



OCCASIONAL PAPER NO 127

Economic Diplomacy Programme

December 2012

# **South Africa's Role in the BRICS and the G-20: China's View**

Wang Yong<sup>1</sup>

**South African Institute of International Affairs**

African perspectives. Global insights.

## ABOUT SAIIA

The South African Institute of International Affairs (SAIIA) has a long and proud record as South Africa's premier research institute on international issues. It is an independent, non-government think-tank whose key strategic objectives are to make effective input into public policy, and to encourage wider and more informed debate on international affairs with particular emphasis on African issues and concerns. It is both a centre for research excellence and a home for stimulating public engagement. SAIIA's occasional papers present topical, incisive analyses, offering a variety of perspectives on key policy issues in Africa and beyond. Core public policy research themes covered by SAIIA include good governance and democracy; economic policymaking; international security and peace; and new global challenges such as food security, global governance reform and the environment. Please consult our website [www.saiia.org.za](http://www.saiia.org.za) for further information about SAIIA's work.

## ABOUT THE ECONOMIC DIPLOMACY PROGRAMME

SAIIA's Economic Diplomacy (EDIP) Programme focuses on the position of Africa in the global economy, primarily at regional, but also at continental and multilateral levels. Trade and investment policies are critical for addressing the development challenges of Africa and achieving sustainable economic growth for the region.

EDIP's work is broadly divided into three streams. (1) Research on global economic governance in order to understand the broader impact on the region and identifying options for Africa in its participation in the international financial system. (2) Issues analysis to unpack key multilateral (World Trade Organization), regional and bilateral trade negotiations. It also considers unilateral trade policy issues lying outside of the reciprocal trade negotiations arena as well as the implications of regional economic integration in Southern Africa and beyond. (3) Exploration of linkages between traditional trade policy debates and other sustainable development issues, such as climate change, investment, energy and food security.

SAIIA gratefully acknowledges the Swedish International Development Cooperation Agency, the Danish International Development Agency, the UK Department for International Development and the Swiss Development Corporation, which generously support the EDIP Programme.

**Programme head:** Catherine Grant, [catherine.grant@saiia.org.za](mailto:catherine.grant@saiia.org.za)

© SAIIA December 2012

All rights are reserved. No part of this publication may be reproduced or utilised in any form by any means, electronic or mechanical, including photocopying and recording, or by any information or storage and retrieval system, without permission in writing from the publisher. Opinions expressed are the responsibility of the individual authors and not of SAIIA.

Please note that all currencies are in US\$ unless otherwise indicated.

## **ABSTRACT**

The Chinese government has attached great importance to the country's relationship with South Africa. South Africa is the first developing country to which China has proposed establishing a 'comprehensive strategic partnership'. Chinese analysts acknowledge the great achievements the new South Africa has made within the country as well as regionally and internationally. They believe that South Africa holds a uniquely advantageous position among the BRICS countries, which would help African countries as a whole to play a greater role in international affairs. China and South Africa share the same or similar views on international affairs, and both are committed to seeking a fair and reasonable new global economic and political order, despite the differences in their domestic political systems.

Chinese analysts believe that South Africa's domestic achievements, international reputation and position in Africa afford South Africa as a BRICS member 'irreplaceable unique advantages'. They argue that South Africa seems to have maintained good relations with other BRICS members and can play a 'bridge' role among them. South Africa is expected to make a special contribution to the growth of the BRICS mechanism and agenda on issues such as the African agenda, BRICS economic co-operation, reforming global economic governance, and promoting the institution building of BRICS co-operation.

## **ABOUT THE AUTHOR**

Wang Yong is Professor at the School of International Studies and the Director of the Center for International Political Economy Research, Peking University, Beijing, China. He is also Professor at the Party School of the Chinese Ministry of Foreign Affairs; Lecture Professor for the HKSAR Senior Civil Servants Training Program on Chinese Affairs at Peking University; Lecture Professor of the Ministry of Commerce African Diplomat Training Program at Peking University; and a consultant for Asia Development Bank. His research interests cover the international political economy, World Trade Organization, global governance, US-China economic relations, the Chinese political economy and China-Africa relations.

## ABBREVIATIONS AND ACRONYMS

ANC	African National Congress
BASIC	Brazil, South Africa, India and China
BRICS	Brazil, Russia, India, China and South Africa
CAD	China–Africa Development
FTA	free trade agreement
G-20	Group of Twenty
GDP	gross domestic product
IBSA	India, Brazil and South Africa
IMF	International Monetary Fund
UNSC	UN Security Council
WTO	World Trade Organization

## INTRODUCTION

Since the global financial crisis, the rise of emerging markets represented by the BRICS (Brazil, Russia, India, China and South Africa) has become a major event in global political and economic life. With their newly earned economic power and the strengthening will of political unity, the BRICS countries have gradually increased their influence in global economic and political affairs. The BRICS as a whole will be expected to play a large role in pushing forward global economic governance reforms.

The Chinese government and academia believe that as the largest economy in Africa, South Africa's membership of the BRICS since 2011 has made the BRICS a more powerful and representative voice to speak for developing countries. South Africa's inclusion in the BRICS is based on its own advantages, with its domestic and international achievements. As a representative of African countries, South Africa can not only play a 'bridging' role between the BRICS countries and Africa, but can also contribute to building a closer relationship among the BRICS countries, and thus enhance the role of emerging powers in the Group of Twenty (G-20). South Africa is in a position to make unique contributions, particularly in terms of development of the BRICS Africa agenda, promoting global economic governance reforms, and institution building of the BRICS as a credible international organisation.

## CHINA AND SOUTH AFRICA: A 'COMPREHENSIVE STRATEGIC PARTNERSHIP'

The Chinese government has attached great importance to the country's relationship with South Africa. This is reflected in South Africa being the first developing country to which China has proposed establishing a 'comprehensive strategic partnership'.<sup>2</sup> Chinese analysts acknowledge the great achievements the new South Africa has made within the country as well as regionally and internationally. They believe that South Africa holds a uniquely advantageous position among the BRICS countries, which would help African countries as a whole to play a greater role in international affairs. China and South Africa share the same or similar views on international affairs, and both are committed to seeking a fair and reasonable new global economic and political order, despite the differences in their domestic political systems. Such differences do not inhibit bilateral co-operation in international affairs, evidenced by the co-operation of the two countries in the framework of BASIC countries (Brazil, South Africa, India and China) in climate change negotiations. To the surprise of some people in the US, large emerging democracies such as Brazil, South Africa and India have been willing to side more with China than with the US on a number of major global issues.<sup>3</sup> The reason for this is because striving for a common identity of developing countries has been far more important for them than upholding so-called artificially claimed ideological standards.

Common economic interests have laid a solid foundation for China–South Africa relations. South Africa has become China's largest trading partner in Africa, accounting for one-quarter of China's trade with African countries. Though both economies were affected by the global financial crisis, China has become South Africa's largest trading partner, as its largest export destination and largest source of imports.<sup>4</sup> The rapid growth of economic

co-operation between the two countries benefits from the institutional arrangements for deepening the strategic partnership, but, more importantly, also from the complementary nature of China–South Africa economic relations. As for the institutional measures, South Africa recognised China’s market economy status in 2004, and started free trade agreement (FTA) talks with China on behalf of the Southern African Customs Union. In 2006 the two sides signed a co-operation outline on deepening a strategic partnership to jointly promote bilateral economic and trade co-operation. This has encouraged their enterprises to explore trade potential and support business investment in each other’s economies.<sup>5</sup> However, the most powerful forces for China–South Africa economic co-operation lie in their mutual interests. Chinese analysts speak highly of South Africa’s mining industry and technology, which are equipped to help meet China’s increasing demand for resources. The \$5.6 billion investment of the Industrial and Commercial Bank of China in South Africa’s Standard Bank is another example of mutual benefit, whereby the South African bank has obtained capital financing while the Chinese bank has benefited from the South African bank’s management and its business network in Africa.

Notably, however, Chinese analysts interviewed gave quite different assessments of South Africa’s investment environment. On the one hand, some regard the South African legal system as sound, and the judicial process to be open and transparent, making for a good investment environment. On the other hand, some analysts, including officials, acknowledge the legal system of South Africa but regard South Africa’s investment environment as unsatisfactory. They believe that a large share of Chinese investment and operations (especially ‘greenfield’ investment) in South Africa are in difficulty, mainly caused by the overbearing influence of trade unions, worsening social order and the lack of a sense of security. Some analysts, mainly scholars, praised the positive role of trade unions in South Africa’s economy, whereas many others were concerned that the trade unions are too powerful, thus increasing the cost of foreign investment.

In addition, the economic co-operation between the two countries has been met with some resistance from the South African public, who view the trade imbalance as unfair, particularly regarding the exchange of South Africa’s minerals for Chinese manufactured goods. Some South Africans have even labelled Chinese trade as a form of ‘new colonialism’. To relieve the criticism, the Chinese side stresses that Sino–South African trade is a normal pattern based on the ‘comparative advantage’ of each country, that is, China’s abundant labour supply and South Africa’s rich mineral resources and well-developed mining economy. China hopes that good communication between the countries will eliminate negative misunderstandings about their economic relationship. Chinese officials believe that both sides can work together to resolve such trade concerns. For example, the Chinese government encourages Chinese manufacturing enterprises, including textile companies, to invest in South Africa, to help develop the local manufacturing sector and increase local employment. In this respect, the China–Africa Development (CAD) Fund, which was established in 2007 by the Chinese government, has played an important role.<sup>6</sup> To rebut the ‘neo-colonialism’ critics, some analysts point out that China has provided a huge market for African exports and a great development opportunity. Africa may find China’s growth experience valuable in the process of exploring its own development road.<sup>7</sup>

## SOUTH AFRICA'S UNIQUE ADVANTAGE AS A BRICS COUNTRY

South Africa joining the BRICS triggered a debate on its qualifications and the standard for expanding membership.<sup>8</sup> Chinese scholars and officials tend to think that although the total size of the South African economy is smaller than the other BRICS countries (and even smaller than other emerging economies such as Mexico), South Africa's domestic achievements, international reputation and position in Africa afford South Africa as a BRICS member 'irreplaceable unique advantages'.<sup>9</sup> They agree that South Africa's inclusion will further enlarge the role of the BRICS countries on the world stage for several reasons.

First, South Africa's inclusive development path has brought forth tremendous political and economic development to the country. Under the leadership of the African National Congress (ANC), the new South Africa has made great strides towards meeting the objectives of building an equal, democratic and progressive country. Commencing with the appointment of President Nelson Mandela, the transfer of power in accordance with South Africa's Constitution became the basis of political stability. The ANC as the ruling party insists on racial and ethnic reconciliation and adheres to an inclusive political, economic and social development strategy of governing, as a result maintaining the democratic political system and social security system, an achievement widely acknowledged by the world. In the eyes of Chinese analysts, the development of the new South Africa has provided a valuable example to countries with similar national conditions aiming to attain balanced political and economic development. Obviously, this is part of the 'soft power' South Africa has accumulated to support its membership in the BRICS club.<sup>10</sup>

Second, the relative weight of South Africa in the broader African economy and its own potential for development is perceived as the important economic base for South Africa as a BRICS country. Its economy enjoys an exclusive advantage among African countries. For example, Justin Lin, Peking University Professor and Chief Economist of the World Bank, points out that as Africa's most developed economy, South Africa accounts for about 22% of Africa's gross domestic product (GDP). South Africa has abundant mineral resources, a solid industrial foundation, a good investment environment and an internationalised economic system. Together these attributes give the country huge potential for economic development. The World Bank lists South Africa as an 'upper middle-income' country, and its annual per capita GDP has exceeded \$5,000 since 2005; reaching \$6,090 in 2010.<sup>11</sup> One of China's leading experts on South African affairs, Yang Lihua, argues that South Africa has a long-term advantage as one of the major suppliers of precious metals and strategic minerals in the world market. It is also the main manufacturing base for these resources in sub-Saharan Africa, with the advantage of technology and management; the rapid development of the information and communications technology industry, and the clean energy and environmental protection industry. Yang emphasises that South Africa can also be credited for its response to the impact of the 2008 global economic crisis, which was generally successful compared with other African economies. According to her analysis, the effective measures adopted by the South African government include the expansion of infrastructure investment, more investment on training the labour force, and stepping up industrial upgrading to a knowledge-based economy.<sup>12</sup>

Thirdly, South Africa has made important contributions to peace and development in Africa, and is widely recognised as a leading force in promoting regional peace and development. Yang points out that post-apartheid South Africa has worked actively to

push forward African solidarity and co-operation, playing a significant role in conflict resolution, peacekeeping, disaster relief and development assistance, and, as a result, has succeeded in building the image of a responsible regional power.<sup>13</sup> Chinese analysts attach importance to the efforts of South Africa in promoting South–South co-operation, for example, in the case of the New Partnership for Africa’s Development Programme.<sup>14</sup> They speak highly of South Africa’s initiatives of developing African markets and expanding investment, which is believed to be helpful in enhancing the status of Africa in the global economy. In Yang’s analysis, as one of Africa’s largest sources of investment, South Africa’s commercial banks are conducive to the growth of financial service sectors in Africa.<sup>15</sup>

Fourthly, South Africa advocates the unity of developing countries and reform of global governance to safeguard the interests of the developing world. This highlights South Africa’s image of ‘reformer’ and ‘fighter’ in the pursuit of a new international political and economic order. Chinese analysts point out that South Africa advocates South–South co-operation and multilateral co-operation among developing countries; supports strengthening the role of the UN and multilateral co-operation in responding to global challenges of poverty, insecurity and underdevelopment; and promotes international human rights, democracy, peace and stability, and sustainable development.<sup>16</sup>

Chinese scholars appreciate and admire the courage of South Africa to challenge the Western-dominated international order. In their analysis, several factors may account for South Africa’s position. Marginalised in the development of economic globalisation, Africa has good reason to criticise the existing international order. The West has been sensitive to the criticism from Africa, owing to either a sense of guilt over its colonial history or some feeling of ‘patriarchal’ responsibility. In reality, however, Africa’s limited strength prevents it from posing any credible challenge to the Western-led international order. By contrast, China has been more cautious and moderate in challenging the Western-led international order. Several factors account for such an approach, including the influence of traditional cultural values such as ‘harmony’; China’s growing interests in the global economic system; and the deep suspicion that the US and the West harbour more generally about China’s ‘peaceful rise’.<sup>17</sup>

## THE BRICS, THE G-20 AND THE REFORM OF GLOBAL GOVERNANCE

China’s economic emergence onto the world stage has attracted wide attention. In examining this phenomenon, it is important to bear in mind that China’s rapid growth has taken place in the broad context of economic globalisation. After over 30 years of ‘opening up’ and reform, the Chinese economy has become deeply integrated with the global economy. China not only benefits from foreign trade and investment, but also from the open global trading system. The expansion of common interests between China and the global economy is the necessary reference when one examines Chinese views on reforming global economic governance.

For these reasons, Chinese leaders insist that the development of globalisation has unified the world economy, and thus maintaining a stable global economy meets the interests of all countries. As President Hu Jintao stated at the G-20 summit in Mexico in June 2012, in the face of increasing instability in the global economic recovery, each



country must co-operate and take measures to maintain the stable recovery and growth of the world economy. From the Chinese perspective, China and most other countries, whether the US, France or the BRICS countries, share the same interests. The Chinese government has expressed concern repeatedly about the impact of the European debt crisis for the European and global economy, stressing that 'to continue constructive co-operation to support the efforts in some European countries to solve the debt problem, and to promote the economy of these countries as soon as possible into the stable growth path' is important.<sup>18</sup> Therefore, China – together with the BRICS countries – supports the International Monetary Fund (IMF) in continuing to play a central role to resolve the crisis; and has demonstrated this support by pledging \$43 billion to increasing the IMF's capital.<sup>19</sup>

In order to create conditions for the recovery of growth in the global economy, Chinese leaders have continued to emphasise the importance of opening up the global trade regime in line with the interests of all countries. They have also called for opposing all forms of protectionism and for all countries to join hands in creating a free, open, and equitable global trading environment. The Chinese government continues to stress that regional trading arrangements should be open and inclusive, and should not be in contradiction with maintaining and strengthening the multilateral trading system.<sup>20</sup> This position on trade reflects China's big stake in keeping the global trade system open, but also reflects its faith in free trade, earned from the experience of reform and opening up in the last three decades.

Though economic interests have moved more in line with the global economic system, China hopes to push forward reforms of the existing international economic regime. In the eyes of Chinese analysts, existing global economic governance regimes are defective, with imbalanced and unjust characteristics. Reformed global governance institutions should therefore reflect the changes in global economic power, and should strengthen the voice of emerging countries and the BRICS in particular. In this regard, the Chinese government values highly the significance of reforming the international financial system. Chinese leaders emphasise several critical aspects of the reform.

- Implement the IMF quota and governance reform programme agreed to in 2010 to increase the representation and voice of developing countries; developed countries should no longer delay implementing this change.
- Strengthen international financial regulation.
- Improve the international monetary system.
- Rebuild the international reserve currency system with a stable and orderly currency supply and adjustable total size of money.
- Enforce impartial IMF supervision of the different economies, and not be biased against developing countries.
- Reform the international reserve currency system to change the situation of over-reliance on the US dollar, and to promote the development of currency diversification.<sup>21</sup>

The Chinese government welcomes elevating and empowering the G-20 as the main platform for global economic governance. In November 2009 President Hu Jintao suggested that the G-20 Pittsburgh Summit make important decisions on the G-20 as a mechanism, urging that it should be representative, equitable, and effective, with agenda

setting, rules, and decision making balanced to reflect the views and concerns of all parties. It should set operational targets that all members recognise and accept. China also hopes the G-20 can make progress in institution building.<sup>22</sup> The Chinese Ministry of Finance made favourable comments on the G-20 process, stressing that the first three G-20 Summits had played an extremely important and historic role and were a 'historic achievement'. The Pittsburgh Summit was 'another historic achievement' in carrying forward the reform of global economic governance mechanisms, that is, to replace the G-8 with the G-20 as the main platform for global economic governance.<sup>23</sup>

Since the G-20 was designated as the 'premier' platform for global economic governance, the Chinese government has continued to promote the institution-building process. For example, on 27 June 2010 at the Toronto Summit of the G-20 leaders, President Hu Jintao stressed again that the G-20 should play a 'central' role in global economic governance and properly handle relations with other international organisations and multilateral mechanisms.<sup>24</sup> The Chinese government believes that the G-20 should become the vehicle to push forward badly needed international monetary system reforms. At the Seoul G-20 Summit in November 2010, President Hu Jintao proposed that the G-20 should continue to promote fair and merit-based criteria to select the management of international financial institutions; improve the proportion of senior management coming from developing countries; promote IMF capital flows monitoring and early warning systems; and continue to address the systemic problems that exist in the international financial system. Once again, President Hu called for reforming the international monetary system, to stabilise currency exchange rates and enhance the capability of emerging markets and developing countries to cope with financial risks.<sup>25</sup>

As for China's position on BRICS co-operation, Chinese analysts tend to argue that co-operation is driven by both internal (within the BRICS) and external considerations. The emergence of emerging markets has become one of the most significant developments in world affairs. With great potential for market opportunity, Chinese analysts perceive that mutual benefit can play a great role in strengthening the economic co-operation and integration among BRICS countries. For example, all sides can benefit from currency swaps, credit granting and pooling of development capital. Therefore, as China's former ambassador to the UK, Ma Zhengang, commented on the BRICS role, BRICS is not targeted against any country or group of countries, and the BRICS can promote South-South co-operation and South-North co-operation concurrently.<sup>26</sup>

On the external side, the BRICS countries share the same or similar approaches to reform of global governance. All of them urge for reforms of existing international economic and political systems. Though the G-20 functions as the premier mechanism for global crisis relief and structural adjustment of the international system, it is clear that the reform and adjustment has inevitably encountered passive resistance from some developed countries, which have to yield their share or influence in international institutions like the IMF to emerging economies. Some analysts observe that this passive resistance has become more apparent since the G-20 Summit in Toronto, given that the global financial crisis has subsided since 2010.<sup>27</sup> In the face of the insistence of emerging economies on the redistribution of voting rights in the IMF and the World Bank equity, some developed members are thought to have dragged their feet in enforcing the adjustment measures. Therefore, it is imperative for the BRICS countries to strengthen mutual co-ordination, to take collective action in pushing forward reforms of international governance. Chinese

analysts believe that the BRICS countries as a whole have great potential for reform of the existing international economic and political order, and the mechanism of BRICS co-operation would attract other emerging market countries to join, thereby breaking the monopoly of developed countries in the world economic and political governance mechanisms.<sup>28</sup>

For the purpose of strengthening co-operation among the BRICS countries, Chinese analysts insist that it is necessary to handle properly the competition and differences between countries; failure to do so would most likely impair the overall interests of the BRICS countries.<sup>29</sup> Competition over trade in manufactured goods among BRICS countries should not be too much of a concern, because the rapid industrial upgrading of China would probably dampen its competition with other BRICS countries and increase the competitiveness with developed countries in the medium and long term. As a result, China and other BRICS countries could complement each other better. As for the current competition, all BRICS countries should work creatively to focus on common development by policy co-ordination, for example, through strengthening co-operation in manufacturing, mining and other undertakings, to minimise the domestic political manipulation of these disputes.<sup>30</sup> South Africa has undertaken some creative work in this regard, to reduce trade friction through the expansion of comprehensive economic co-operation with BRICS countries. As Yang notes, South Africa holds high hopes for deepening comprehensive co-operation with Asian countries in exploring the new co-operation mode to meet the best interests of developing countries, though it has not yet been resolute enough in accelerating FTA negotiations with China and India.<sup>31</sup>

The analysts also speak of their reservations about the BRICS mechanisms. They argue that the BRICS should work hard to define itself as a group. Currently the BRICS are not a closely defined international organisation; nor are they a free trade zone or an economic community. Ji Peiding stresses that the BRICS are more like 'an aggregate of five emerging economic powers with multiple interests [that are] similar or common', which is 'still looking for the same identity and mechanisms of cooperation'.<sup>32</sup> BRICS countries have to strengthen internal communication and co-ordination in order to win more concessions from developed countries on global economic governance issues.<sup>33</sup> Related to this, and in contrast to the analysis given by the international media, most Chinese analysts do not think that the two mechanisms of the BRICS and IBSA (the trilateral forum of India, Brazil and South Africa) contradict each other. They point out that in addition to IBSA, there is also a separate forum of China, Russia and India. On the other hand, a few analysts recognise that to some extent South Africa's accession to the BRICS 'dilutes' the role of IBSA. However, they emphasise that because of progress in terms of institution building, IBSA seems to have achieved more success in policy co-ordination than the BRICS.

Regarding the future of the BRICS, several analysts have expressed pessimism, for they believe several members could probably stagnate in growth and modernisation, whereas others could do better. In other words, a differentiated pace of development could damage the unity of BRICS countries. In addition, several analysts argue that China should place more emphasis on the development of bilateral relations, not limited to the BRICS countries, as some refer to earlier notions of Chinese foreign policy wherein the multilateral level is regarded as the stage, and the bilateral, the base. Although they value policy co-operation in the BRICS and the G-20, they tend to believe that only bilateral relations can bring forth 'really important and substantial' progress.<sup>34</sup>

## SOUTH AFRICA'S POTENTIAL CONTRIBUTION TO THE FUTURE AGENDA OF THE BRICS AND THE G-20

Chinese analysts speak highly of South Africa's contribution to the BRICS in terms of strengthening the body and reforms of global economic governance. Chinese leaders attach great importance to relations with South Africa, and are willing to strengthen co-operation with each other on all major international issues.<sup>35</sup> As President Hu Jintao pointed out in his meeting with President Jacob Zuma in Seoul, South Korea, in March 2012, the two countries share common interests on many major international issues, and China looks forward to closer co-ordination and co-operation with South Africa in the UN, the G-20, the BRICS and other important international organisations and mechanisms. President Zuma shares the opinion of President Hu and expects both sides to work closely in strengthening communication and co-ordination within the BRIC countries and other multilateral mechanisms, while promoting unity and co-operation of developing countries to safeguard common interests and common development.<sup>36</sup>

Chinese analysts argue that South Africa seems to have maintained good relations with other BRICS members and can play a 'bridge' role among them. South Africa is expected to play a significant role on the following issues.

### **African agenda**

South Africa has the potential to play a leading role in setting the agenda on Africa. It can make use of the BRICS to better represent the voice of Africa, and through the role of South Africa, the BRICS countries can listen better to African voices. With a leading role played by South Africa, the BRICS can extend more support to the advocacy of African countries on issues like reforms of the UN, global financial and development institutions, the global trade system and Africa's sustainable development programmes. On these issues related to Africa, South Africa has already played an important role. For example, in addition to the seats in the BRICS and the G-20 mechanism, South Africa has gained a UN Security Council (UNSC) non-permanent seat for 2011–12, and President Zuma acts as Chairman of the UN Secretary-General's High-level Panel on Global Sustainability.

More importantly, by developing their Africa agenda, the BRICS countries are expected to contribute more to the economic development of Africa. Chinese experts suggest that Africa's trade with the BRICS countries is booming, growing by 4.6% of Africa's foreign trade in 1993 to 19% in 2009, which created a trade surplus of \$20.2 billion for Africa. China is Africa's largest trading partner, accounting for two-thirds of BRICS countries trade with Africa.<sup>37</sup> According to an analysis by the Standard Bank of South Africa, by 2030 the total trade of the BRICS countries with Africa will reach \$400 billion.<sup>38</sup> To help realise the growth potential, more BRICS participation in and assistance to Africa is badly needed.

On the political front, the BRICS countries can play a positive role as well. They support the African Union peace initiative to resolve the crisis of African countries. The BRICS countries fully support the UNSC Resolution 2033 on the close co-operation between the UN and the African Union, in support of South Africa's proposal to strengthen the role of the UN in conflict prevention.<sup>39</sup>

### BRICS economic co-operation

Some experts emphasise that the existing co-operation programmes should be implemented,<sup>40</sup> with more medium- and long-term co-operation plans also needed. Future co-operation plans may include agriculture, infrastructure and manufacturing programmes and deepening financial co-operation between the BRICS countries, and promoting co-operation in science, technology and new energy. China is willing to continue to contribute to the development of the BRICS countries and African countries.

However, trade protectionism hinders further co-operation among the BRICS countries. For example, India carries forward anti-dumping measures against China's exports. Furthermore, Chinese enterprises face heavy restrictions on investment in India under the name of national security. Chinese analysts suggest that the BRICS countries should deepen dialogue and sign agreements on trade facilitation and investment liberalisation, and, within the group, establish multilateral consultative mechanisms on these matters.<sup>41</sup>

### The political agenda

The BRICS countries can play a more constructive role in soothing and solving international hot-spot issues, and South Africa can play a unique role in this process. The BRICS countries oppose interference of external forces in the internal affairs of countries in different regions, and favour an active role for the UNSC. In this light, regarding the volatile situation in the Middle East, the BRICS countries are committed to strengthening consultation and co-ordination.

As such, on 24 November 2011, the BRICS vice-ministerial level consultation meeting issued a joint communiqué to call on all parties to respect the sovereign independence and territorial integrity of the Middle Eastern countries, to engage in extensive dialogue and to actively seek a political solution to the crisis. The joint communiqué also elaborated on the common position of the BRICS countries on Syria, Libya, Yemen, the Middle East peace process, Iran and other issues.<sup>42</sup> Alongside this principle and position, the BRICS countries as a whole can further strengthen the co-ordination of their positions on the solution to political crises, and make a more positive contribution in promoting regional stability, peace and development.

### Reforming global economic governance

Chinese researchers believe that South Africa's joining of the BRICS may help to form a 'share coalition' within the IMF. After the last IMF share reform, the total share of the four like-minded BRICS countries rose to 14.18%, not yet the 15% of voting power required to exercise a veto on major issues. But with South Africa's share of 0.88%, the BRICS as a group will have a real influence. Furthermore, if BRICS membership is limited to the current size, this would minimise increased consultation costs and free-riding risks.<sup>43</sup>

Some analysts stress that the BRICS should consider reduction of the risks of economic fluctuations and maintain stable economic development, by combining domestic reforms and international monetary system reform. With the exception of China in the second half of 2011, the local currencies of the BRICS saw a double-digit depreciation against the US dollar. However in early 2012 the Indian rupee and Brazilian *real* appreciated by double

digits against the US dollar. Chinese analysts believe that such enormous ups and downs clearly indicate poor macroeconomic stability, and the BRICS countries should strengthen their international economic co-ordination in order to reduce economic volatility.<sup>44</sup>

Some Chinese analysts interviewed are more cautious about the role South Africa can play in the promotion of global governance reform. Firstly, they attribute their caution to the constraints of South Africa's economic strength. As the smallest among the BRICS countries, it is difficult for South Africa to promote reform effectively; and it would be a test for South Africa to co-ordinate relations with big powers in Africa (and competitors such as Nigeria). Secondly, on the domestic front, South Africa faces serious challenges. For example, the ANC alliance means that the South African government has to deal with conflicting opinions and factions, and has to make greater efforts to develop a strategic consensus on the ANC political programme and the nation's future path.<sup>45</sup>

### **Promoting a global trade agenda**

China believes that the five countries can co-operate to expedite the early conclusion of the WTO Doha Round negotiations and fight against international trade protectionism. The Chinese government's stance on global trade issues is clearly defined in statements by the Minister of Commerce, Chen Deming, on different occasions. As Minister Chen stated in the BRICS Trade Minister luncheon held in Geneva on 14 December 2011, the BRICS countries have a wide range of common interests and co-operation basis in the economic and trade fields. All sides should make joint efforts to strengthen the multilateral trading system, and to facilitate the successful conclusion of the Doha Round negotiations. Minister Chen argued that with the current downturn of the global economy and the impasse of the Doha Round negotiations, it is in the best interest of the BRICS and other developing countries to consolidate the multilateral trading system.<sup>46</sup> In March 2012 at the second economic and trade ministers' meeting of the BRICS countries, held in India, Minister Chen urged the BRICS to continue to firmly support the multilateral trading system, and not to deviate from multilateralism. China supported the notion during the first G-20 economic and trade ministers' meeting, held in Mexico in April 2012, and called for closer policy co-ordination on trade issues among the G-20 members.<sup>47</sup> Minister Chen stressed the importance of developing a correct understanding of global supply chains, which are a product of economic globalisation, and of avoiding protectionism and other human factors from cutting off global supply chains.<sup>48</sup> He also called for reform of the traditional methods in collecting trade statistics. Driven by the global value chain, the traditional trade data has been distortive, no longer accurately reflecting the new trading reality of the global economy. China supports the studies and discussions by the WTO and the Organization for Economic Cooperation and Development on the global value chain aimed at reforming the current trade statistics.<sup>49</sup>

### **Promoting the institution building of BRICS co-operation**

There are two different views on the prospects for the BRICS. The first view believes that the BRICS will have a bright future with enormous potential to promote global economic governance. The second view is that the BRICS function mainly as a talk show; and if

they are to play a bigger role it should be institutionalised. To strengthen the BRICS mechanism, it is important to develop a consensus and a common vision and philosophy, but it is very difficult for the BRICS to take this step. Therefore, those who hold the second view are pessimistic about the BRICS future.

Though there are different perspectives on the prospects for the BRICS, many analysts believe that South Africa would have a good chance to push forward the work of institution building when it hosts the BRICS Summit meeting in 2013.<sup>50</sup>

## CONCLUSION

China speaks highly of its relations with South Africa and of South Africa's unique position in the BRICS club. Chinese analysts believe that both economies are complementary and of mutual benefit, and the two countries share a similar vision on many issues of world affairs, and on the reform of global governance in particular. China believes that South Africa has the potential to host a successful BRICS Summit, on setting an Africa agenda and many other issues, and it is ready to extend necessary assistance to help achieve this. The solidarity among BRICS countries will help to bring forth a more just and better world order.

## ENDNOTES

- 1 The author expresses his deep thanks to the former Chinese ambassador to South Africa, Zhong Jianhua, and to anonymous Ministry of Commerce officials for participating in interviews and for their advice. He is also thankful to his colleagues, Professor Li Anshan and Professor Liu Haifang of the School of International Studies at Peking University; Professor Yang Lihua and Professor He Wenping of the Chinese Academy of Social Sciences (CASS) Institute of West Asia and Africa Studies; Professor Song Hong of the CASS Institute of World Economy and Politics Studies; Professor Xu Weizhong of the China Institutes of Contemporary International Relations; *Xinhua News Agency* journalist Jin Minmin; and Professor Greg Chin of York University and the Center for International Governance Innovation, for their willingness to participate in interviews and to share materials.
- 2 China and South Africa established diplomatic relations on 1 January 1998. Since then bilateral relations have made great progress. In 2004 the two countries announced the establishment of a 'strategic partnership' based on equality, mutual benefit and common development. In June 2006 Premier Wen Jiabao paid an official visit to South Africa, and the two countries signed a 'China–South Africa Cooperation Outline on Deepening Strategic partnership'. In August 2010 President Zuma paid a state visit to China. The leaders of the two countries jointly announced upgrading bilateral relations to a 'comprehensive strategic partnership' and signed a number of economic co-operation agreements. See <http://www.cssn.cn/news/138368.htm>.
- 3 Liang Y, 'Quanqiuxing wenti yu guojia' (Global Issues and the role of State), *Guoji zhanwang* (Journal of International Outlook), 4, 2011, pp. 103–116, [http://www.sis.org.cn/Lunwen\\_View.aspx?lid=10000399](http://www.sis.org.cn/Lunwen_View.aspx?lid=10000399).
- 4 An Baojun, 'China–South Africa economic and trade and cooperation: Mutual beneficial and win-win in development' (Zhongguo yu nanfei jingmao hezuo zai fazhanzhong shixian huli



- gongying), July 2011, Ministry of Commerce CAITEC website, [http://www.caitec.org.cn/cn/news/2011-07/13/news\\_2779.html](http://www.caitec.org.cn/cn/news/2011-07/13/news_2779.html); Yang Lihua, 'South Africa: Joining the BRICS and benefit to Africa' (Nanfei: xibao jinzhuan, huiji feizhou) (draft), *Feizhou fazhan baogao* (African Development Report), 15 April 2012.
- 5 An Baojun, *ibid*.
  - 6 Established in 2007, the CAD Fund has conducted programmes to encourage the mature industries of China to transfer assembly lines to meet the badly needed manufacturing sectors of African countries. The fund helps to finance Chinese investment projects in Africa with loans. As of May 2012, the CAD Fund has pledged to support more than 10 investment projects, with a total financing sum exceeding \$300 million, which drives the parent company, the State Development Bank, to release loans exceeding \$100 million. The projects cover building materials, automobiles, light industry, household appliances, agricultural machinery and other fields. See Cao Hua, 'Zhongfei jijin dui feizhou zhizaoye touzi yu 3 yi meiyuan' (China-Africa Fund investment in Africa's manufacturing exceeds 300 million US dollars), *Reminwang* (*People's Daily Net*), 27 June 2012, <http://finance.people.com.cn/money/n/2012/0627/c42877-18393979.html>.
  - 7 Cao Yiting, 'Oumeng jingti nanfei zhizhengdang 'xiangdongkan'zhengce' (The EU in vigils on the ruling party of South Africa's Look East policy), *Dongfang zaobao* (*Orient Morning Daily*), 5 June 2012, [http://news.ifeng.com/world/detail\\_2012\\_06/05/15047202\\_0.shtml](http://news.ifeng.com/world/detail_2012_06/05/15047202_0.shtml).
  - 8 For Jim O'Neill's comment on South Africa's membership in the BRICS, see CNN, 'South Africa an economic powerhouse? "Nowhere near," says Goldman exec', 5 April 2011, <http://edition.cnn.com/2011/BUSINESS/04/05/jim.oneill.africa.bric/index.html>.
  - 9 Yang Lihua, *ibid*.
  - 10 *Ibid*.
  - 11 The ranking of the BRICS countries by per capita GDP is as follows: Brazil \$10,700; Russia \$10,400; South Africa \$6,090; China \$4,400; and India \$1,400. See (China) *People's Daily*, 15 March 2012, 03 edition.
  - 12 Yang Lihua, *ibid*.
  - 13 South Africa Minister of Defence and Military Veterans Lindiwe Sisulu, 'International Cooperation, Trade and Security Cluster (ICTS) media briefing after 2011 State of the Nation Address final speaking notes', 22 February 2011, see <http://www.info.gov.za/speech/DynamicAction?pageid=461&sid=16434&tid=28638>.
  - 14 Address by President Zuma in response to the debate on the State of the Nation Address National Assembly, Cape Town, 17 February 2011, <http://www.info.gov.za/speech/DynamicAction?pageid=461&sid=16294&tid=28319#hotline>.
  - 15 Yang Lihua, *ibid*.
  - 16 *Ibid*.
  - 17 For more on the influence of traditional culture, see Wang Yong, *Journal of Renmin University*, 2007.
  - 18 *Xinhua*, 'Hu Jintao chuxi ershiguo jituan lingdaoren diqici fenghui bing fabiao zhongyao jianghua' (Hu Jintao attended the seventh summit of the G-20 leaders and delivered an important speech), 19 June 2012.
  - 19 *Ibid*.
  - 20 *Ibid*.
  - 21 *Ibid*.



- 22 *Xinhua*, 'Hu Jintao huijian eluosi zongtong meideweijiefu' (Hu Jintao meets with Russian President Dmitry Medvedev), 14 November 2009, [http://news.xinhuanet.com/world/2009-11/14/content\\_12457363.htm](http://news.xinhuanet.com/world/2009-11/14/content_12457363.htm).
- 23 *China News Network*, 'Zhongguo fucaizhang dianping G-20 fenghui: qude lishixing chengguo' (Chinese Vice Minister of Finance Reviews the G-20 summits: Making a historic achievement), 18 June 2010, [http://news.xinhuanet.com/fortune/2010-06/18/c\\_12235485.htm](http://news.xinhuanet.com/fortune/2010-06/18/c_12235485.htm).
- 24 *Xinhua*, 'Hu Jintao: shensheng wentuo bawo jingji ciji tuichu zhengce' (Hu Jintao: Prudent and secure grasp of the economic stimulus exit policy), 28 June 2010, [http://www.yn.xinhuanet.com/video/2010-06/28/content\\_20185999.htm](http://www.yn.xinhuanet.com/video/2010-06/28/content_20185999.htm).
- 25 *Xinhua*, 'Hu Jintao zai ershiguo jituan lingdaoren diwuci fenghuishang de jianghua' (Hu Jintao's speech at the fifth summit of the G-20 leaders) (full text), 12 November 2010, [http://news.xinhuanet.com/world/2010-11/12/c\\_12766973.htm](http://news.xinhuanet.com/world/2010-11/12/c_12766973.htm).
- 26 *People Daily Network*, 'Ma Zhengang: Jinzhuan guojia lingdaoren disanci huiwu yiyi zhongda' (Ma Zhengang: The third meeting of the leaders of the BRICS is significant), 13 April 2011, <http://world.people.com.cn/GB/57507/14378747.html>.
- 27 Qiu Lin, 'Zhongguo shi G-20 fenghui (Toronto) de zuida yingjia ma?' (Is China the biggest winner of the G-20 summit (Toronto)?), *Guangming.net*, 1 July 2010, [http://guancha.gmw.cn/content/2010-07/01/content\\_1166948.htm](http://guancha.gmw.cn/content/2010-07/01/content_1166948.htm).
- 28 Ji Peiding, 'Jinzhuan guojia tuidong shijie geju chongsu' (The BRICS countries push to remodel the world structure), *Liaowang (Outlook Weekly)*, 21 April 2012, <http://news.sina.com.cn/c/2012-04-21/175824308728.shtml>.
- 29 *Ibid.*
- 30 For a discussion on the domestic political economy of China–South Africa trade relations in comparison with Australia, see Beeson M, Soko M & W Yong, 'The new resource politics: Can Australia and South Africa accommodate China?', *International Affairs*, 87, 6, 2011, pp. 1365–84.
- 31 For a South African view on South–South trade, Lynn J, 'UPDATE 1-SAfrica sees South–South trade opportunities,' 9 June 2010, <http://www.reuters.com/article/idUSLDE6581OX20100609>; Yang Lihua, *ibid.*
- 32 Ji Peiding, *ibid.*
- 33 *Ibid.*
- 34 Personal/telephonic interview, Mofcom officials.
- 35 Department of African Affairs Director General Lu Shaye is interviewed on South African satellite television by Five reporter John Bailey, China–Africa Cooperation Forum website, 23 August 2010, <http://www.focac.org/chn/zxxx/t726148.htm>.
- 36 *Xinhua*. 'Hu Jintao huijian nanfei zongtong Zuma' (Hu Jintao meets with South African President Jacob Zuma), 26 March 2012, [http://news.xinhuanet.com/politics/2012-03/26/c\\_111703515\\_2.htm](http://news.xinhuanet.com/politics/2012-03/26/c_111703515_2.htm).
- 37 South Africa, Government website, 'Third BRICS Leaders' Summit', 14–15 April 2011, <http://www.info.gov.za>.
- 38 Motau D, 'Expo seeks to tap Brics–Africa trade potential,' 3 February 2012, <http://www.engineeringnews.co.za/article/new-forum-for-import-and-export-companies-2012-02-03>.
- 39 UNSC, 'UN Security Council Commits to 'Effective Steps' to Enhance Relationship with African Union in Conflict Prevention, Resolution, with Unanimous Adoption of 2033 (2012)'. This was the first resolution of 2012. UNSC, New York, 12 January 2012, <http://www.un.org/News/Press/docs/2012/sc10519.doc.htm>.

- 40 Since the BRICS Summit in Sanya in April 2011, in which South Africa joined the BRICS, the five countries have made progress in the area of financial co-operation: at the New Delhi Summit in April 2012, a master agreement on extending credit facilities in the local currencies of the five countries and a BRICS multilateral letter of credit confirmation facility agreement were signed in the presence of the BRICS leaders. The participating banks include the Export Import Bank of India, Banco Nacional de Desenvolvimento Economico e Social of Brazil, State Corporation Bank for Development and Foreign Economic Affairs of Russia, China Development Bank and the Development Bank of South Africa. It is believed that the master agreement will reduce dependence on hard and fully convertible currencies like the US dollar and Japanese yen for transactions among the BRICS nations and will also help to reduce transaction costs of intra-BRICS trade. The confirmation facility pact envisages confirmation of lines of credit on receipt of a request from the exporter, the exporter's bank or the importer's bank. It could promote intra-BRICS trade. See english.news.cn, 'BRICS countries sign 2 agreements on financial, trade cooperation', 29 March 2012, [http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/english/world/2012-03/29/c\\_131497293.htm](http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/english/world/2012-03/29/c_131497293.htm).
- 41 Liu Yazhou, 'Jinzhuān lumanmān qixiuyuanxi?' (The BRICS: A long way to go?), *Zhongguo duiwai maoyi (Journal of China's Foreign Trade)*, 4, 2012, p. 1.
- 42 China, Ministry of Foreign Affairs, 'Zhai Jun fuwaizhang chuxi jinzhuān guojia zhongdong jushi cuoshang' (Vice Foreign Minister Zhai Jun attended the BRICS consultation meeting on the situation of the Middle East,' <http://www.fmprc.gov.cn/ce/cein/chn/xwfw/xxfb/t881459.htm>
- 43 Yu Zhenglian, *ibid*.
- 44 Qiao Hong, 'Jinzhuān siguo ruhe huifu jingzhengli (How BRICS can restore competitiveness)', *Caijing* magazine, 3 July 2012, <http://comments.caijing.com.cn/2012-07-03/111924817.html>; 'Guoji jingji huanjing bu wending, jinzhuān guojia fazhan zhuanxing zuai duo (International economic environment is uncertain, and BRIC countries face more barriers to development transition)', *Guangmin ribao (Guangming Daily)*, 15 April 2011, <http://news.zgjr.com/News/2011415/News/796876576100.shtml>.
- 45 Personal interviews, Beijing, June 2012.
- 46 China, Information Office of the Ministry of Commerce, 'Chen Deming: jinzhuān guojia ying gongtong zhiliyu jiaqiang duobian maoyi tizhi, zhongguo dui eluosi jiaru shimaouzuzhi biaoshi huanying' (Chen Deming: The BRICS countries should make joint efforts to strengthen the multilateral trading system; and China welcomes Russia's accession to the WTO), 15 December 2011, <http://www.mofcom.gov.cn/aarticle/ae/ai/201112/20111207879682.html>.
- 47 China, Information Office of the Ministry of Commerce, 'Dierci jinzhuān guojia jingmao buzhang huiyi zai yindu xindeli juxing' (the Second BRICS Economic and Trade Ministers Meeting held in New Delhi', China's Ministry of Commerce Website, 29 March 2012, <http://chendeming.mofcom.gov.cn/aarticle/activities/201203/20120308041922.html>.
- 48 China, Ministry of Commerce website, 'Chen Deming: zhengque renshi quanqiu jiazhilian, jixu fandui maoyi baohu zhuyi' (Chen Deming: A correct understanding of the global value chain, and continuing to oppose trade protectionism), 23 April 2012, <http://www.mofcom.gov.cn/aarticle/i/jyj/m/201204/20120408085101.html>.
- 49 'Jinzhuān guojia jingmao buzhang lianhe shengming' (The Joint Ministerial Statement of the BRICS Countries Economic and Trade Ministers) (Full Text), China's Ministry of Finance website, [http://afdc.mof.gov.cn/pdlb/wgcazx/201203/t20120329\\_638761.html](http://afdc.mof.gov.cn/pdlb/wgcazx/201203/t20120329_638761.html).
- 50 Zhong Sheng, 'Jinzhuān guojia de hanjinliang' (The gold content of the BRICS), *People's Daily*, 15 March 2012, <http://world.people.com.cn/GB/157278/17391253.html>.

### **SAIIA'S FUNDING PROFILE**

SAIIA raises funds from governments, charitable foundations, companies and individual donors. Our work is currently being funded by, among others, the Bradlow Foundation, the United Kingdom's Department for International Development, the European Commission, the British High Commission of South Africa, the Finnish Ministry for Foreign Affairs, the International Institute for Sustainable Development, INWENT, the Konrad Adenauer Foundation, the Royal Norwegian Ministry of Foreign Affairs, the Royal Danish Ministry of Foreign Affairs, the Royal Netherlands Ministry of Foreign Affairs, the Swedish International Development Cooperation Agency, the Canadian International Development Agency, the Organisation for Economic Co-operation and Development, the United Nations Conference on Trade and Development, the United Nations Economic Commission for Africa, the African Development Bank, and the Open Society Foundation for South Africa. SAIIA's corporate membership is drawn from the South African private sector and international businesses with an interest in Africa. In addition, SAIIA has a substantial number of international diplomatic and mainly South African institutional members.

South African Institute of International Affairs  
Jan Smuts House, East Campus, University of the Witwatersrand  
PO Box 31596, Braamfontein 2017, Johannesburg, South Africa  
Tel +27 (0)11 339-2021 • Fax +27 (0)11 339-2154  
[www.saiia.org.za](http://www.saiia.org.za) • [info@saiia.org.za](mailto:info@saiia.org.za)

