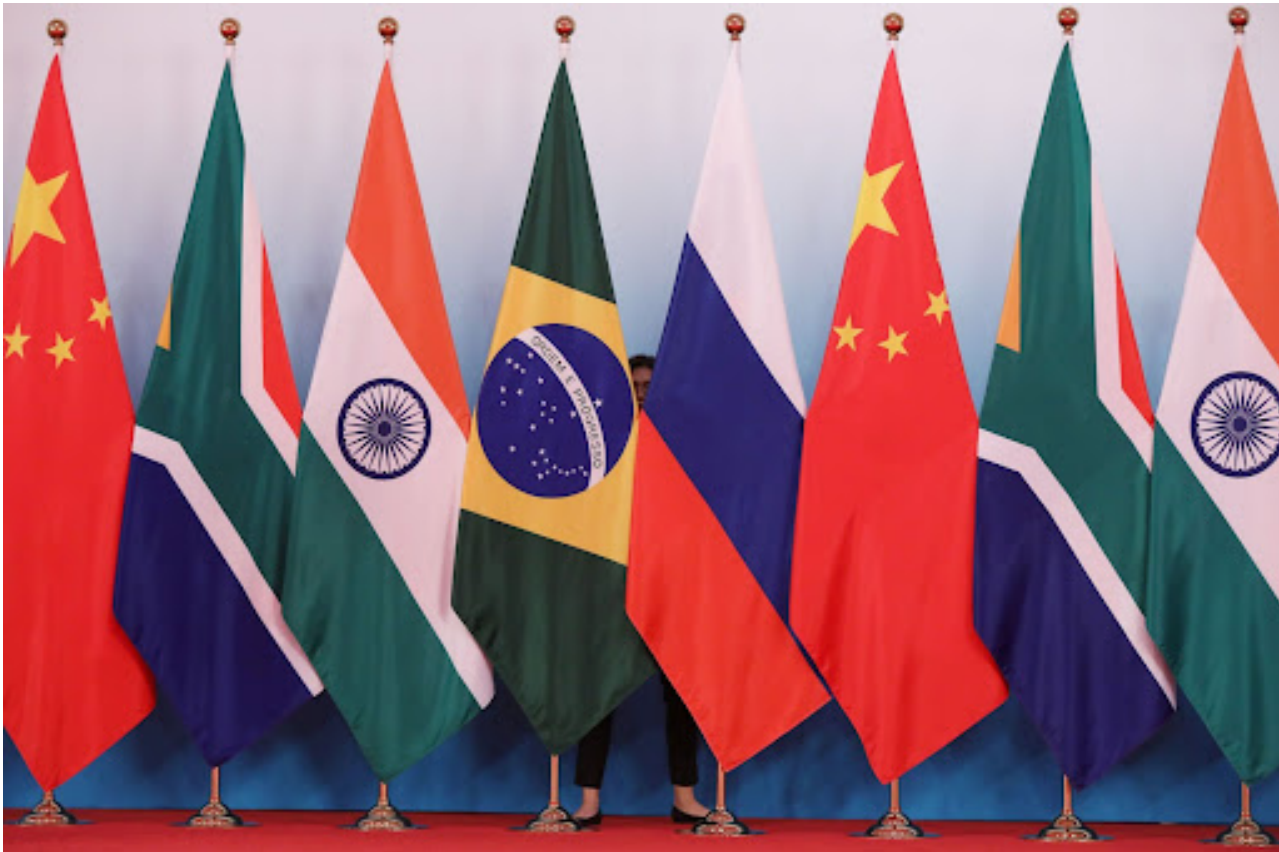


Brics: South Africa push to fix trade disparity

Minister says it's on summit agenda but experts say country's problems undermine its ambition

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Ayanda Ntsaluba, a member of the South African chapter of the Brics Business Council, says the balance of trade within the Brics partnership favours China and India. This will be discussed at the upcoming summit in Johannesburg. Picture: BLOOMBERG

As it prepares to host the 15th summit of Brics nations in a week's time, South Africa is pushing to remedy a trade imbalance, which heavily favours its partners in the bloc.

Minister of international relations & co-operation Naledi Pandor said this week that while the country's trade with its Brics partners reached R830bn in 2022 from R487bn in 2017, a trade deficit endured that the bloc needs to address.

“South Africa continues to have a deficit in its overall trade with Brics countries. The urgent need [therefore remains] for trade diversification as primary products continue to be the largest share of exports.”

She said addressing the deficit will be high on the agenda when the leaders of Brazil, Russia, India, China and South Africa meet in Johannesburg next week.

Brics partners make up 21% of the country's global trade. China accounts for a large chunk but it largely imports raw commodities from South Africa while mainly exporting manufactured goods and other value-added products.

However, a leading trade analyst says as long as power blackouts, logistics constraints and deindustrialisation continue to worsen, trade relations with Brics partners will remain skewed.

The CEO and founder of XA Global Trade Advisors, Donald MacKay, said he found Pandor's remarks puzzling as South Africa's own problems undermined the country's ambitions to become an exporter of choice for any country.

“It's a weird comment by the minister because I don't know how she thinks that can be remedied. The reasons such as electricity supply and challenges at the ports are there, but we have had a decline of almost all our industries for a while and these challenges serve as a tax on our exports.

“I am not sure how the [summit] will address these South African challenges. We are quite uncompetitive, except in minerals, and even Transnet's challenges are having an impact on that.”

MacKay said it was not governments that export, but companies, and they need the state to fix structural impediments to growth.

“There is the challenge of fixing Eskom and addressing Transnet's capacity challenges, of course. Government's main job is to do that, and if they did, then I imagine that business will take care of the rest,” he said.

Ayanda Ntsaluba, a member of the South African chapter of the Brics Business Council, confirmed that the existing trade imbalance and efforts to grow volumes of

bilateral and multilateral trade within the bloc would feature in discussions.

“We tend to export much more primary commodities, like gold and coal. The things that we import from them [Brics partners] tend to be finished goods and value-added goods. That creates a problem for us because it shows not just the impact of load-shedding but weaknesses in our own manufacturing base.”

He said that South Africa's trade with the Brics countries, particularly China and India, showed that the balance of trade favours them.

He admitted that port constraints and load-shedding were major problems, but said these were not the primary reasons for South Africa's

uncompetitive trade position. The country's reality was that its goods were produced at relatively low volumes compared with other trade giants and that it would struggle to

compete with their prices. South Africa also still struggles to beneficiate exports, he added.

“To grow our economy, our strategy is to boost exports and, during this summit, China's trade minister will arrive earlier than most of the other delegates, and a trade team will guide them along to our goods so we can prepare them to take more goods from us.”

He said the Brics Business Council had partnered with four trade promotion agencies – the Western Cape, Gauteng, KwaZulu-Natal and the Eastern Cape – to hold buying-mission events at which Brics business leaders will be exposed to the provinces' goods.

A diplomat at the department of international relations & co-operation (Dirco), who is on the Brics desk, said while the heads of state would receive a trade report from the business council, the forum was much more than just a trade pact.

“Brics is a powerful force in terms of geopolitics. They refuse to be reduced to a forum that just deals with trade,” said the diplomat, who asked not to be named.

“ There are a number of other areas for Brics collaboration that are not exclusively economic but are important for socioeconomic development ”

- Saul Levin

According to Sars figures, so far in 2023 China has exported R214.7bn to the country and imported goods valued at R116.3bn. In 2022 the value of South African exports to China was R188.6bn compared to imports of R367.4bn.

Brazil exported goods to the value of R14.7bn to South Africa while its imports amounted to R5.1bn between January and June 2023.

In 2023, South Africa exported an estimated R45.3bn in goods to India, while India exported about R65.3bn to us. In 2021, South Africa imported R2.45bn in goods from Russia and exported R2.4bn.

In contrast, total US exports to South Africa in 2022 were \$6.5bn (about R122bn), an increase from \$5.5bn (R103bn) in 2021. South Africa's second-biggest bilateral trade partner imported goods worth \$14.4bn (R264bn) in 2022, a decrease from \$15.5bn (R292bn) in 2021.

A US official said the two countries had strong trade relations bolstered by the Africa Growth and Opportunity Act (Agoa) which guarantees duty-free access to the US market for certain goods.

“We encourage South African individuals and businesses to use the benefits available under Agoa and urge South Africa to implement reciprocal policies that will help the country maintain its continued eligibility for Agoa,” said the official.

South African exports to EU countries reached an estimated R500bn.

Efficient Group economist Dawie Roodt said Brics needs to clearly define what its agenda is at this summit to draw enough additional members and trade partners. He said building a peer-to-peer payment system for the bloc's trade had great potential.

“It is relatively easy to create a payment system where we can change pesos for rands, for instance, but that does not necessarily require doing away with the dollar. That could be good for everybody involved and it doesn't necessarily mean we move to another reserve currency,” Roodt said.

Founding director and CEO at Antswisa Management Group Miyelani Mkhabela said China was the biggest beneficiary of Brics as it looks at the bloc as an ecosystem rather than as a trade-relief solution.

“They are not looking for assistance. In the years of Brics, China's unemployment has declined and movements in terms of economics show that China has benefited the

most from Brics,” he said.

Vice-president and CFO of Brics's New Development Bank Leslie Maasdorp said the bank prioritises local currency financing and is at an advanced stage of launching its first bond issuance in rand.

“This is a demonstration of the importance of local currency financing in all our member countries,” he said.

Maasdorp said there was room to leverage renewable-energy projects to boost trade, as South Africa, China and India had some of the world’s largest coal-fired fleets, therefore shifting financing away from fossil-fuel projects was a high priority for these nations.

“In this regard, South Africa still has the potential to be the global pilot with respect to the financing of its decarbonisation process, which could become a blueprint for other Brics countries,” he added.

Trade and industrial policy strategy executive director Saul Levin said while Brics is primarily a political collaboration, the slow global growth is a major concern for most countries, and Brics presents a critical forum in which to discuss economic co-operation.

“There are also a number of other areas for Brics collaboration that are not exclusively economic but are important for socioeconomic development, such as in the education, science and cultural areas.”

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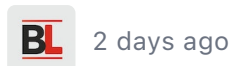
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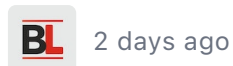
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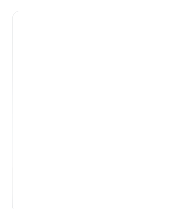
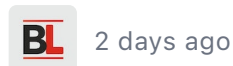
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