

# South Africa in the BRICS\*

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## ABSTRACT

South Africa's membership of the BRICS has stirred controversy. A number of observers have argued that South Africa is too small in terms of economy and population to be considered an authentic member of this group. In this article, the author accepts that South Africa may have no place in the analytical construct that Jim O'Neill of Goldman Sachs invented in 2001, but also argues that South Africa is a valuable and legitimate member of the political construct that we know today as the BRIC(s). South Africa has the "soft power" needed to play a constructive role in the rebalancing of geopolitical power globally, and is a potential voice for the continent of Africa. However, South Africa's position in the BRICS must be understood in terms of its own contested role as a leader in Africa; the ambiguous outcomes of the BRICS engagement with this continent; and the danger that the BRICS may become an exclusive self-selected grouping rather than a potent force for greater global equity.

**Key words:** BRICS, Africa, soft power, global order, geopolitics.

## Sudáfrica en los BRICS

### RESUMEN

La membresía de Sudáfrica en los BRICS ha generado controversia. Un gran número de observadores han argumentado que este país es demasiado pequeño en términos de economía y población para ser un miembro real de este grupo. En este texto se acepta que Sudáfrica podría no tener un lugar en la construcción analítica que Jim O'Neill, de Goldman Sachs, inventó en 2001; sin embargo, también se argue que es un miembro válido y legítimo de la construcción política que hoy en día conocemos como BRIC(s). Sudáfrica tiene el *soft power* (poder blando) que se necesita para jugar un papel constructivo en el reequilibrio global del poder geopolítico, y es una voz potencial para el continente africano. A pesar de lo anterior, la

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\* Recibido: 31 de julio de 2014 / Aceptado: 2 de agosto de 2014

Para citar este artículo

Harrison, P. (2014). South Africa in the BRICS. OASIS, 19, pp. 67-84.

posición de Sudáfrica en los BRICS debe ser entendida en términos de su controvertido papel como líder en África; los resultados ambiguos del compromiso de los BRICS con el continente, y el peligro de que estos se puedan convertir en un grupo exclusivo y autoseleccionado en lugar de una fuerza poderosa que logre una mayor equidad global.

**Palabras clave:** BRICS, África, poder blando, orden global, geopolítica.

## INTRODUCTION

When the BRIC (Brazil, Russia, India and China) foreign ministers met in New York in September 2010 they agreed that South Africa would be accepted into the alliance. South Africa was accordingly invited to the Third BRICS Summit held in China in April 2011, and BRIC became BRICS. This was an occasion widely celebrated in South Africa but also received with a degree of skepticism by a number of commentators in the country and internationally (Naidu, 2013). South Africa's *Business Report* put it like this - "The hearty self-congratulation with which South Africa welcomed its accession to the BRIC grouping of major emerging countries has been met with a deafening silence from global investors"<sup>1</sup>. The misgivings had to do with Jim O' Neill's initial conception of the BRIC as a grouping of nations outside the historically recognized global core

high potential for future economic growth on the basis of the size of their economies and population, and growth performance in the immediate past (O'Neill, 2001). When O'Neill was asked in 2010 whether South Africa should be a BRIC, he replied with a categorical "no"<sup>2</sup>.

This Chapter compares South Africa to its fellow BRICS, asking whether there is a rationale for including this small country with its slow-to-medium economic growth within this geopolitical cluster. It confirms that South Africa is a "minnow" within BRICS and that in terms of the criterion of size, South Africa's membership of BRICS is incongruous. However, when using size neutral criteria, South Africa falls within the range of variability of the original BRIC countries.

More importantly, the Chapter argues that the idea of the BRIC(s) has evolved beyond the analytical construct developed by O'Neill and his Goldman Sachs' colleagues into a political construct with the pragmatic purpose of developing a geopolitical node of influence as an alternative to the historically dominant alliance of North America and Western Europe. In terms of this understanding, there is a credible, even compelling, rationale for South Africa's membership of BRICS.

## "THE MINNOW"

Table 1 indicates clearly that in terms of size South Africa is a real minnow within BRICS. It

<sup>1</sup> The report went on to point out that "If South Africa were a province in China, its GDP would rank number six, just above Hebei, a producer of coal and sorghum". *Business Report*, 22 March, 2013.

<sup>2</sup> *Reuters*, 17 November, 2010.

accounts for a mere 1.7 per cent of the combined population of BRICS, and an only slightly higher 2.6 per cent of the combined value of economic output. The economic growth in recent years has also been low, closer to post-recession global figures than to that of the BRICS giants, China and India.

**TABLE 1. SOUTH AFRICA IN COMPARISON TO OTHER BRICS COUNTRIES IN TERMS OF SIZE OF POPULATION AND ECONOMY, AND IN TERMS OF RECENT RATES OF GDP GROWTH**

Country	Population		Size of Economy		Economic Growth
	No. in mill	% BRICS	GDP USD Billion	% BRICS	Average annual GDP growth, 2009-2013
Brazil	193	6.6	2 252	15.4	2.5
Russia	143	4.9	2 007	13.8	1.3
India	1 210	41.0	1 743	11.9	5.0
China	1 351	45.8	8 227	56.3	7.7
South Africa	51	1.7	384	2.6	1.9
Total BRICS	2 948	100.0	14 613	100.0	-

Source: BRICS Joint Statistical Publication, 2013.

From the perspective of size and economic growth, there is little if any rationale for South Africa's membership of BRICS. It should, however, be noted that even before South Africa's accession, there was considerable variation among the BRIC countries with Russia, for example, having a population of 143 million

compared with China's 1.35 billion. Also, in terms of economic growth, South Africa's post global recession growth rates are at least comparable with those of Brazil and Russia<sup>3</sup>.

These qualifications notwithstanding, it is clear that South Africa does not meet the Jim O'Neill standards for BRIC membership. Is South Africa, however, comparable in terms of size-neutral criteria? We explore the question below in relation to the economy, level of social development, and environmental sustainability.

## SIZE-NEUTRAL COMPARISONS

### Economic indicators

There are two broad sets of economic indicators. First, the conventional indicators of economic strength which, apart from growth in GDP, include measures of capital investment, inflation, unemployment, foreign direct investment, levels of debt, share prices, credit growth, and so on, which are complemented also with subjective measures such as the levels of business confidence (see table 2). Then, there are various rankings and measures of "competitiveness" and "innovation" that take account of a broader range of factors including the strength of institutions, the sophistication of markets, the quality of infrastructure, and levels of creative output (see tables 3 and 4).

In terms of the first set of indicators, drawn from the IMF database, South Africa's

<sup>3</sup> Sandrey and Vink (2013) point out that the BRICS have not enjoyed spectacular levels of GDP growth in recent years, and so GDP growth may hardly be regarded as a necessary condition for BRICS membership.

**TABLE 2. IMF'S PRINCIPLE GLOBAL INDICATORS FOR BRICS, 2013 (OR AS INDICATED)**

Indicators	Brazil	Russia	India	China	South Africa
Gross Capital Fixed Formation (% of GD), 2012	19.3	23.1	29.5	45.5	18.9
Consumer Price Index	6.2	6.8	10.9	2.6	5.7
Unemployment Rate	5.4	5.5	-	4.1	24.7
Current account deficit as a per cent of GDP, 2012	-2.4	+3.5	-4.8	+2.6	-5.2
Exports of goods & services as a percent of GDP, 2010	12.2	32.8	22.6	32.0	26.4
FDI as a percent of GDP, 2007-2011	2.7	2.8	1.4	3.1	1.4
Debt service as a percent of GDP, 2009	2.1	4.2	1.2	1.0	1.4
Share Prices 2013, with 2010 = 100	79.8	101.9	105.8	77.6	141.6
Business Confidence Index, Jan 2014	100.0	100.4	-	98.8	99.4

Source: IMF Statistics.

performance is mixed. On the negative side, South Africa has a level of unemployment which dramatically exceeds that of its fellow BRICS. On other indicators, however, South Africa does not fall outside the range of the others. Economic concerns for South Africa include the low levels of capital formation (but this is shared with Brazil); and the high current account deficit and low levels of foreign direct investment (common with India). On the positive side, South Africa's inflation is lower than the other BRICS; the economy is more open to the world than the other BRICS; levels of debt are low; and the stock market has outperformed that of the others.

Importantly, South Africa's economy is relatively well diversified and structurally mature in relation to the others, with the exception of Brazil. South Africa and Brazil have well developed tertiary economies while India is still strongly geared towards agriculture and low wage manufacturing; Russia is still largely

dependent on oil and gas; and China is now a predominantly manufacturing economy.

South Africa also performs comparatively well in terms of "competitiveness" and "innovation". In recent rankings for competitiveness and innovation, South Africa ranks second in BRICS after China, although only marginally ahead of Russia, Brazil and India (table 3). South Africa's rankings are buoyed by the strength of its institutions, the quality of its regulatory environment, and its market and business sophistication. On the downside, South Africa has severe weaknesses in terms of the quality of its education, and the scale of investment in R&D (table 4).

### **Social indicators**

The social indicators presented in table 5 –and sourced mainly from the UNDP's Human Development Report– reveal considerable diversity within BRICS.

**TABLE 3. GLOBAL COMPETITIVENESS AND INNOVATION RANKINGS, 2013**

Country	Total Competitiveness Ranking (World Economic Forum)	Innovation Ranking (World Economic Forum)	Innovation Ranking (Global Intellectual Property Organization)
Brazil	56	55	64
Russia	64	78	62
India	60	41	66
China	29	32	35
South Africa	53	39	58

Source: WEF, 2013; World Intellectual Property Organization and Johnson Cornell University.

**TABLE 4. BRICS RANKINGS IN THE COMPONENT SEGMENTS OF THE GLOBAL INTELLECTUAL PROPERTY ORGANIZATION'S GLOBAL INNOVATION INDEX, 2013**

Country	Institutions	Human Capital & Research	Infrastructure	Market Sophistication	Business Sophistication	Knowledge & Technology Outputs	Creative Outputs	Total
Brazil	95	75	51	76	42	67	72	64
Russia	87	33	49	74	52	48	101	62
India	102	105	89	49	94	37	65	66
China	113	36	44	35	33	2	96	35
SA	44	102	83	16	71	79	68	58

Source: WEF, 2013.

**TABLE 5. SOCIAL INDICATORS FOR THE COMPARISON OF BRICS COUNTRIES (FIGURES FOR 2012 UNLESS OTHERWISE INDICATED)**

Indicator	Brazil	Russia	India	China	South Africa
GDP Per Capita GDP (USD), 2013, IMF	12 221	17 884	4 077	9 844	11 259
GDP Per Capita IMF Global Rankings, 2013	79 <sup>th</sup>	58 <sup>th</sup>	133 <sup>rd</sup>	93 <sup>rd</sup>	84 <sup>th</sup>
Income Gini Coefficient	54.7	40.1	33.4	42.5	63.1
Percent of population below income poverty line of PPP \$1.25 day	6.1	0.0	32.7	13.1	13.8
Infant mortality (per 1000 live births)	20.3	8.7	47.0	12.1	37.9
Life expectancy at birth (years)	73.8	69.8	69.1	73.7	53.4
Fertility rate per woman	1.6	1.6	2.5	-	2.4
Natural increase of population (per 1000)	7.9	-0.02	14.9	5.0	9.3
Urbanization level (percentage)	84.6	73.8	31.3	53.7	62.0

Indicator	Brazil	Russia	India	China	South Africa
Homicide rate per 100 000	21.0	10.2	3.4	1.1	31.8
Gender equality, global ranking, 2010	71 <sup>st</sup>	48 <sup>th</sup>	122 <sup>nd</sup>	32 <sup>nd</sup>	80 <sup>th</sup>
Human Development Index (HDI)	0.73	0.788	0.554	0.699	0.629
Human Development Index (HDI) global ranking (UNDP)	85 <sup>th</sup>	55 <sup>th</sup>	136 <sup>th</sup>	101 <sup>st</sup>	121 <sup>st</sup>

Sources: BRICS Joint Statistical Publication, 2013; World Urbanization Prospect, 2013; Human Development Report, UNDP, 2013.

In terms of GDP per capita, South Africa has a median position within BRICS - it is better-off than India and China; poorer than Russia; and comparable with Brazil. It also has a median position in terms of poverty levels - it is better-off than India; worse-off than Russia and Brazil; and comparable with China.

However, South Africa has the highest levels of inequality in BRICS (and almost in the world)<sup>4</sup>. Infant mortality rates are also high (second only to India) while life expectancy is by far the lowest in BRICS, largely due to the HIV/AIDS epidemic. Fertility rates in South Africa are still relatively high by BRICS standards although population growth is modest because of high mortality rates. Levels of urbanization in South Africa are relatively high but there is still space for increase, unlike Russia and Brazil where urbanization is at a near saturation point. South Africa is still a dangerous place with high levels of homicide, higher even than Brazil. In terms of gender equality, South Africa ranks relatively poorly in BRICS, although significantly better than India.

The UNDP's composite *Human Development Index (HDI)* ranks South Africa relatively poorly at 121<sup>st</sup> in the world which is the worst in BRICS except for India. Nevertheless, across the indicators it is only in relation to income inequality and personal safety that South Africa falls unambiguously outside the range of the other BRICS.

### Environmental sustainability

The BRICS generally do not perform well in terms of environmental sustainability but, as indicated in table 6, there is variation. Brazil is the best performing country as it has relatively low dependence on fossil fuels; carbon emissions per capita are low; and natural resource depletion and fresh water withdrawal is modest compared with BRICS counterparts. On the other extreme is Russia, which is heavily dependent on fossil fuels; has high rates of per capita carbon dioxide and greenhouse gas emissions; and also high rates of natural resource depletion. India does relatively well

<sup>4</sup> For countries where data is available for income inequality, South Africa has the highest income inequality except for the Comoros, a small island state.

TABLE 6. INDICATORS OF SUSTAINABILITY

Indicator	Brazil	Russia	India	China	South Africa
Fossil Fuels as a Percent of Total Energy Use, 2009	51.3	90.2	73.0	87.4	87.8
Total carbon dioxide emissions (megatonnes), 2008	393	1709	1 743	7 032	436
Per capita carbon dioxide emissions (tonnes), 2008	2.1	12.0	1.5	5.3	8.9
Per capita greenhouse gas emissions, 2008	4.0	4.9	0.7	1.5	1.9
Natural resource depletion (% of GNI)	3.4	14.3	4.4	5.1	6.1
Fresh water withdrawal (% of total renewable water), 2003-2012	0.7	1.5	39.8	19.5	25.0
Population on degraded land	8.0	3.0	10.0	9.0	17.0

Source: Human Development Report, UNDP, 2013.

in per capita terms on emissions and natural resource depletion but this is because it still has a relatively poor population. The pressure of population, however, means that there are serious problems in terms of water resources and land degradation. China is moderately high in terms of all indicators but the scale of its population and economy means that it has an extremely large environmental footprint.

South Africa does not perform well on these indicators. It ranks behind Russia as the second worst performer in BRICS. It is heavily dependent on fossil fuels for energy, and while the total weight of emissions is modest given the small size of South Africa's economy, it has high levels in per capita terms. South Africa is also stressed in terms of fresh water resources and a high percentage of occupied land is degraded. Given Russia's even worse performance, South Africa is not outside the range of the other BRICS.

### Summary comparisons

In terms of size neutral indicators, South Africa's positive relation to the other BRICS is complex and variable. South Africa performs poorly against China on almost all economic indicators although South Africa is still wealthier in per capita terms. However, even this gap is rapidly narrowing with China's rapid development, and South Africa has a lower HDI than China because of its high income inequality, high infant mortality and low life expectancy. South Africa compares more favourably with India. It shares similar economic vulnerabilities and has a GDP per capita which is twice that of India. The gap between South Africa and India is less in terms of HDI.

South Africa and Brazil have similar economic profiles, although the broad trajectory of development over the past decade has been more positive in Brazil than in South Africa. The two countries have similar GDP per capita but South Africa's HDI is significantly worse. South Africa also has far worse performance in

terms of environmental sustainability. Russia is in a generally stronger position than South Africa in terms of most economic indicators but is arguably more economically vulnerable than South Africa because of its high dependence on primary sectors. It is also ranked as less competitive than South Africa because of its weaker institutional environment and its less sophisticated business sector. However, in terms of social indicators, Russia convincingly outperforms South Africa. On environmental indicators Russia is the worst.

The question of whether it makes analytical sense for South Africa to be a part of BRICS remains open. If the criterion is size, South Africa is not a BRICS and could be better compared with, or included within, other categories of countries such as the CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa) or the MINT (Mexico, Indonesia, Nigeria, Turkey) (Sandrey and Fink, 2013; Ghosh, 2013). As indicated, however, there are many size neutral indicators in which South Africa is comparable to the other BRICS.

The question of analytical integrity does not only relate to South Africa. Armijo (2007, p. 16) asks, for example, “Is Russia a declining major power or an emergent BRIC?” Armijo (2007) rightfully questioned whether the BRIC –even in the absence of South Africa–made sense as an analytical category given the immense differences between the countries.

#### **FROM ANALYTICAL TO POLITICAL CONSTRUCT**

Armijo (2007) concluded that clustering into BRIC on the basis of apparent similarities or

shared developmental challenges is an analytical deception, and that we should understand BRICS in terms of its geopolitical rationale. She writes:

...an alternative and equally valid way to approach the question might be to ask where the BRICS countries form a set because they have a similar type of influence in, or equivalent implications for, the international economic or political system. Do they alter the conditions of interactions for other players – whether states, firms or international organizations – in parallel ways? It is in this latter sense that the set of “BRICS economies” or “BRICS countries” may have merit as an analytical category (p. 9).

Zondi (2012, p. 1) pointed to the political rationale of BRICS – “The unstated aim of the discourse of north-south relations in South African foreign circles is not only about beneficial economic relations, but also the neorealist idea of external balancing by joining alliances that are seen as alternative to dominant centres of global power”. Pieterse (2011, p. 22) wrote to the rise of the BRICS as an “East-South turn”, and referred to positive interpretations of this geopolitical rebalancing as a process of “emancipatory multipolarity”. Naidu (2013) also stressed the political rationale, indicating the link between South Africa’s agenda of influence and reform in global institutions and its membership of BRICS.

There are, of course, more cynical interpretations. A Greek commentator referred, for example, to “the infamous *nouveau riche* BRICS group” (Karakousis, 2014, p. 1). There is also the complex relationship between the BRICS and the sometimes dissonant political agen-

das of individual BRICS countries, an example being the contestation for influence between China and India (Naidu, 2013). There is a further concern that BRICS is an uncomfortable political agglomeration with India, Brazil and South Africa as *working democracies* but with Russia as a *de facto* authoritarian state and China as a one-party dictatorship. The danger for South Africa, India and Brazil is that, rather than influencing the BRICS collective towards greater democracy, they will be politically trapped in an “anti-liberal coalition” dominated by Russia and China (Armijo, 2007). Thus, while the BRICS contribution to a more equitable (multipolar) geopolitical order should be welcomed, the BRICS have still to show that the nature of their influence in the world is truly emancipatory.

South Africa’s inclusion into BRICS must be understood in terms of both the geopolitical agenda of the BRICS collective and the potential role that South Africa may play as a gateway to Africa (for both the collective and individual countries in BRICS). These two dimensions are explored in turn below.

### South Africa’s “soft power”<sup>5</sup>

South Africa’s entry into BRICS is politically advantageous to the other participants in the alliance. At one level this is hard to explain as South Africa is ranked lowly in terms of natio-

nal power. On the other hand, however, South Africa does exert sizeable “soft power” in global affairs, a legacy of its celebrated transition from apartheid to a non-racial democracy. The South African government has argued that one of the key benefits it brings to BRICS is its role as “a committed global and regional player with proven leadership in promoting more inclusive formations in global decision-making structures” (RSA, 2013).

David Singer developed the now widely-used Composite Index of National Capability (CINC) index as part of the *Correlates of War* project which is based on six variables, namely total population, urban population, iron and steel production, energy consumption, military personnel, and military expenditure (see Singer, 1987). The data generated for 2007 ranks China as Number One in the World followed in rank order by the United States, the European Union (as a collective), India, Japan, Russia, Brazil, Germany, South Korea, the United Kingdom, and France. The BRICS therefore have four places in the CINC Top 10, and must be regarded as a powerful force globally. South Africa, however, ranks a quite lowly 31<sup>st</sup>, between Myanmar and Colombia. It is difficult with this measure to explain why South Africa would be politically useful to the other BRICS. Countries such as South Korea, Turkey, Pakistan, Indonesia, Mexico and Vietnam rank significantly higher than South

<sup>5</sup> “Soft power” is defined as “the influence that enables a state to achieve the outcomes it wants in its international interactions, not through coercion or rewards, but through its attractiveness”. The attractiveness is understood in terms of a “complex mixture of perceptions, history, current events, consumer goods, and so forth” (Smith, 2012, p. 70, citing Nye).

Africa and would be ostensibly more useful in terms of the collective power of BRICS (Correlates of War, 2014).

The problem with the CINC, however, is that it only measured “hard power” and is not a reliable measure of the real influence exerted by different countries. It is extremely difficult to measure “soft power”, something subjective and shifting. There are, however, surrogate measures such as the *Country Brand Index* which measures the attractiveness of different countries to an international audience<sup>6</sup>. In the 2012-13 *Country Brand Ranking* the BRICS were ranked significantly lower than they are in the CINC, but, with the exception of Russia, BRICS rankings are rising<sup>7</sup>. South Africa’s ranking is significantly higher than Russia and China, comparable to India, but lower than Brazil. Arguably, South Africa’s participation in the BRICS collection improved the overall global image of the alliance (Future Brand, 2013).

Brand Rankings are related to, but are not, the equivalent of soft power. A country may have low brand rankings (because of factors such as crime, corruption or lack of democracy) but still exert significant geopolitical influence. There is currently no generally accepted index for soft power globally –and there are serious questions as to whether it is possible to measure soft power in a meaningful sense– but the SKOLKOVO Institute for Emerging Market Studies (siems) has attempted an

index for emerging economies. In the 2014 ratings, South Africa ranked highly. The Top Ten were China, India, Russia, Brazil, South Africa, Mexico, Turkey, Hungary, Czech Republic and Poland. Significantly, the first five were the BRICS (Michael *et al*, 2014). South Africa’s ranking reflects, in part, its leading role over the past decade-and-a-half in mobilizing South-South solidarity in global trade negotiations, responses to climate change, reform of multilateral institutions, and more. It also reflects the continued legacy of Nelson Mandela and South Africa’s success in hosting global events such as the 2010 FIFA World Cup. If this index is a meaningful reflection of actual influence, South Africa’s membership of BRICS does contribute to the collective power of the alliance.

### **South Africa, Africa and the other BRICS**

South Africa has legitimated its role in BRICS in terms of its gateway role within Africa:

In May [2013], the Department of Trade and Industry’s Deputy Director-General of Trade and Investment South Africa (Tisa) Pumla Ncapayi told investors in Japan, during a state visit by President Jacob Zuma, that South Africa is not a member of Brics because of the size of its population but by virtue of what the country can offer in the way of meaningful discussions and participation. Most importantly the

<sup>6</sup> The Top Ten countries in the Brand Rankings are: Switzerland, Canada, Japan, Sweden, New Zealand, Australia, Germany, United States, Finland and Norway. The Bottom Ten are, from the lowest: Afghanistan, Pakistan, Somalia, Iran, Libya, Zimbabwe, Rwanda, Syria and Bangladesh.

<sup>7</sup> In 2012/13, Russia was ranked at 83<sup>rd</sup>, China at 66<sup>th</sup>, South Africa at 43<sup>rd</sup>, India at 42<sup>nd</sup>, and Brazil at 28<sup>th</sup> (Future Brand, 2013).

country, with developed services and financial sectors, represents a gateway to Africa for many potential investors<sup>8</sup>.

It is because of this assertion that we must give careful attention to the triangular relationship between South Africa, the rest of Africa, and the remaining BRICS countries. We need at least to answer the questions: Can South Africa meaningfully represent BRICS? Is BRICS good for Africa?

South Africa does, arguably, occupy the leading position in Sub-Saharan Africa in relation to geopolitical and global economic influence but the position is contested. South Africa's Nkosazana Dlamini-Zuma, for example, was eventually appointed Chairperson of the African Union Commission but only after a bitter contest against the incumbent supported by Francophone countries, and also by South Africa's rivals for recognition on the international stage, Nigeria and Kenya. Recently, too, Nigeria's economy was rated as larger than South Africa's, boosting Nigeria's quest for position as Africa's representative in international forums.

In the short to medium-term the most judicious choice of candidate to at least represent sub-Saharan Africa is, arguably, still South Africa. Nigeria is by far the most populous country i

n Africa, and may now have a slightly larger GDP than South Africa but the extreme difficulties Nigeria faces internally and on the international stage are apparent disqualifications. This is represented, for example, in the *Country Brand Index* where Nigeria is eleventh from the bottom. In the longer term, however, Nigeria may be well placed to supplant South Africa as the most plausible representative for Africa<sup>9</sup>.

The difficulty South Africa may face in sustaining its role on the continent is complicated by the lack of a formal mandate from other African states. As South Africa's *Mail & Guardian* pointed out, "while it is true that SA has been the default Africa brand on such matters as hosting international sporting events, Africa has never chosen SA to be its stepping stone on other matters" (29 March, 2012)<sup>10</sup>. In this respect, however, South Africa's position may be no different from that of Brazil in Latin America or India or China in their quadrants of Asia. The *Mail & Guardian* also questioned whether South Africa is in reality a gateway to the continent as African countries are increasingly accessing the world through their own resources without the mediation of South Africa<sup>11</sup>. Even in the case of the Southern African Development Community (SADC), China and Brazil especially have direct access to the major growth markets including Angola,

<sup>8</sup> *South African Government News Agency*, 1-08-2013.

<sup>9</sup> The question, however, is whether it would not be judicious for both South Africa and Nigeria to represent African interests in international fora.

<sup>10</sup> Available in: <http://www.thoughtleader.co.za/archbishoprutufellows/2012/03/29/why-south-africa-is-not-the-worlds-gateway-to-africa/>

<sup>11</sup> *Ibid.*

Mozambique and Botswana. The one aspect where South Africa has played a gateway role is in relation to financial markets. In 2009 the State-owned Industrial and Commercial Bank of China (ICBC) acquired a stake of about 20% in the Standard Bank of South Africa which gave the Chinese access to the near continent-wide footprint of the Standard Bank. This was, however, before South Africa joined BRICS.

Is BRICS good for Africa? This is an area of debate as suspicion remains that the BRICS have an interest in Africa as the continent offers a lucrative source of raw materials including oil and minerals. If the BRICS involvement reinforces the role of Africa as a commodities producer, it will hardly assist with long-term sustainability and a growth trajectory that will eventually lift the continent from poverty. There are scholars warning that the relationship between African countries and the BRICS (including South Africa) may come to resemble the neo-colonial ties between Africa and the West (Andreasson, 2012; Bond, 2013).

This outcome is not inevitable, however. The United Nations' Economic Commission for Africa (ECA) has explored the implications of Africa-BRICS cooperation for Africa. The ECA does acknowledge the dangers:

The risks are that the Africa-BRICS engagement could lock African countries into specializing in primary commodities, crimping the strong productivity gains needed to sustain high growth and sharpening socio-economic inequalities, side-lining some people from the benefits of participation (ECA, 2013, p. 3).

At the same time, however, it advises that "Africa's resource endowments create oppor-

tunities to leverage Africa-BRICS cooperation for embarking on an industrial strategy for maximizing backward and forward processing linkages with the commodity sectors" (ECA, 2013, p. iii). To achieve this would "fundamentally require Africa to upgrade its strategies and capacities when dealing with the BRICS, specifically including negotiating favourable trade concessions from the BRICS and understanding their needs better – in order to anticipate trends" (p. 3).

The pragmatic advice from the ECA is worth giving some attention to:

How should Africa respond to the opportunities and challenges presented by Africa-BRICS cooperation and capitalize on it to promote growth, employment and structural transformation?

Underlying any reply to this question, Africa should design a BRICS strategy built on mutual interest and respect. Thus African leaders should approach BRICS without submissiveness or gratuitous hostility, rejecting any self-portrayal or portrayal by other as victims or underdogs in the international system. The continent's relationship with the BRICS and other external partners will be at its most constructive if the players are neither supplicants nor combatants. The focus should be on what works for African governments in promoting the welfare of their citizens and in pursuing sustainable business opportunities for African entrepreneurs within the framework of Africa-BRICS – indeed overall South-South cooperation (p. 30).

There is a positive way forward for Africa in relation to the BRICS and South Africa is well placed to provide support in this process. The *realpolitik* on the continent may however

prevent Africa from engaging as a collective, a necessary requirement for equal participation with the BRICS.

### **BENEFIT FOR SOUTH AFRICA?**

The question left hanging is whether membership of BRICS is in South Africa's national interest<sup>12</sup>. The South African government is an enthusiastic participant in BRICS and has pointed to numerous advantages for South Africa including new markets, growing trade, tourism, technological transfer, joint R&D, and increased FDI<sup>13</sup>. The idea is that South Africa's economy will be buoyed if it is more closely linked to the new pivots of growth in the world. This was apparent in the wake of the 2008 global financial crisis when South Africa was well served by its connection to China's and India's continually growing economies.

From around 2012, however, capital flows were redirected to the North and by 2014 South Africa, Russia and Brazil faced the possibility of recession. China's economy also slowed. There was media reference to a "BRICS malaise"<sup>14</sup>, and South Africa's connection to

the other BRICS no longer seemed to offer an easy lifeline. As a British news report put it (with some inaccuracy),

South Africa has tied its fate to China, now its biggest trade partner, leaving it exposed as the Chinese authorities try to wean the economy off investment in heavy industry and as the central bank deflates the housing boom. China absorbs 67pc of South Africa's iron ore exports, and a growing share of its thermal coal<sup>15</sup>.

These reports may turn out to be wishful thinking on the part of actors in the North who are resentful of South Africa's "southwards turn" but it is a warning to South Africa to manage risk by retaining a diversity of political and economic relationships.

The other challenge facing South Africa from the other BRICS is market competition in Africa. In 2006, South Africa was the country with the largest investments in Africa, but by 2011 it had been supplanted by China, and there was also growing competition from India, Brazil and, to a lesser extent, Russia (Kahn, 2011)<sup>16</sup>. In terms of trade, South Africa was the

<sup>12</sup> South Africa's Minister of International Relations and Cooperation has stated that South Africa's membership of BRICS is anchored in three pillars, namely: to advance our national interests; to promote regional [African] integration; and to partner with key players of the South on issues of global governance reforms (Nkoane-Mashabane, 2012).

<sup>13</sup> South African Government News Agency, 01-08-2013.

<sup>14</sup> *The Telegraph*, 27 May, 2014.

<sup>15</sup> *Idem*.

<sup>16</sup> Post-apartheid South Africa has invested heavily in Africa, in sectors including telecommunications, banking, retail and agribusiness. China's investment has mainly been in oil, extractive industries and transport infrastructure but there has been some investment in telecommunications and the financial sector. Brazil has invested in mining with Angola as a major gateway while Russia's investments are still relatively modest and focused mainly in oil and nuclear power.

third largest BRICS exporter to Africa, after China and India, and was only the fourth largest importer from Africa, after China, India and Brazil (ECA, 2013). South Africa is losing market share in agricultural goods to other BRICS countries in all countries in Africa except for Zimbabwe<sup>17</sup>, while China is rapidly gaining market share relative to South Africa in exports of manufactured goods to Africa, with India also making inroads. In terms of the mining sector Chinese and Brazilian firms, in particular, are increasingly active on the continent and represent growing competition to South African firms which have held an historical dominance in parts of Africa (Sandrey, Vink & Jensen, 2013; Sandrey, Fundira & Jensen, 2013).

There are also challenges in terms of South Africa's direct trade relations with the other BRICS. There is concern in South Africa that "unfairly incentivized" imports from BRICS counterparts (especially China, India, and Brazil) may be having a negative impact on South Africa's already stressed manufacturing sector (Manufacturing Circle, 2014). South Africa's economy is more open than that of the other BRICS, and is highly vulnerable to import competition.

The other BRICS do, however, offer South Africa new market opportunities. There is an expansion of exports to the other BRICS. The contribution of the other BRICS is still relatively modest but is expanding, accounting for 16.7 per cent of the total value of South Africa's

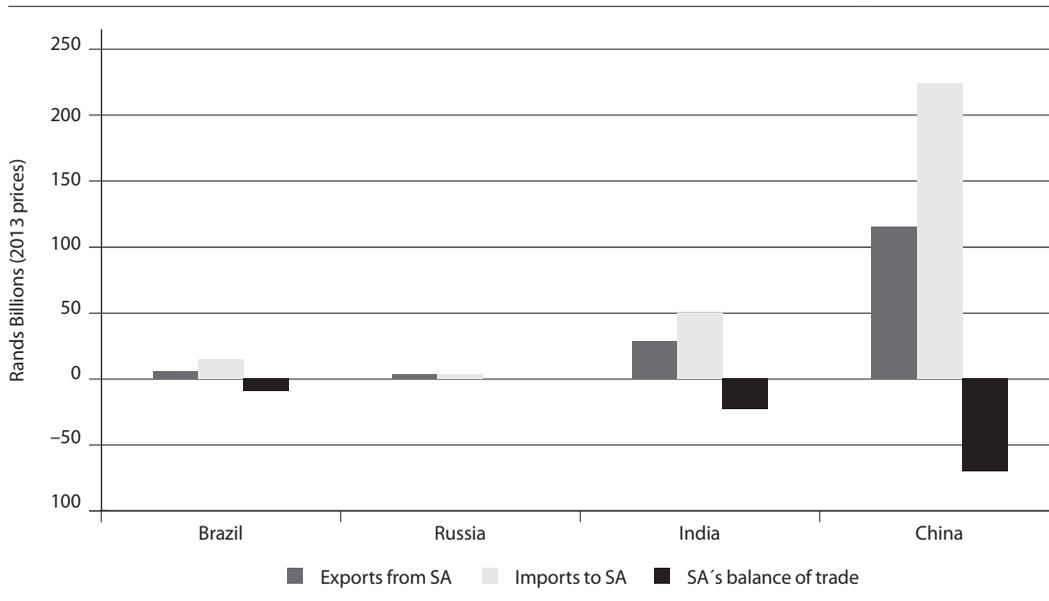
exports in 2013, sharply up from 6.2 per cent in 2005 (RSA, 2013).

Within BRICS as a category, China is overwhelmingly dominant as an export destination, followed at a distance by India<sup>18</sup>. One of the concerns is that trade with the other BRICS is reinforcing South Africa's role in the global economy as a commodity exporter. South Africa's export to the other BRICS is concentrated largely in iron and chromium ores and coal. The major exports in 2013 values were: iron ore to China (R51 billion in 2013); chrome ore to China (R15 billion); coal to India (R15 billion); and steel to China (R10 billion) (DTI, 2014).

South Africa's balance of trade with the other BRICS is negative with a deficit that is widening (IDC, 2013). Again, it is China that is overwhelmingly dominant as a source of imports. The major imports from the other BRICS are: machinery and other mechanical products from China (R71 billion in 2013); oils and petroleum products from India (R17 billion); textiles and clothing from China (R17 billion); machinery and mechanical products from India (5.9 billion); and pharmaceuticals from India (R 4 billion). The general patterns of providing commodities to export markets and importing manufactured products is similar to South Africa's trading relationship with the global North, while the balance of trade for South Africa is worse in relation to the other BRICS than in relation to Europe, for example.

<sup>17</sup> In Nigeria, South Africa is losing to China; in Angola to Brazil; in Ghana to China and India; in Kenya to Russia; and so on.

<sup>18</sup> Brazil and Russia are still very small markets for South Africa.

**FIGURE 1. VALUE OF SOUTH AFRICA'S TRADE WITH BRICS COUNTERPARTS, 2013**

Source: Department of Trade and Industry, South Africa.

In terms of tourism, China is South Africa's most rapidly expanding market, although overall numbers are still relatively modest when compared with Europe. In 2012, 13.3 per cent of tourists arriving in South Africa from "overseas countries" were from the other BRICS. This was still significantly short of Europe's 53.6 per cent but comparable to North America's 17.7 per cent and more than double Australasia's 5.7 per cent (Statistics South Africa, 2012). The tourism figures for January 2014 reveal that China is now the fourth largest source of tourists for South Africa after the United Kingdom, Germany and the United States, with Brazil at 8<sup>th</sup> place and India at 9<sup>th</sup> (Stats SA, 2014). This was a far cry from January 2000 when China was classified under "other" in the statistical release. There is

even a marked difference from January 2010 when India was at 9<sup>th</sup> place, followed by China at 10<sup>th</sup> and Brazil at 13<sup>th</sup>. Between January 2010 and January 2014, monthly arrivals from China increased by 313 per cent (Stats SA, 2014).

South Africa's relationship with the other members of the alliance is clearly growing in terms of trade and tourism, but with possibly mixed benefits in relation to trade. The other economic benefits are less apparent, but may develop into the future. South Africa may also want to participate actively in the newly-formed BRICS Development Bank and in the establishment of the BRICS Reserve Fund. BRICS is also gradually developing a platform for collaboration in areas such as science and technology, urbanization, health and statis-

tics. There is therefore potential for BRICS to be more than what it is currently is, and the evaluation of South Africa's benefit must take account of the currently mixed or ambivalent outcomes and the future potentials and risks.

## CONCLUSION

Jim O'Neill is correct in arguing that South Africa has no place in the *analytical construct* he played a lead role in inventing in 2001. However, it does not follow that South Africa is not a valuable and legitimate member of the *political construct* that we know today as the BRIC(s). BRICS is a grouping of middle weight countries in the diplomatic sense which share the political agenda of countering the global dominance of the global North. South Africa does have the "soft power" needed to play a constructive role within this grouping and, importantly, is an agent for Africa, a continent which must play a key role in the rebalancing of geopolitical power.

There are, however, pitfalls. These include the uneven power balance within BRICS and the danger that BRICS may emerge as a privileged grouping of self-selected countries with a patronizing relationship to the non-BRICS countries in the global South. The danger, too, is that BRICS may become the vehicle for the political and economic interests of the larger countries in BRICS, tying South Africa into these agendas. To counter this, the BRICS grouping should systematically extend its membership to other countries which are likely to play a positive role in the development of a more equitable global order.

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