and Africa, which relationships remain basically untouched by South Africa's membership of the Brics.

Outside of a buy-in into South Africa's Brics membership at a continental level, it is highly unlikely that South Africa can successfully craft and implement a Brics-Africa agenda. In this context, it is therefore worthy that South Africa has invited the representatives of the African Union, Nepad as well as representatives of the various regional economic blocs in Africa, to an engagement following the Brics summit in March 2013.

It would have been ideal for South Africa to consult and involve these institutions earlier in the preparations for the summit but inviting them will go a long way towards buying goodwill from African counterparts, especially as the 5th Brics summit is being sold on the 'Africa' ticket. Nevertheless, South Africa should still be mindful of the importance of bilateral ties, particularly with African countries. There are murmurings of a Brics strategy which is not yet public but too much emphasis is being placed on an assumption of automatic buy-in from the rest of Africa, and this needs to be remedied.

For South Africa, the benefits of Brics membership derive from the potential of expanding trade and investment relations with other countries and to provide an opportunity to diversify export markets away from traditional ones like the EU and the US, whose economies are suffering from the after-effects of the global economic crisis.

South Africa's Brics membership also bolsters the country's political standing, as a middle power that is widely acclaimed in such institutions as the WTO, the United Nations, and the G20. The country has also played a leadership role in climate change negotiations under the United Nations Framework Convention on Climate Change, as well as in its peace and mediation efforts in Africa.

There is no doubt that the increased role of emerging economies in the global economy and, by extension, global politics has built leverage for the Brics. Economic growth does not necessarily translate into political might, but the sluggish growth in the developed world and the preoccupation of the EU and the US with their own domestic economic problems, as well as the fact that the emerging economies, led by China, have kept the global economy propped up through a period of crisis, has created room for political manoeuvre by the Brics.

The question is whether the Brics are able to leverage on that and so far they have fallen short of expectations. Nonetheless, the Brics have been showing a concerted effort to find common positions on important issues and as the group becomes more grounded and more institutionalised, it is expected that they will find greater coherence amongst themselves and on issues of international importance. Another challenge for the Brics lies in its definition. As the group goes through its evolution and finds a more tangible identity that goes beyond annual summits and communique, there is scope to change international political and economic thinking and practices. ^{LB}

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