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South Africa in BRICS: A Bilateral Trade Analysis

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South African Institute of International Affairs

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ABSTRACT

This study examines the value, intensity, complementarity, balance, and structure of South Africa's trade with its partners in the BRICS (Brazil, Russia, India, China, South Africa) alliance. It highlights the increasing dynamism of intra-BRICS trade, which started at the turn of the millennium. Key drivers of this dynamism include China's rapid economic growth, accompanied by a dramatic rise in demand for primary commodities, and South Africa's rich endowment of natural resources. Indices of the intensity and complementarity of trade show the dominance of India and China. While the strength of South Africa's trade with India is linked to their historical and cultural ties,¹ the rising intensity of trade with China is primarily a demand-side effect.

The inclusion of South Africa in the BRIC (Brazil, Russia, India and China) grouping in 2010 coincided with two developments: its trade balance with most BRIC countries switched from deficit to surplus, and the value of its exports to BRIC surpassed the value of its exports to the European Union (EU) for the first time. The latter development is probably attributable to the growing BRICS demand for South Africa's natural resources, coupled with the EU's slow recovery from the global financial crisis, rather than trade diversion from the EU to BRICS, as some analysts argue. However, the EU remains a major South African trading partner, while BRICS is rapidly catching up. Indeed, South Africa could leverage the differences in the structure of trade with the rest of BRICS and the EU to achieve more inclusive growth. While trade in natural resources is more likely to stimulate employment in (low-skilled) labour-intensive primary industries, intra-industry trade with the EU would boost the (high-skilled) manufacturing and services sectors. Given this, South African trade with the two blocs could yield complementary effects.

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ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
BRIC	Brazil, Russia, India, China
BRICS	Brazil, Russia, India, China, South Africa
CSEA	Centre for the Study of the Economies of Africa
ROW	rest of the world

INTRODUCTION

The imbalance of power that has characterised international affairs since the end of World War Two is changing rapidly. Until recently, global governance was essentially driven by Western countries through institutions such as the UN, World Bank, and International Monetary Fund. European countries and the US held hegemonic powers in the international arena, while developing countries in Asia, Latin America and Africa were excluded from global leadership and the conduct of global affairs. However, the global financial crisis of 2008 revealed the demerits of this imbalance as it became clear that the crisis could not be managed by Western countries alone, and collaboration with developing countries was therefore imminent. It was against this backdrop that consultations with major developing countries intensified, especially within the G-20, thus further stimulating the growing role of emerging powers in global affairs.

It was the Goldman Sachs economist Jim O'Neill who first identified four countries within the G-20 – Brazil, Russia, India and China (BRIC) – as experiencing similar rapid economic growth, with the potential of becoming the largest and most influential economies by 2050. This rather non-cohesive group has recently emerged as a strong force, reshaping the world order and creating a 'paradigm shift' as it pushes for greater economic and political influence in global affairs.² The group shares the objective of challenging the long-standing bias toward Western countries in the conduct of global affairs, thus increasing multi-polarity in the world order.³ South Africa (SA) has been quite vocal about the non-representation of developing countries in the international arena, which fit the common desire within BRIC for a 'power shift' away from the West.⁴ In 2010, SA was included in the BRIC grouping, and the acronym became BRICS.

Given that SA has the largest economy in Africa, its inclusion in BRICS has further boosted its geo-political significance.⁵ The SA economy constitutes a third of economic activity in sub-Saharan Africa, and 80% of economic activity in the Southern African Development Community. SA is endowed with abundant mineral and natural resources, and has relatively well-developed financial, energy, and transport sectors, unlike most African countries.⁶ It is clearly a continental leader in terms of infrastructure, financial institutions, and outward investment. The other BRICS countries also dominate their respective regions or continents, and thus their coalition, especially in terms of economic co-operation, can augment their influence in global affairs.

SA's rich endowment of mineral and natural resources complements Brazil's specialisation in agriculture and raw materials, Russia's position as a major player in the commodity market, India's services-exporting economy, and China's recognition as the 'world's factory'. The BRICS countries also share similar economic challenges, particularly the task of raising the standards of living of their citizens.⁷

SA has strong ties with Europe as a result of its prolonged colonial history. Indeed, the EU has been its major trading partner, with a Preferential Trade Agreement entrenched in the Trade Development and Cooperation Agreement. The EU remains a major trading partner with SA, but BRICS is rapidly catching up.

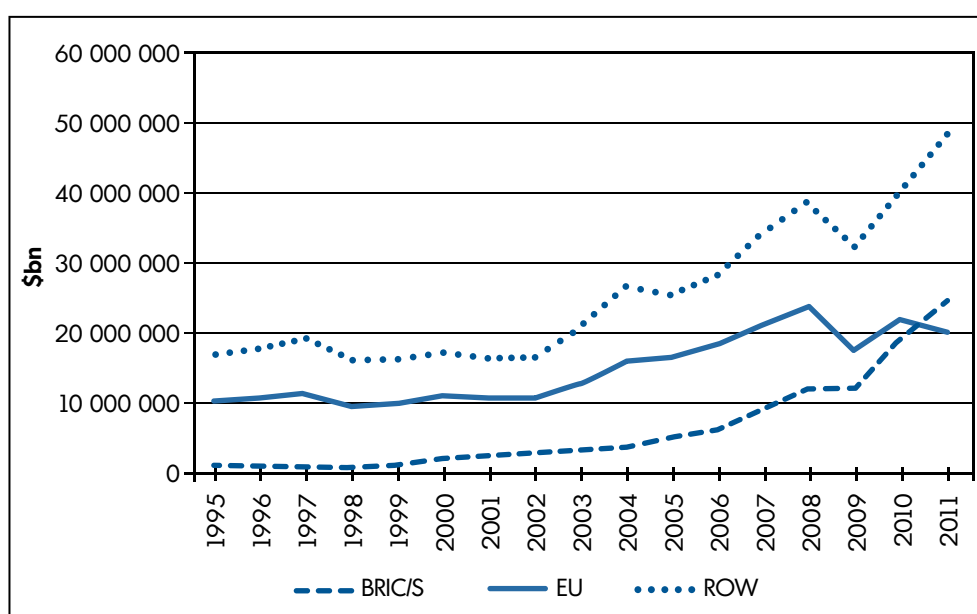
This study examines SA trade with its BRICS partners in considerable detail, thus enabling policy recommendations about optimising intra-BRICS trade. Section 2 highlights SA trade with the BRICS compared with its trade with the EU. Section 3 analyses

SA–BRICS trade in terms of value, intensity, complementarity, balance, and structure. Section 3 concludes the analysis, and provides policy recommendations.

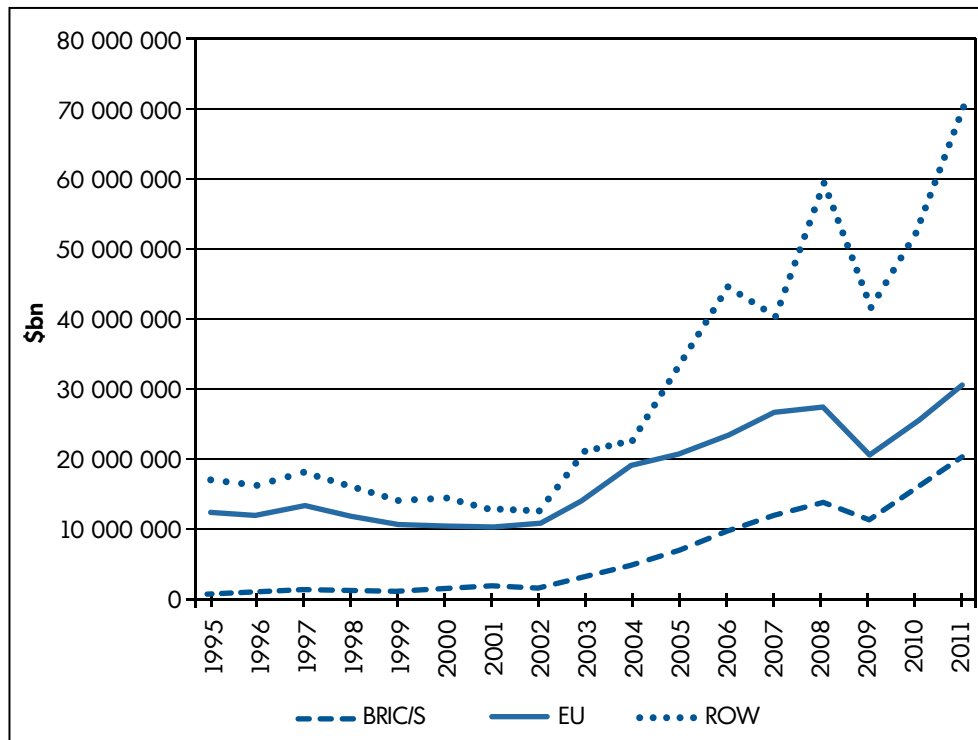
VALUES OF SA TRADE

Prior to the rise of BRICS, SA's economic growth and integration into the global economy were driven by a significant increase in exports following the end of apartheid in 1994. Figures 1 and 2 depict the values of SA imports and exports to and from the EU, BRICS, and the rest of the world (ROW).

Figure 1: Values of SA exports to various world regions, 1995–2011



Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

Figure 2: Values of SA imports from various world regions, 1995–2011

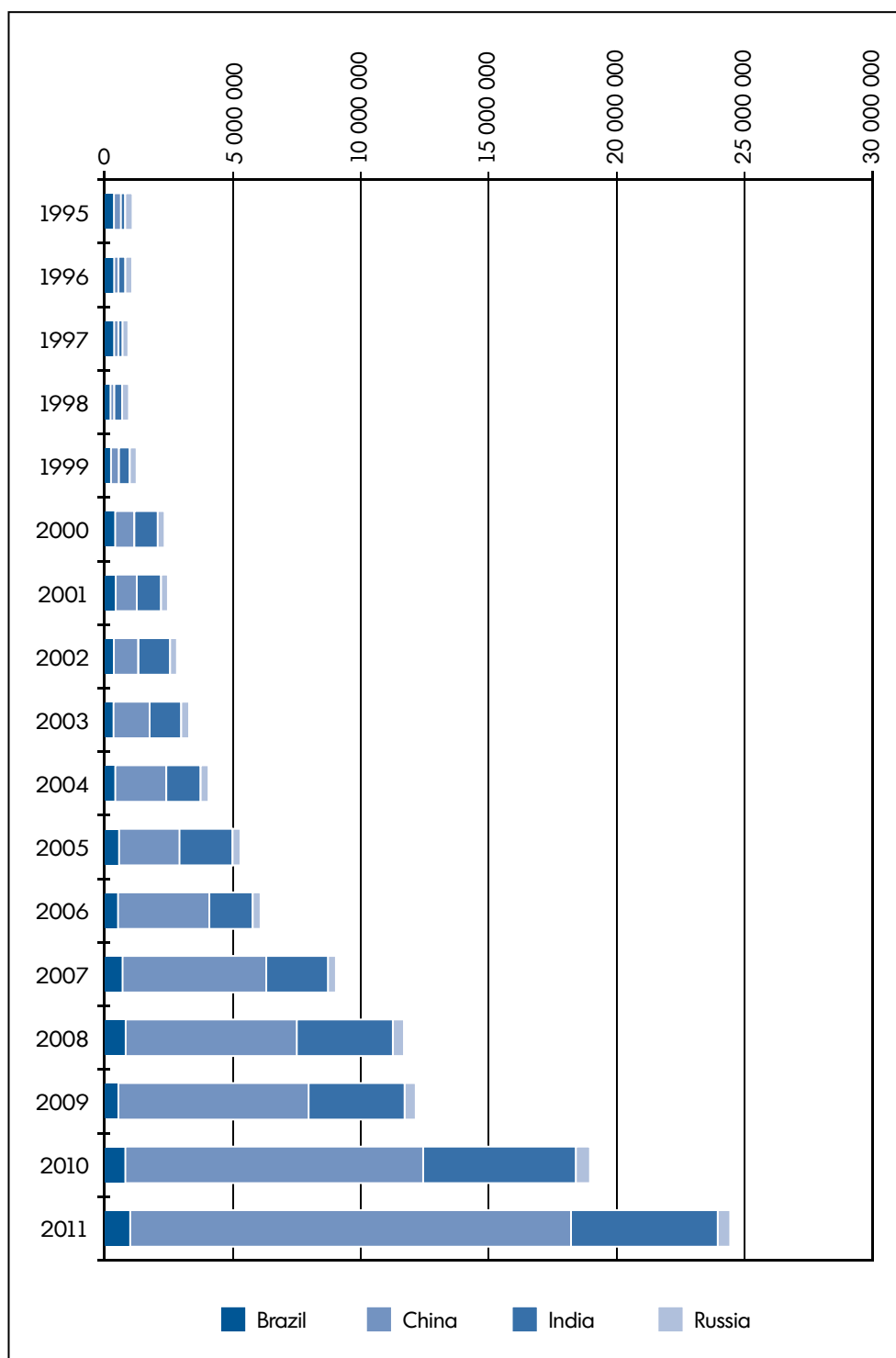
Source: Compiled by the authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

These figures show that the values of SA trade with different world regions increased dramatically at the turn of the millennium. Although the EU remains a major SA trading partner, the ROW, excluding BRICS, dominates SA trade.

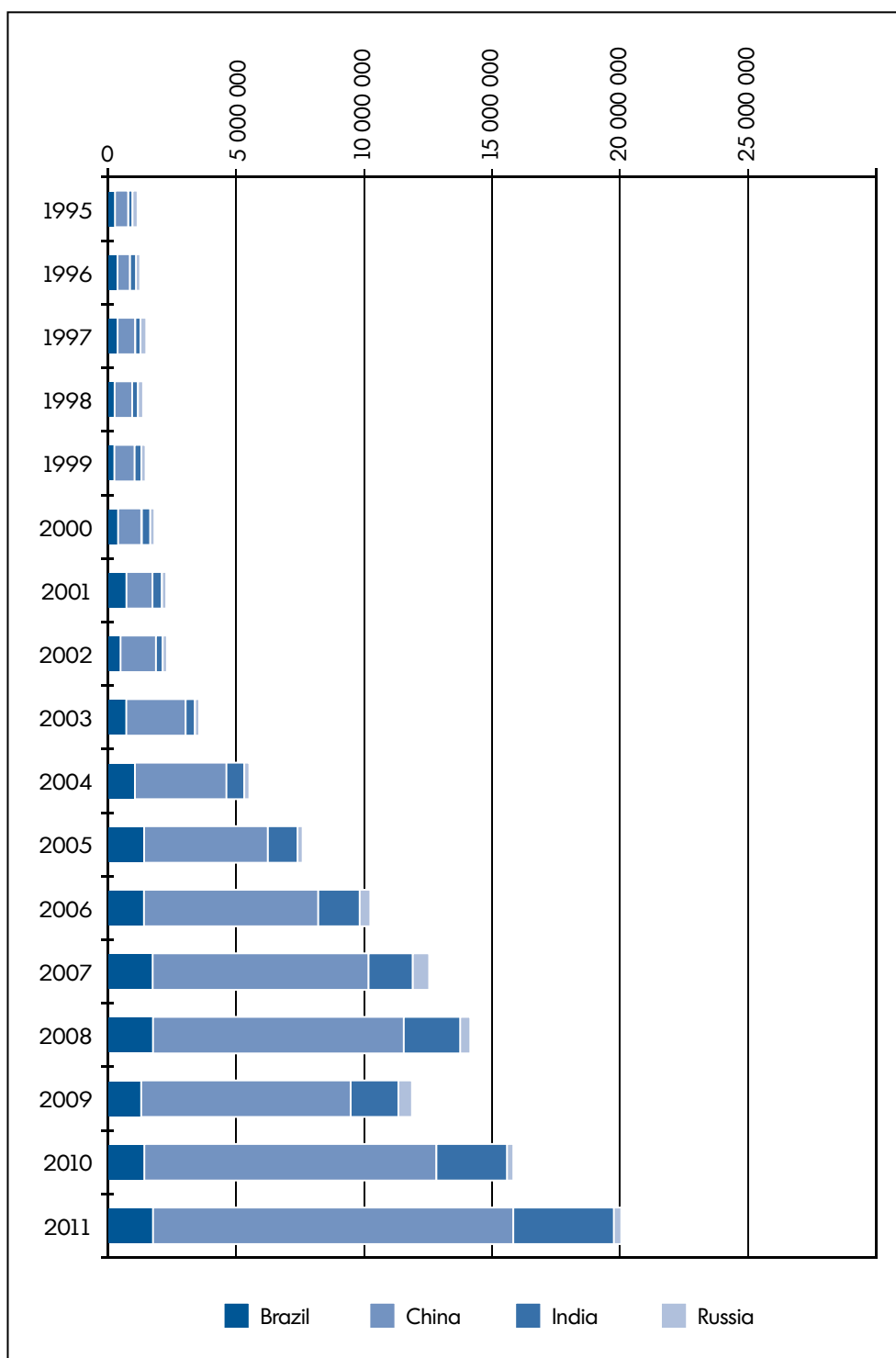
Notably, they also show that the value of SA trade with all regions dipped during the global financial crisis of 2008, and has recovered in the post-crisis period. However, there are two exceptions. First, while imports from the EU have recovered from the crisis, exports to the EU have not. This is connected with the slow recovery of the European economies, which has resulted in weak demand for imports. Second, while the values of imports from other BRICS countries declined during the financial crisis, the values of exports did not – instead, they increased slightly. This reflects strong demand for SA exports by BRICS countries that were less vulnerable to the crisis. As a result of this strong continued demand, SA exports to other BRICS countries surpassed exports to the EU for the first time in 2010.

The coincidence of this crossover with SA's inclusion in BRICS has led some observers to interpret this shift as a diversion of trade from the EU to BRICS on grounds that are political rather than economic.⁸ However, Figures 1 and 2 indicate that the growth in trade with BRICS over the EU is probably a demand-side rather than a supply-side effect, stimulated by high levels of growth in the BRICS economies and slow economic recovery in the EU.⁹

Figures 3 and 4 reflect SA trade with other BRICS countries in 1995–2011.

Figure 3: Values of SA exports to other BRICS countries, 1995–2011 (\$bn)

Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

Figure 4: Values of SA imports from other BRICS countries, 1995–2011 (\$bn)

Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

They show that trade with the other BRICS countries became distinctive starting in about 2000, and that China is SA's most influential trading partner in respect of imports as well as exports, remotely followed by India and even more remotely by Brazil. China overtook India as the main destination of SA exports in 2003, accounting for 71% of SA exports in 2011. The dominance of China in SA trade is even more pronounced in imports than in exports (for a breakdown of SA–China trade, see Tables B1 and B2 in Appendix B.)

PATTERNS OF SA TRADE

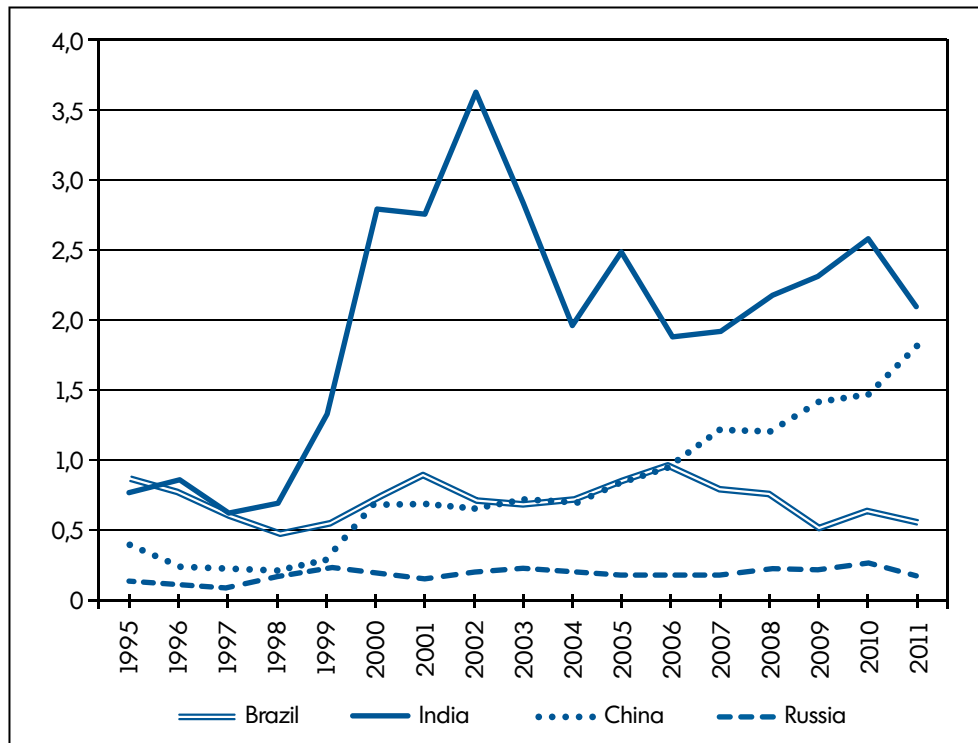
This section outlines the patterns of trade between SA, BRICS, and other world regions in terms of intensity, complementarity, balance, direction, and structure. It also examines the composition of products traded with BRICS as a whole as well as with individual BRICS countries.

Trade intensity

First, we compute the intensity of SA trade with other BRICS countries. Export intensity is defined as the share of a country's exports going to a trading partner relative to the share of world exports going to that partner. In terms of SA–BRICS trade, the export intensity indices are calculated as:

$$EI_{ZJ} = \frac{X_{ZJ}}{X_Z} \bigg/ \frac{X_{WJ}}{X_W}$$

where X_{TJ} equals SA exports to country J , X_Z equals total SA exports, X_{WJ} equals total world exports to country J , and X_W equals total world exports. The equation yields a figure from 0 upwards. An index greater than one means that SA sells a larger proportion of its exports to country J than the ROW does, and vice versa. Export intensity indicates the relative importance of country J in terms of foreign demand for SA goods, as well as the importance of SA to country J as a source of imports. The intensity of SA exports to the other BRICS countries in the period under review is reflected in Figure 5.

Figure 5: Intensity of SA exports to other BRICS countries, 1995–2011

Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

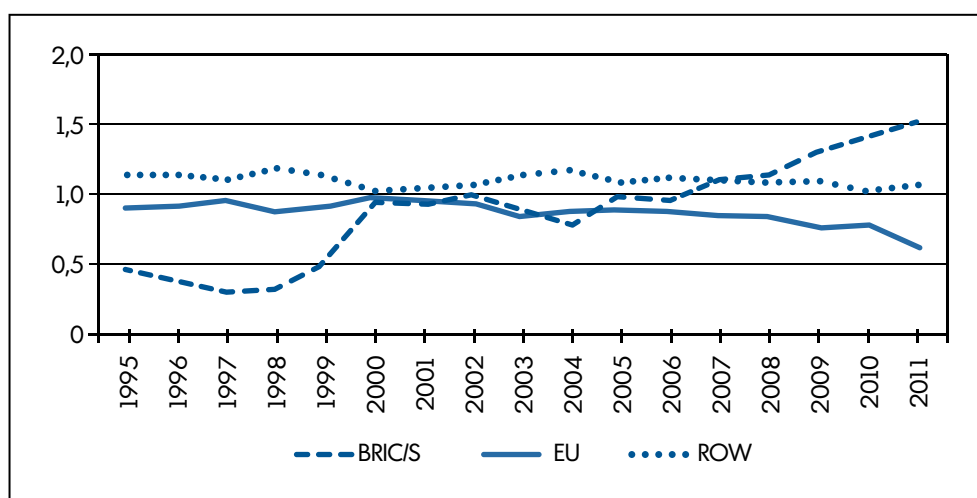
The index is highest for India, which shows that India has been SA's most important export destination. This perhaps reflects SA's strong historical and cultural ties with India as well as India's strong demand for gold, a major SA product.¹⁰ However, the intensity of SA exports to China has also grown steadily since the late 2000s and is catching up with India, reflecting the strong demand for resources connected to the expansion of the Chinese economy. By contrast, the intensity of SA exports to Brazil and Russia remains low, and does not show any upward trend. Indeed, in 1995–2012, Brazil and Russia accounted for less than 0.4% and 0.1% respectively of SA exports.

Analysts have sought to explain this in various ways. In the case of Brazil, Sandrey and Jensen have noted that that a significant proportion of SA exports are products that constitute Brazil's major imports.¹¹ In particular, machinery and transport equipment are among the top three SA exports and Brazilian imports. Yet SA does not export these items to Brazil (see Table B1 in the appendix). Jacobs has analysed the potential for SA exports to Latin American countries, including Brazil, and compared them with actual SA exports to those countries in 2010.¹² The data shows a potential market valued at \$1.5 billion in Brazil's transport sector, but actual SA exports in this category were zero. Meanwhile, SA exported \$28 million of transport equipment to Colombia in the same year. The most likely explanation¹³ is that SA automobile exports would be subject to a 35% tariff in Brazil.¹⁴

In the case of Russia, machinery and transport equipment were the top Russian imports (accounting for 42% of total imports), and the third most important SA export to Russia. Again, tariffs may account for the low level of SA exports to the Russian market. Volchkoval and Ryabtseva have argued that the low intensity of SA exports to Russia is the result of ineffective trade policy on Russia's part, as it has yet to prioritise the organisation of trade missions.¹⁵

Figure 6 compares the intensity of SA exports to BRIC/S, the EU and the ROW.

Figure 6: Intensity of SA exports to BRIC/S, the EU and the ROW, 1995–2011



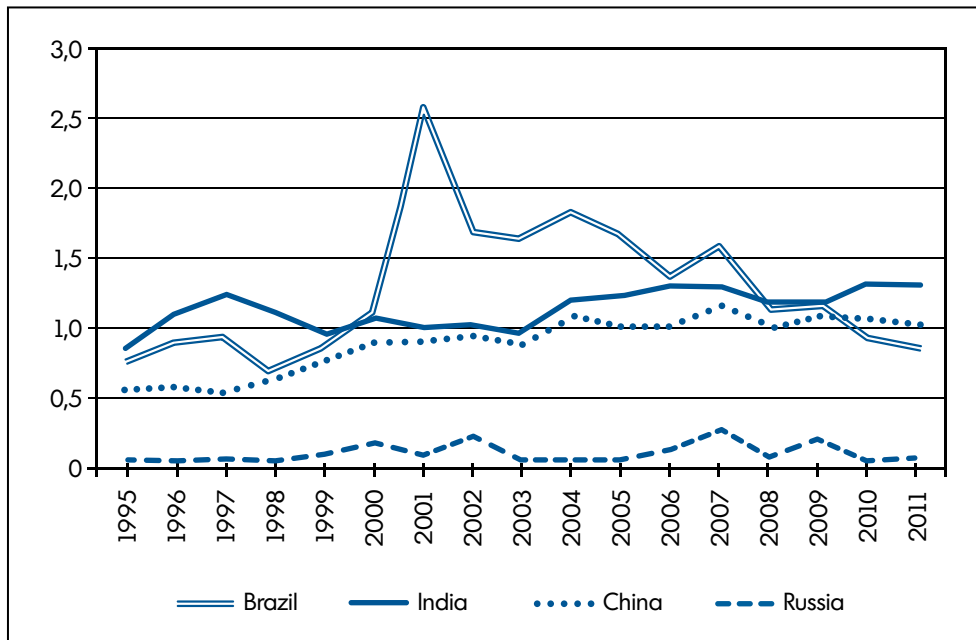
Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

It shows a clear upward trend in respect of BRICS from the mid-2000s onwards, but no significant change in respect of the EU and the ROW. More importantly, the intensity of SA exports to BRICS as a whole increased by no less than 92% between 2004 and 2011.

Second, we calculate import intensity as follows:

$$MI_{zJ} = \frac{Y_{zJ}}{Y_z} \bigg/ \frac{Y_{wJ}}{Y_w}$$

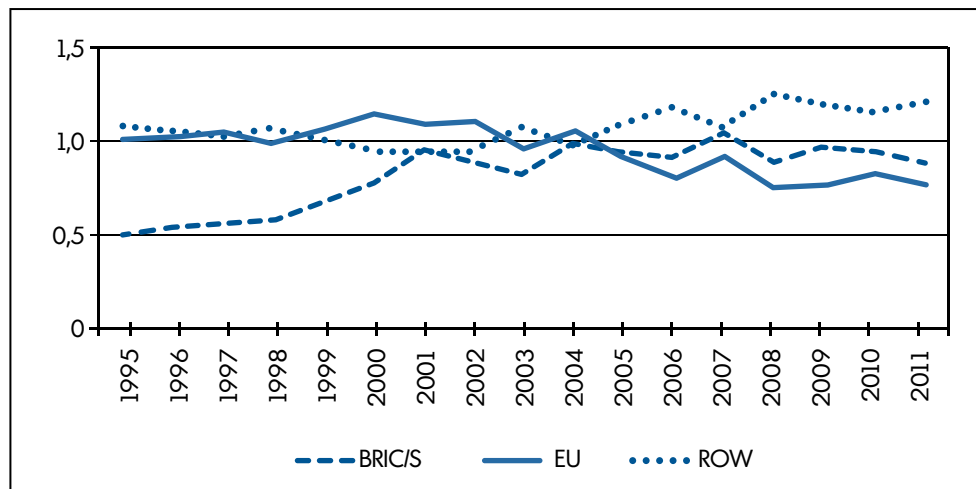
where Y_{zJ} equals SA imports by country J , Y_z equals total imports from SA, Y_{wJ} equals total world imports by country J , and Y_w equals total world imports. Figure 7 shows the intensities of imports from SA by other BRIC/S countries.

Figure 7: Intensity of imports from SA by other BRIC/S countries, 1995–2011

Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

This shows that Brazil was the most important importer of SA goods between 2000 and 2007, but was overtaken by India in 2008. India's emergence is probably due to SA's rapidly growing demand for its pharmaceutical products. Indeed, India's share of total SA imports of pharmaceutical products rose from 6.7% in 2007 to 15% in 2011.¹⁶

Figure 8 shows the intensity of SA imports from BRIC/S, the EU and the ROW.

Figure 8: Intensity of SA imports from BRIC/S, the EU and the ROW, 1995–2011

Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

It shows that imports from the ROW have been most intense since 2003. BRIC surpassed the EU in 2005, prior to SA's admission in 2010. This was probably connected to a rise in demand for capital goods produced in BRIC countries as industrial production increased significantly in SA.

Overall, in terms of trade intensities, India and China emerge as the countries that are most relevant to SA trade. India's dominance is closely linked to its historical and cultural ties with SA, which translates into strong trade ties. The rising intensity of trade with China reflects that country's rapid economic growth and the expansion of its trade with and investment in SA as well as the rest of Africa in recent years.

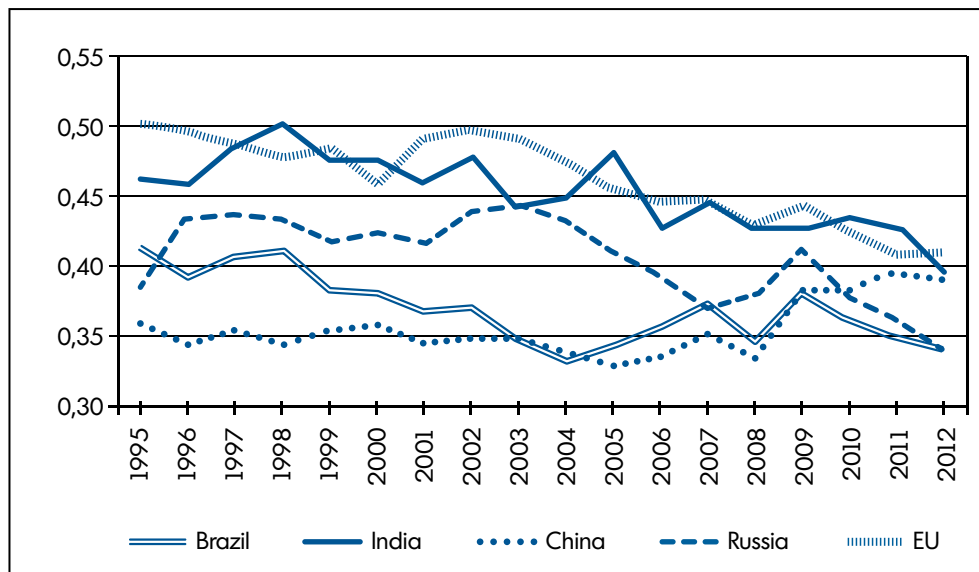
Trade complementarity

While trade intensity measures the importance of a trading partner relative to the ROW, trade complementarity measures the extent to which two countries are 'natural partners', in the sense of the degree to which the sectoral composition of a country's exports overlaps (or correlates) with the sectoral composition of imports by a trading partner. Trade complementarity between SA and the other BRICS countries is calculated using the formula:

$$EC_{ZJ} = 1 - 0.5 \sum_{k=1}^K |e_k^Z - m_k^J|$$

where e_k^Z is sector k 's share of total SA exports, and m_k^J is the sector's share in country J 's total imports. A perfect positive correlation between the two sectoral shares yields an index of one, while a perfect negative correlation yields an index of zero. Figure 9 shows the trade complementarity between SA and the other BRICS countries as well as the EU.

Figure 9: Trade complementarity between SA, other BRIC/S countries and the EU, 1995–2012



Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

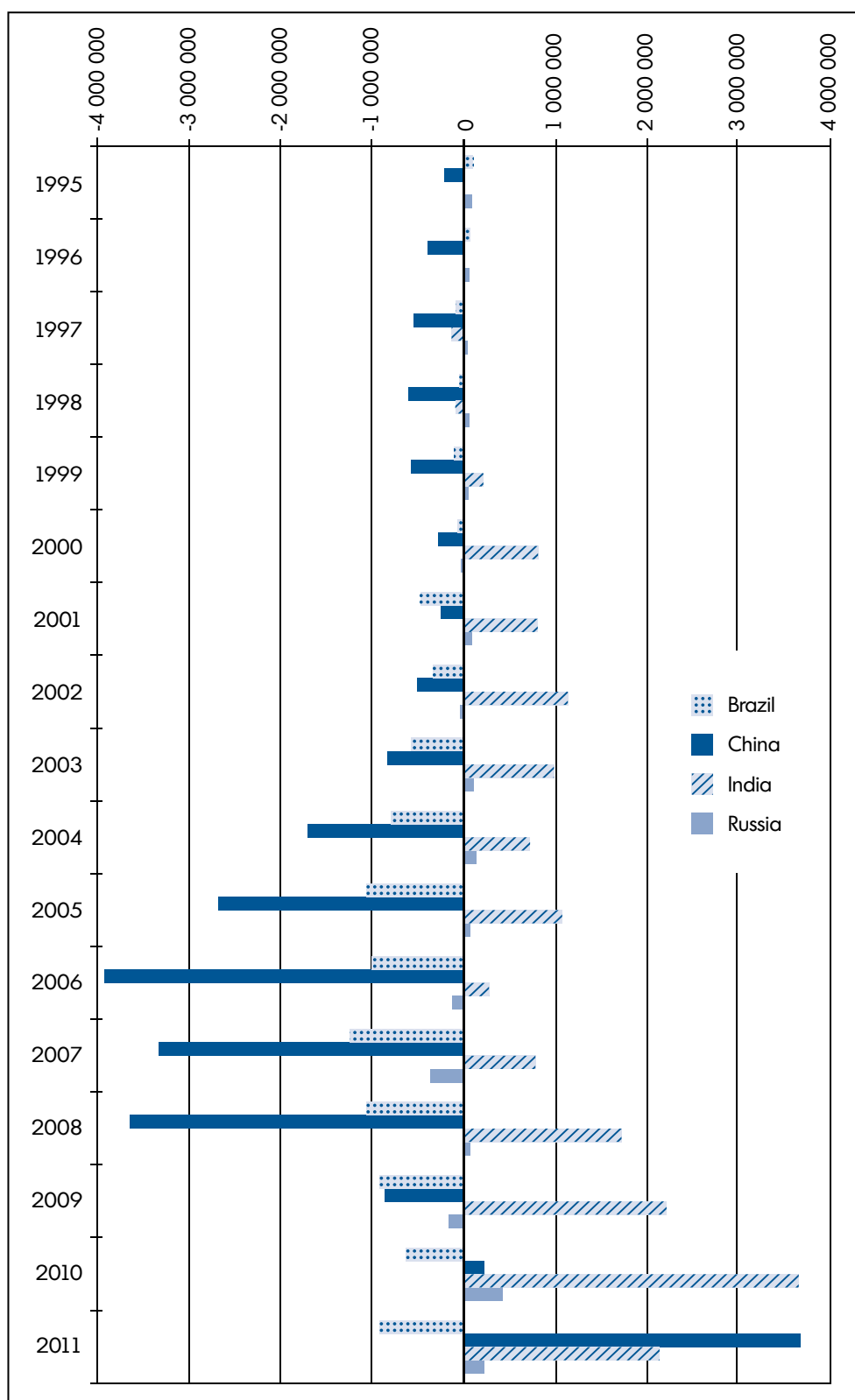
This figure shows three important things. First, the index is highest in respect of the EU for most of the period under review, starting at 0.5 in 1995. This reflects the intra-industry nature of SA trade with the EU, which makes the EU a more natural trading partner than countries that trade with SA on an inter-industry basis. Second, the indices decreased for all the other BRICS countries as well as the EU between 1995 and the onset of the 2008 financial crisis. This perhaps reflects the gradual diversification of trading partners after SA's emergence from apartheid. This trend is also a natural phenomenon in global trade: the more trading partners a country has, the less likely it becomes that it will be a natural partner to any specific country. Third, and perhaps most intriguing, is the upward trend in China's index since the onset of the global financial crisis. While SA became less of a natural trading partner to all other BRICS countries as well as the EU, it became more of a natural trading partner with China, with SA exports fitting more into Chinese demand for imports than any of the other countries. Indeed, because SA exports to China are mainly primary products, this represents a shift in the composition of exports in ways that are more consistent with China's demand for imports, and is consistent with the previous findings of the growing influence and importance of China's demand for resources in stimulating SA exports. Indeed, Figure A1 in Appendix A shows that SA exports transitioned from a fairly diversified structure in the 1990s and early 2000s to a mineral and resource-dominated structure in the mid- and late 2000s.

Balance of trade

Figure 10 reflects SA's balance of trade with other BRIC/S countries in the period under review – in other words, whether trade favoured it or its trading partners.

It shows that, while SA recorded a trade deficit with BRIC as a whole for most of 1995–2009, it has recorded consistent surpluses in trade with India since 1999. Prior to SA's inclusion in BRICS, it recorded trade deficits with China, but this changed dramatically after its inclusion in 2010. Its trade deficit with Russia also changed to a surplus in 2010, while trade with Brazil was in deficit for most of the period (from 1997 to 2011). Thus Figure 10 shows that SA trade with most BRICS countries swung from deficit to surplus following its inclusion in the BRICS grouping.

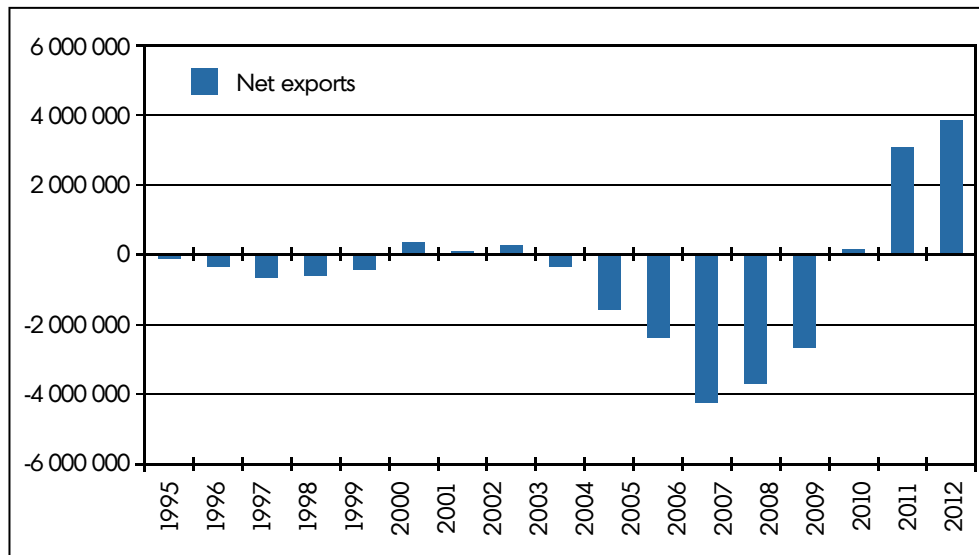
According to Edwards and Lawrence, this transition has been linked to two related events: the rapid growth of emerging economies, and the resulting rise in the demand for commodities.¹⁷ The shift in global growth poles to emerging economies led by BRICS resulted in rises in foreign direct investment as well as trade flows within the group. In particular, the demand for primary commodities used for industrial production in these growing economies led to an increase in the demand for those products. As a consequence, the price of commodities rose steeply, favouring commodities exporters.¹⁸ SA is richly endowed with commodities in the form of metal, iron ore, and coal, among others. China alone contributed about 60% of the rise in demand for commodities, and the total effect of the rise in demand from mostly emerging markets led to the tripling of prices in 2000–2007.

Figure 10: SA balance of trade with other BRIC/S countries, 1995–2011 (\$bn)

Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

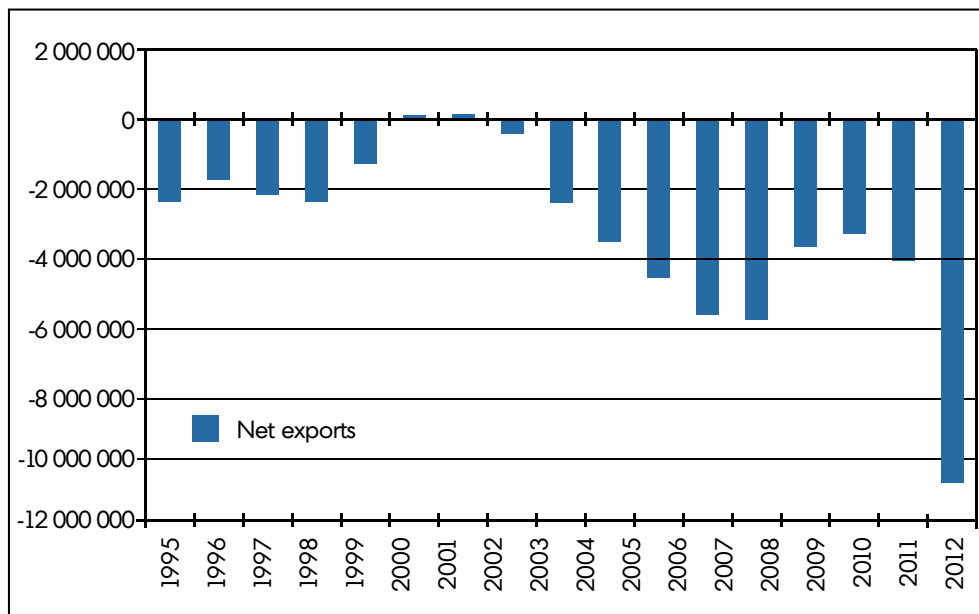
Figures 11, 12 and 13 reflect the balance of trade between SA and BRIC/S, the EU and the ROW between 1995 and 2011.

Figure 11: Balance of trade between SA and BRIC/S, 1995–2011 (\$bn)

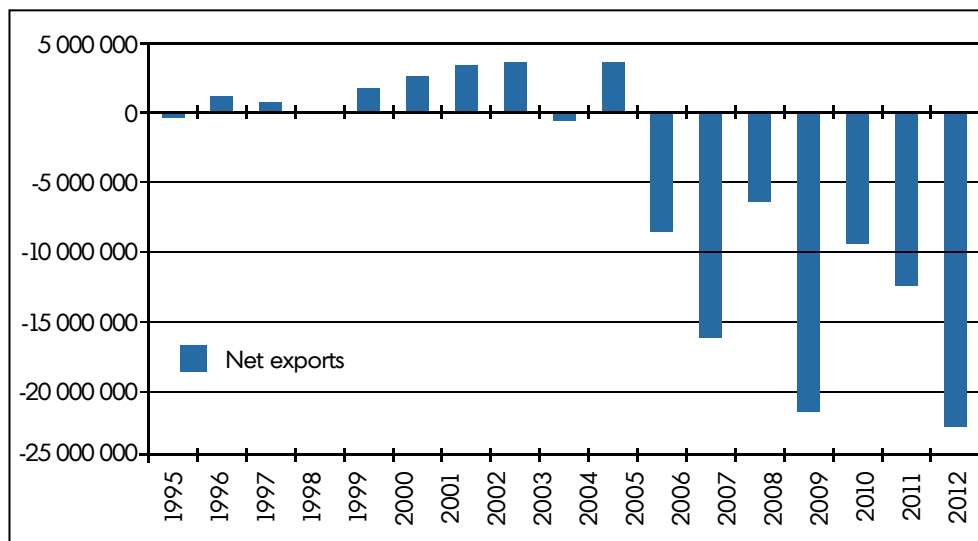


Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

Figure 12: Balance of trade between SA and the EU, 1995–2011 (\$bn)



Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

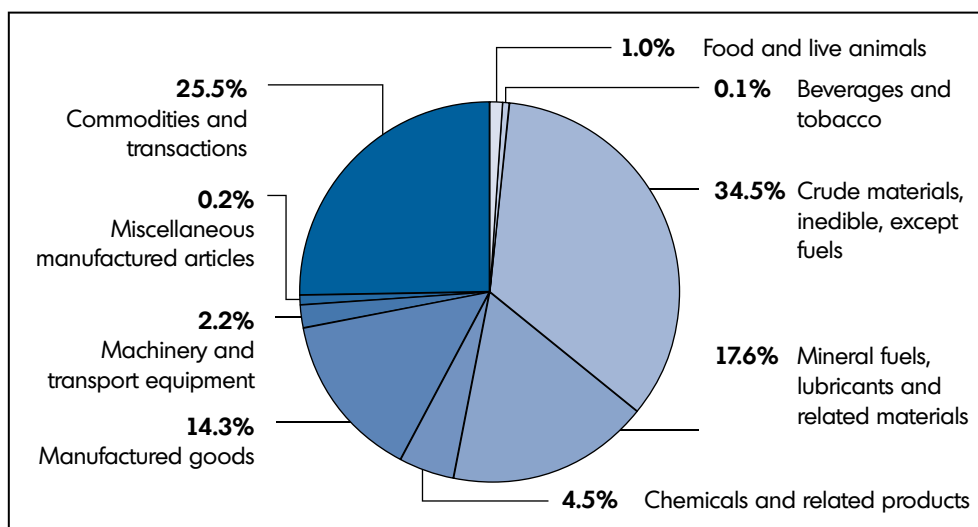
Figure 13: Balance of trade between SA and the ROW, 1995–2011 (\$bn)

Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

These figures show that, on aggregate, SA has consistently accumulated trade deficits with the EU over the whole period, and with the ROW since 2005, the reverse of its surplus position in the 1990s and early 2000s. By contrast, trade with the rest of BRICS swung from a deficit to a surplus in 2010, helping to ease SA's aggregate trade deficit.

Structure of trade

Figure 14 shows the structure of SA exports to BRICS as a whole in 2011.

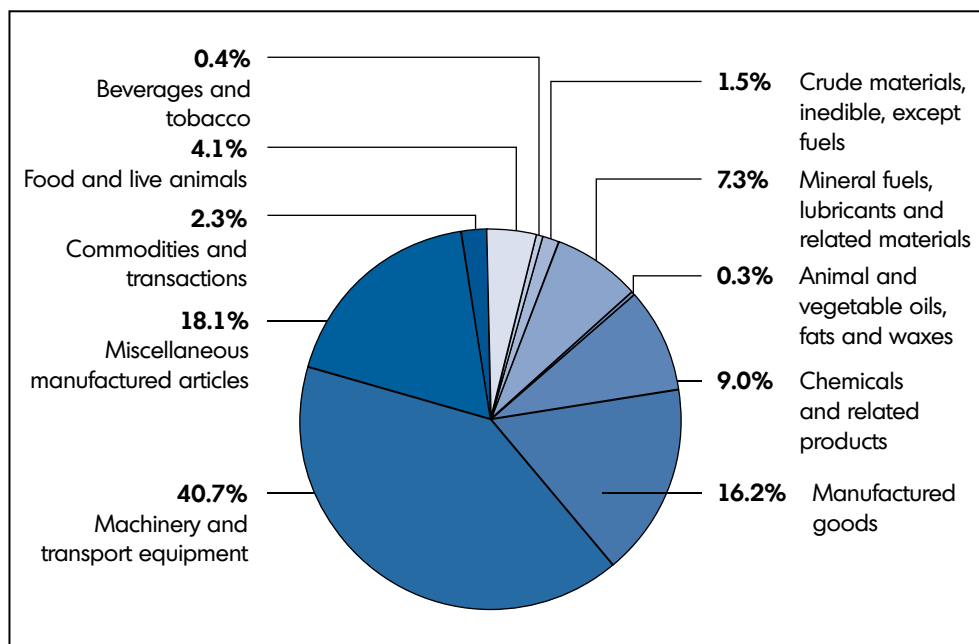
Figure 14: Structure of SA exports to BRICS, 2011

Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

It shows that inedible crude materials, except for fuels (34.5%), were the dominant exports from SA to BRICS, while commodities and transactions (25.5%) and mineral fuels, lubricants and related materials (17.6%) were the second and third largest categories respectively. The main destinations of these commodities are outlined in Table B1 in Appendix B.

The structure of SA imports from BRICS as a whole is outlined in Figure 15.

Figure 15: Structure of SA imports from BRICS, 2011



Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

It shows that SA imports from BRICS were dominated by machinery and transport equipment, followed by miscellaneous manufactured articles and manufactured goods. Thus SA imports are mainly highly sophisticated goods. Figure B2 in Appendix B shows that the sophistication of imports began in the mid-2000s. The composition of SA imports from the various BRICS countries is outlined in Table B2.

Overall, while SA exports to BRICS are gradually becoming more diversified, they are less diversified than imports, as primary products still dominate. Table B1 in Appendix B reflects manufactured goods (non-ferrous metals, and iron & steel) playing a major role in exports to Brazil, and a lesser role in exports to China. This implies that the demand by the rest of BRICS for semi-finished products from primary commodities such as iron and steel has risen in recent years.

The potential impact of structural changes in SA exports

SA's shift toward inter-industry rather than intra-industry trade in recent years has the potential to provide low-skill jobs in its primary sectors, including agriculture and mining. As a result, Bezuidenhout and Claassen argue that inter-industry trade with BRICS will encourage low-skill employment.¹⁹

However, it is not clear that this employment effect is realisable, as the production of primary products had become capital-intensive by the time when exports to BRICS swung towards these products. Indeed, the transition of the SA economy to high-skill and capital-intensive production was well under way before the end of apartheid in 1994. The opening up of the economy post-apartheid simply intensified this shift. The transition toward high-tech production occurred between sectors, as the economy shifted toward more capital-intensive manufacturing and high-skill services sectors, as well as within sectors, reflected in the shedding of low-skill jobs and the shift towards a high-skilled workforce induced by technological change. Banerjee *et al.* examined employment data for 1970–2005 and concluded that between-sector shifts were responsible for the diminishing low-skill proportion of the workforce prior to 1995, while within-sector shifts had a greater effect thereafter.²⁰ Thus, while SA's trade with the rest of BRICS contributes to economic growth, its contribution to low-skill employment is less evident, and worth further investigation.

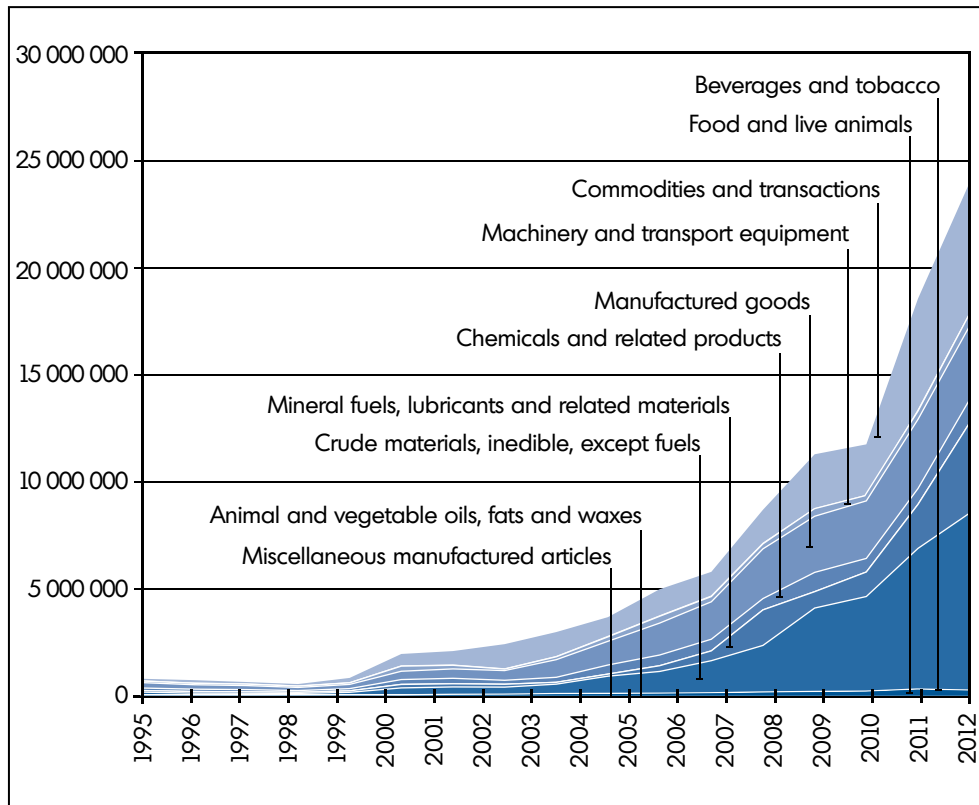
CONCLUSION

This study has examined trade relations between SA and the rest of BRICS. It shows that SA trade became more dynamic at the turn of the millennium, and intensified after SA's admission to the BRIC grouping. It also shows that SA exports to the other BRICS countries is playing an increasingly important role, as they have surpassed exports to the EU, which dominated SA trade for decades. Trade with India is the most intense in respect of both imports and exports, with China rapidly catching up in both categories. This pattern is also replicated by the trade complementarity indices, as India's import demands coincide most closely with SA exports. Trade with India has also been the most favourable in the period under review, with the balance of trade in respect of China switching from a deficit to a surplus, coinciding with SA's inclusion in BRIC.

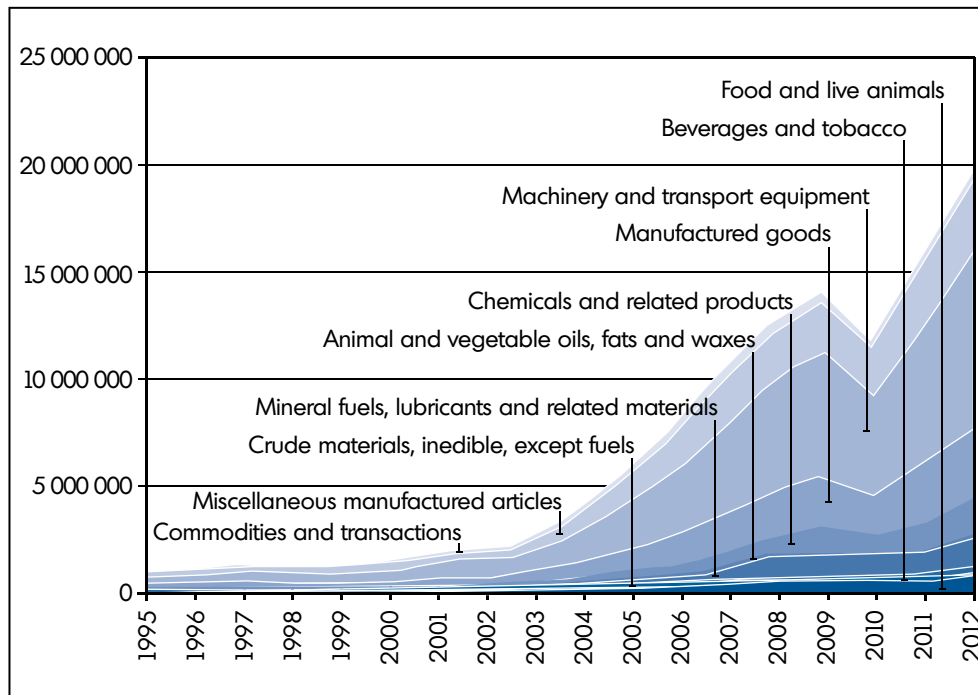
The structure of SA trade with the rest of BRICS shows that exports are now less diversified than previously as a result of more intensive trade, with primary products dominating the former, and manufactured goods comprising most of the latter. However, the export of manufactured goods has shown some growth in recent years.

To conclude, this study shows that SA needs to review its trade treaties and agreements with Brazil and Russia, with a view to renegotiating tariffs and other non-monetary barriers which are limiting its ability to exploit the potential markets in those countries. A substantive preferential trade agreement within BRICS may be helpful in this respect.

APPENDIX A

Figure A1: Value of SA exports to BRIC/S by product category, 1995–2011 (\$bn)

Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

Figure A2: Value of SA imports from BRIC/S by product category, 1995–2011 (\$bn)

Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

APPENDIX B

Table B1: Composition of SA exports to other BRICS countries, 2011

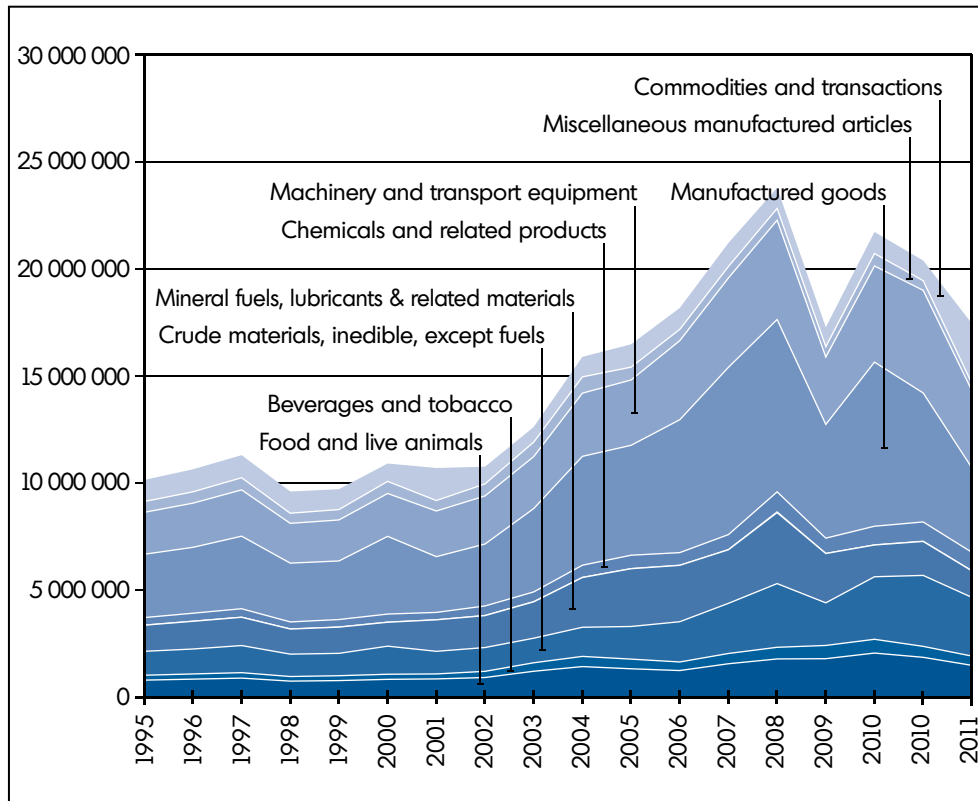
Country	Main products			
Brazil	Product	Manufactured goods	Chemicals and related products, n.e.s.	Mineral fuels, lubricants and related materials
	Sub-product category	Non-ferrous metals; iron and steel	Organic chemicals; plastics in primary forms; chemical materials & products, n.e.s.	Coal, coke, briquettes; petroleum, petroleum products and related materials
China	Product	Crude materials, inedible, except fuels	Commodities and transactions, n.e.s.	Manufactured goods
	Sub-product category	Metalliferous ores and metal scrap	Coin (other than gold coin), not being legal tender	Non-ferrous metals; iron and steel
India	Product	Mineral fuels, lubricants and related materials	Crude materials, inedible, except fuels	Chemicals and related products, n.e.s.
	Sub-product category	Coal, coke, briquettes	Metalliferous ores and metal scrap	Inorganic chemicals; organic chemicals
Russia	Product	Food and live animals	Crude materials, inedible, except fuels	Machinery and transport equipment
	Sub-product category	Vegetables and fruits	Metalliferous ores and metal scrap	Road vehicles; specialised machinery

Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

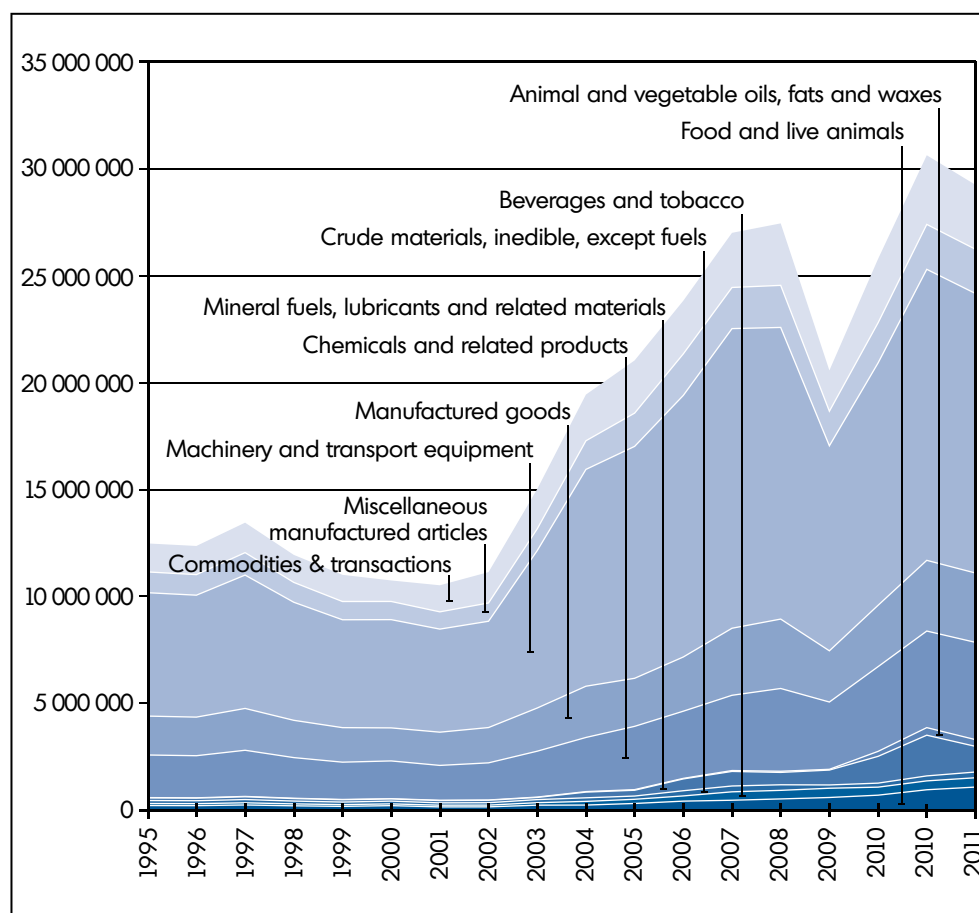
Table B2: Composition of SA imports from other BRICS countries, 2011

Country	Main Products			
Brazil	Product	Food and live animals	Commodities and transactions, n.e.s.	Machinery and transport equipment
	Sub-product category	Meat & meat preparations; sugar, sugar preparations and honey; cereals and cereal preparations	N.A.	Road vehicles; specialised machinery; power generating machinery
China	Product	Machinery and transport equipment	Miscellaneous manufactured articles	Manufactured goods
	Sub-product category	Office machines and automatic data processing machines; telecommunication and sound recording apparatus; electrical machinery, apparatus and appliances	Articles of apparel and clothing accessories; miscellaneous manufactured articles, n.e.s.; Footwear	Manufactures of metal, n.e.s.; textile yarn and related products; iron and steel
India	Product	Mineral fuels, lubricants and related materials	Machinery and transport equipment	Chemicals and related products, n.e.s.
	Sub-product category	Petroleum, petroleum products and related materials	Road vehicles; telecommunications and sound recording apparatus	Medicinal and pharmaceutical products; organic chemicals
Russia	Product	Chemicals and related products, n.e.s.	Manufactured goods	Food and live animals
	Sub-product category	Fertilisers other than group 272; inorganic chemicals	Non-ferrous metals	Cereals and cereal preparations

Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

Figure B1: Value of SA exports to the EU by product category, 2011 (\$bn)

Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

Figure B2: Value of SA imports from the EU by product category, 2011 (\$bn)

Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

APPENDIX C

Table C1: Composition of SA exports to BRICS and the EU, 2011

Main products			
EU			
Product	Manufactured goods	Machinery and transport equipment	Crude materials, inedible, except fuels
Sub-product category	Non-ferrous metals; iron and steel; non metallic mineral manufactures, n.e.s.	Road vehicles; other industrial machinery and parts; power-generating machinery and equipment	Metalliferous ores and metal scrap; crude fertilizers other than division 56 and crude minerals; textiles fibres and their wastes
BRICS			
Product	Crude materials, inedible, except fuel	Commodities and transactions, n.e.s.	Mineral fuels, lubricants and related materials
Sub-product category	Metalliferous ores and metal scrap; pulp and waste paper; textiles fibres and their wastes	Gold, non-monetary (excluding gold ores and concentrates)	Coal, coke and briquettes; petroleum, petroleum products and related materials

Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

Table C2: Composition of SA imports from BRICS and the EU, 2011

Main Products			
EU			
Product	Machinery and transport equipment	Chemicals and related products, n.e.s.	Manufactured goods
Sub-product category	Road vehicles; other industrial machinery and parts; specialised machinery	Medicinal and pharmaceutical products; chemical materials and products, n.e.s.; organic chemicals	Iron and steel; manufactures of metal, n.e.s.; paper and paper manufactures
BRICS			
Product	Machinery and transport equipment	Miscellaneous manufactured articles	Manufactured goods
Sub-product category	Office machines and automatic data processing machines; telecommunication and sound recording apparatus; road vehicles	Articles of apparel and clothing accessories; miscellaneous manufactured articles, n.e.s.; footwear	Manufactures of metal, n.e.s.; textile yarn and related products; iron and steel

Source: Compiled by authors from UNCTAD statistics, drawn from <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>

ENDNOTES

- 1 SA has the largest Indian community outside India in the world, descended from indentured labourers brought in to work on the sugar cane fields in Natal in the mid- to late 19th century. See <http://www.southafrica.net/za/en/articles/entry/article-southafrica.net-south-african-indian-culture>.
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- 6 Adebajo A, Adedeji A & C Landsberg, 'Introduction', in Adebajo A, Adedeji A & C Landsberg (eds), *SA in Africa: The Post-Apartheid Era*. Durban: UKZN Press, 2007, pp. 17–39; Bezuidenhout H & C Claassen, 'SA trade hegemony: is the South Africa–EU Trade, Development and Cooperation Agreement heading for a BRICS wall?', *South African Journal of International Affairs*, 20, 2, 2013, pp. 227–246.
- 7 Galvao M, 'Brazil, Russia, India and China: Brand BRIC Brings Change', *The World Today*, 66, 8/9, July 2010; Castro A, *op. cit.*; Mielniczuk F, 'BRICS in the contemporary world: changing identities, converging interests', *Third World Quarterly*, 34, 6, 2013, pp. 1075–1090.
- 8 Bezuidenhout and Claassen argue that whereas trade with the EU is intra-industry that stimulates demand for labour across all levels of skill, trade with BRICS is inter-industry that entails SA exporting primary products and importing manufactured goods. In effect, while South-Africa–EU trade encourages development of human capital, which is a primary driver of endogenous growth and is therefore beneficial, South Africa–BRICS trade only stimulates demand for unskilled labour which can only be linked to exogenous growth. See Bezuidenhout H & C Claassen, *op. cit.*; see also Sandrey R & HG Jensen, 'Examining the India, Brazil and SA Triangular Trading Relationship', TRALAC Working Paper, 1/2007, February 2007, <https://www.gtap.agecon.purdue.edu/resources/download/3513.pdf>.
- 9 Figure 1 does not support the argument that SA simply diverted trade from the EU to BRICS. Since exports to the rest of the world also increased sharply at the same time as exports to BRICS, this would also imply that SA diverted trade towards non-BRICS countries.
- 10 Alves P, 'India and South Africa; shifting priorities', *South African Journal of International Affairs*, 14, 2, 2007, pp. 87–109; Xavier C, 'India and China in Africa', *Scholar Warrior*, Autumn 2012, http://www.claws.in/index.php?action=sw_previous_issues#Autumn2012.
- 11 Sandrey R & HG Jensen, *op. cit.*
- 12 Jacobs C, 'Identifying Export Opportunities for SA in South America with Special Reference to Measuring Trade Barriers', unpublished thesis, North West University, Potchefstroom, South Africa, 2012.
- 13 There have been attempts to explain this phenomenon through conventional reasoning. Fleet (2009) argues that the lack of trade relations between SA and Brazil is due to the fact that they

export similar products, and that trade is therefore less likely to be complementary. Similarly, White contends that SA and Brazilian firms have similar expertise and tend to operate in similar sectors, which promotes rivalry. See White L, 'Understanding Brazil's new drive for Africa', *South African Journal of International Affairs*, 17, 2, 2010, pp. 221–242.

- 14 A similar scenario played out in Argentina where SA exports were zero into a market worth \$1.6 billion as a result of a 35% tariff on SA automobiles.
- 15 Volchkova N & M Ryabtseva, 'Russia–SA Relations: Collaboration in BRICS and the G-20', Occasional Paper, 135. Johannesburg: South African Institute of International Affairs, February 2013, <http://www.saiia.org.za/occasional-papers/russia%E2%80%93south-africa-relations-collaboration-in-brics-and-the-g-20>.
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- 19 Bezuidenhout H & C Claassen, *op. cit.*
- 20 Banerjee A *et al.*, 'Why has unemployment risen in the new South Africa?', *The Economics of Transition*, European Bank for Reconstruction and Development, 16, 4, pp. 715–740, October 2008.

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