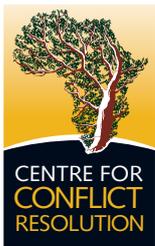


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POLICY BRIEF



CAPE TOWN, SOUTH AFRICA

SOUTH AFRICA AND THE BRICS: PROGRESS, PROBLEMS, AND PROSPECTS

Sheraton Hotel, Tshwane (Pretoria), South Africa

Date of publication: November 2014

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POLICY BRIEF

Introduction

The Centre for Conflict Resolution (CCR), Cape Town, South Africa, hosted a two-day policy advisory group seminar in Tshwane (Pretoria), South Africa, from 30 to 31 August 2014 on “South Africa and the BRICS: Progress, Problems, and Prospects”.

The first summit of the four-member BRIC bloc (Brazil, Russia, India, and China) was held in Yekaterinburg, Russia, in June 2009. South Africa’s inclusion transformed the grouping from BRIC to BRICS in April 2011, with the five-member bloc holding its sixth summit in the Brazilian cities of Fortaleza and Brasilia in July 2014. Convened one month after the Fortaleza/ Brasilia summit, CCR’s August 2014 seminar reflected critically on the first complete hosting cycle of six BRICS summits (June 2009–July 2014). The Tshwane meeting brought together about 30 key South African, BRICS, and other policymakers, academics, and civil society actors to assess the potential for increasing the impact of the BRICS on global politics, and to develop concrete recommendations in support of South Africa’s continuing engagement with the bloc.

1. South Africa, Africa, and the BRICS (Brazil, Russia, India, China, and South Africa)

The BRICS countries played a pivotal role in enabling other developing and emerging economies to weather the impact of the global financial crisis of 2008–2009. Participation in the BRICS grouping offers an opportunity for South Africa to deepen and broaden its bilateral engagement with Brazil, Russia, India, and China. In turn, South Africa’s accession has helped broaden the bloc’s focus from mainly economic cooperation to development cooperation. Efforts to strengthen intra-BRICS cooperation at the bloc’s fifth summit – held in Durban, South Africa, in March 2013 – included the establishment of the BRICS Think Tanks Council (BTTC) and the BRICS Business Council.

With an estimated annual gross domestic product (GDP) of \$370 billion, South Africa is the second largest economy in Africa (after Nigeria) and the continent’s most industrialised country. Tshwane has sought to advance a broader African peacebuilding and development agenda within the BRICS. However, the extent to which the BRICS countries’ interests in Africa converge with the continent’s own interests is still uncertain. South Africa’s aspirations to act as an interlocutor between the BRICS and Africa also remains contested on the continent. A key challenge for Tshwane relates to how it can navigate tensions between its “African agenda” (promoting security and development on the continent and ensuring that Africa has a strong global role), its ambitions to play a leadership role on the continent, and its ability to wield influence within the BRICS, of which it is the smallest member, accounting for only about 2 percent of the bloc’s economic might.

South Africa’s accession to the BRICS has helped broaden the bloc’s focus from mainly economic cooperation to development cooperation



THE HEADS OF STATE (LEFT TO RIGHT) OF RUSSIA, INDIA, BRAZIL, CHINA, AND SOUTH AFRICA AT THE SIXTH BRICS SUMMIT IN FORTALEZA, BRAZIL, HELD FROM 14 TO 16 JULY 2014.

Photo - Roberto Stuckert Filho/PR
Image source - Flickr
<https://www.flickr.com/photos/mrebrasil/14664765842/in/set-72157644685836432>

2. South Africa's Bilateral Relations: India and China

Bilateral trade between South Africa and India has grown rapidly since 2004, at an annual rate of 30 percent, and was worth 81 billion Rand in 2013. Meanwhile, China is South Africa's single largest bilateral commercial partner, with total trade worth R270 billion in 2013. In turn, South Africa is China's main trading partner in Africa, accounting for a 31 percent share of Beijing's trade with the continent in 2013. Total Chinese foreign direct investment (FDI) stock in South Africa increased from \$59 million in 2004 to \$5 billion in 2012, making Tshwane the leading recipient of investment flows from China to the African continent.

However, South Africa's pattern of trade with India and China is heavily weighted in favour of primary products from Tshwane and manufactured goods from New Delhi and Beijing. In addition, South Africa has run persistent trade deficits with both India and China. Leveraging Tshwane's inclusion in the BRICS bloc to promote more equitable and mutually beneficial trade with New Delhi and Beijing, while obtaining access to key technologies and skills in support of South Africa's own industrialisation, remains a critical concern for Tshwane.

Furthermore, greater security cooperation between South Africa and India – including through the Indian Ocean Rim Association (IORA) – can help to deepen the strategic partnership between both countries, and is essential to meeting the threats of maritime piracy and terrorism. Peacekeeping is yet another often overlooked area of cooperation between Tshwane and New Delhi, as India is the third largest troop-contributing country to United Nations (UN) peacekeeping missions, with 8,108 Indian personnel deployed to 12 operations world-wide in September 2014.

South Africa's pattern of trade with India and China is heavily weighted in favour of primary products from Tshwane and manufactured goods from New Delhi and Beijing



A CONTAINER SHIP DOCKED AT CAPE TOWN HARBOUR, SOUTH AFRICA, IN SEPTEMBER 2007.

Image source - Flickr
<http://www.flickr.com/photos/87834665@N08/8694721599>

3. South Africa's Bilateral Relations: Brazil and Russia

In Latin America, Brazil is South Africa's largest trading partner. However, the volume of bilateral trade between the two countries – R21 billion in 2013 – has remained relatively low. While a number of Brazilian firms (including Brasil Foods, Indústrias Colombo, and Marcopolo) maintain offices in South Africa, these serve mainly as headquarters for their operations in other African countries. South African companies, in turn, have a similarly limited presence in Brazil, although the multinational company, Anglo-American, had investments worth \$16 billion in Brazilian mining in 2013. Nuclear power and defence are emerging areas of cooperation between Tshwane and Brasilia.

South Africa's bilateral ties with Russia date back to the Soviet era, with Moscow an early and staunch supporter of the anti-apartheid struggle. However, post-Soviet Russia has lacked a clear Africa strategy. Russian business interests in South Africa are concentrated in mining, oil, gas, and petrochemicals. In addition, Tshwane and Moscow signed a \$50 billion

nuclear deal in September 2014. However, bilateral trade between South Africa and Russia was a mere R8 billion in 2013.

Notwithstanding their distinct dynamics, South Africa's bilateral ties with both Brazil and Russia are characterised by a mutual lack of information that remains an obstacle to greater political, economic, and cultural cooperation. In addition, Brazilian companies often find it easier to conduct business in lusophone African countries, such as Angola and Mozambique, than in South Africa.

4. The BRICS Finance and Trade Agenda

Two key outcomes were achieved at the sixth BRICS summit in Fortaleza/ Brasília in July 2014, signalling the bloc's intention to consolidate its finance and trade agenda. These were: an agreement to establish the BRICS' New Development Bank (NDB); and a treaty to create the BRICS Contingency Reserve Arrangement (CRA). The Shanghai-based New Development Bank – with an initial subscribed capital of \$50 billion – could potentially provide an alternative to the World Bank for the funding of critical infrastructure projects. However, the infrastructure gap in developing and emerging countries is estimated to be about \$1 trillion annually. The new bank will also need to ensure that it effectively manages different financing windows to meet clearly defined objectives, while addressing widely varying infrastructure needs equitably within the BRICS bloc. It is still far from certain that the New Development Bank will come into existence and become operational by 2016 as planned.

Modelled on Southeast Asia's Chiang Mai Initiative, the \$100 billion BRICS Contingency Reserve Arrangement is intended to strengthen the bloc's capacity to withstand actual and potential short-term balance of payments pressures during global and regional financial crises. The individual commitments of the BRICS countries to the CRA vary by economic capacity, with China making the largest contribution of \$41 billion. Brazil, Russia, and India have committed to providing \$18 billion each, while South Africa has pledged \$5 billion. Yet, the BRICS countries collectively have an estimated \$5.2 trillion in foreign currency reserves, which indicates modesty in the CRA's size and ambition.

6 In 2011, the BRICS were unable to craft cohesive foreign policy positions to challenge the dominance of the United Nations Security Council by the United States, France, and Britain.



THE UN SECURITY COUNCIL MEETS IN OCTOBER 2011.

Photo - JC McIlwaine/UN Photo
Image source - circle of blue
<http://www.circleofblue.org/waternews/2012/world/former-government-leaders-call-on-un-security-council-to-make-water-a-priority/>

5. Peace and Security: The BRICS and the Responsibility to Protect (R2P)

In 2011, South Africa, India, and Brazil all served on the UN Security Council, joining the two veto-wielding BRICS permanent members, Russia and China. However, during this year, the BRICS were unable to craft cohesive foreign policy positions to challenge the dominance of the Council by the United States (US), France, and Britain. For example, South Africa voted for Security Council Resolution 1973 in 2011, authorising Anglo-French-led intervention in Libya, while Brazil, Russia, India, and China all abstained.

South Africa has also been supportive of the concept of "responsibility to protect", which is enshrined in the African Union's (AU) Constitutive Act of 2000. China and India have been more reluctant to accept deviations from the principle

of non-intervention, in particular R2P's embrace of military intervention in situations in which governments fail to protect populations at risk. Russia has offered rhetorical support for R2P, invoking the principle whenever its vital interests are at stake, as in Georgia in 2008 and Crimea in 2014. Meanwhile, Brazil has proposed a new concept – "responsibility while protecting" (RwP) – that stresses the accountability of interveners to the UN Security Council and the need to monitor how Council resolutions are implemented.

6. The BRICS and the Reform of Institutions of Global Governance

A powerful desire to reform Western-dominated institutions of global governance such as the World Bank, the International Monetary Fund (IMF), and the World Trade Organisation (WTO) and to create a more democratic and equitable world order lies at the heart of the collective endeavours of the BRICS countries. However, the five emerging powers of the BRICS bloc do not necessarily agree on how the architecture of global governance should be reshaped, which has led to a still unresolved debate about whether they are status quo powers, or revisionist actors with a transformative vision for an alternative world order. The bloc was unable to unite behind a common candidate to fill the top posts at the IMF and the World Bank in 2011 and 2012 respectively. The BRICS countries have also seemed divided on developing solutions to global challenges, in particular international financial instability and climate change.

“A powerful desire to reform Western-dominated institutions of global governance and to create a more democratic and equitable world order lies at the heart of the collective endeavours of the BRICS countries”



SHANGHAI IS SET TO HOST THE BRICS NEW DEVELOPMENT BANK WITH AN INITIAL SUBSCRIBED CAPITAL OF \$50 MILLION.

Image source - Picttop
<http://picttop.com/wp-content/uploads/2014/05/Shanghai-Sunset.jpg>

There has further been no real progress made towards the reform of the UN Security Council. China and Russia's permanent membership and veto power on the Council distances Beijing and Moscow from Tshwane, New Delhi, and Brasília. Furthermore, South Africa, unlike India and Brazil, is also constrained by the AU's 2005 Ezulwini Consensus in favour of two additional African permanent members with veto power. In addition, placing the BRICS in the vanguard could potentially complicate reform efforts, given questions about the extent to which India, Brazil, and South Africa can claim to have overwhelming support for their Security Council candidacies within their own regions.

7. BRICS and IBSA (India, Brazil, and South Africa)

Notwithstanding its regular summitry, the BRICS bloc is still a relatively new grouping with an expanding, but still evolving, agenda for cooperation. Doubts persist about the bloc's ability to coalesce into an agenda-setting actor with a harmonised approach to addressing global challenges. At the same time, the lack of cohesion among the BRICS countries makes it difficult to categorise them as being "for" or "against" the existing Western-dominated world order.

The IBSA Dialogue Forum – created in June 2003 – could provide an alternative focus for India, Brazil, and South Africa. The forum's projects include the IBSA Facility for Poverty and Hunger Alleviation, to which

\$3 million is pledged annually. The fund was established in 2004 for the implementation of replicable and scalable projects with the broad aim of poverty reduction and capacity-building.

The evolution of the BRICS agenda beyond trade and investment has raised questions about IBSA's ability to retain a unique niche on the global stage. If managed well, both BRICS and IBSA could potentially play a critical and complementary role in advancing the interests of the "global South".

Policy Recommendations

The following 10 policy recommendations emerged from the August 2014 Tshwane policy advisory group seminar:

1. The creation of a BRICS Business Travel Card should be considered to facilitate entry and exit for business travellers within the bloc's five economies, following the example of the Asia-Pacific Economic Cooperation (APEC) region. New Delhi, Tshwane, and Brasília must also prioritise the finalisation, ratification, and implementation of an envisaged trilateral trade area among India, the South Africa-led Southern African Customs Union (SACU), and the Brazil-led Common Southern Market (MERCOSUR).
2. The BRICS should consider expanding and opening up the bloc's engagement with non-governmental organisations (NGOs), which has so far been the preserve of a few select bodies in the BRICS Think Tanks Council and the BRICS Academic Forum. Civil society can be a source of creative solutions to global challenges that could help the five emerging powers move beyond a narrowly defined trade and finance agenda, and influence Western-dominated debates on development, climate change, and human rights.
3. South Africa, as vice-chair of the Indian Ocean Rim Association in 2015–2017 (assuming the chair in 2017–2019), must build on the momentum generated under India's leadership of the association (2011–2013) to expand and enhance cooperation in IORA's priority areas. Security cooperation between Tshwane and New Delhi can also be strengthened through an increase in high-level exchanges between the South African and Indian armed forces, while more South African and African troops should participate in courses offered by the New Delhi-based Centre for United Nations Peacekeeping (CUNPK).
4. It is vital that South Africa and Brazil identify areas of trade complementarity in order to reduce their bilateral trade deficit. Brazil, with its highly developed agribusiness sector, can also help South Africa increase value-added exports in its trade profile through collaborative ventures, technology transfers, and knowledge-sharing, particularly in the citrus industry.

“The creation of a BRICS Business Travel Card should be considered to facilitate entry and exit for business travellers within the bloc's five economies”



AIR TRAFFIC AT O.R. TAMBO INTERNATIONAL AIRPORT IN JOHANNESBURG, SOUTH AFRICA.

Photo - AFP Photo/Gianluigi Guercia
Image source - Destiny Man.com
<http://www.destinyman.com/2013/07/16/news-round-up-16-july-2013/fbl-wc2010-safri-ca-airport-o-r-tambo-features/>

BRICS-Africa development cooperation should include an emphasis on funding models that promote more multi-country projects and augment integration efforts on the continent



OFFICIALS OF A CHINESE COMPANY ON SITE OF A ROAD CONSTRUCTION PROJECT NEAR ISIOLO TOWN, KENYA, IN JULY 2008.

Image source - African Press International
<http://africanpress.me/2010/01/23/taking-over-from-kenyans-chinas-march-in-kenya-upsets-local-firms/>

5. Greater educational, scientific, and cultural cooperation between South Africa and Russia urgently needs to be fostered for their bilateral economic engagement to reach its potential. In this regard, Moscow should consider re-establishing cultural centres to address the lack of knowledge about Russia in South Africa, while exploring ways to strengthen the impact of its Coordinating Committee for Economic Cooperation with Sub-Saharan Africa (AFROCOM).
6. Given the weak prospects of achieving comprehensive UN Security Council reform, developing and emerging countries should initially focus their efforts on expanding non-permanent membership of the body, while continuing to argue against permanent membership without veto power. The BRICS should also campaign for an enhanced role for the 193-member UN General Assembly, including on issues currently being dealt with by the Security Council.
7. The BRICS countries must make sure that the bloc's agenda for the reform of key multilateral institutions - in particular the IMF, the World Bank, and the WTO, as well as the UN Security Council - is transparent and advances the interests of the "global South", while complementing existing efforts by other groupings, such as the Group of 77 (G-77), to reshape the Western-dominated global order.
8. The BRICS bloc must tackle the challenge posed by uneven financial flows and support the development of more effective regulatory measures, including exchange controls, to mitigate the impact of international capital volatility on developing and emerging economies, including their own. The BRICS countries should also consider increasing their investments in green and sustainable technologies, while making a more concerted effort to ensure greater reduction of greenhouse gas emissions.
9. BRICS-Africa development cooperation - as also highlighted by the BRICS Leaders-Africa Dialogue Forum of 2013 - should include an emphasis on funding models that promote more multi-country projects and augment integration efforts on the continent. In addition, the BRICS New Development Bank, in contrast to the Bretton Woods institutions, must retain its commitment to non-conditionality and non-interference in the policymaking space of borrowing countries.
10. The BRICS countries, notwithstanding the differences in their positions on the principle of R2P, must forge greater cohesion to prevent the abuse of the concept. The five emerging powers should create a coordinating mechanism at the United Nations, both to increase their influence in the UN Security Council and to move beyond crisis management towards agenda-setting on global peace and security issues.