

The opportunity of BRICS

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South Africa's inclusion in the BRICS forum offers a vital opportunity for both the country and the African continent

On 14 April 2011, South Africa was invited to join the third annual BRIC (Brazil, Russia, India, China) summit in China.

The formal inclusion of South Africa has meant a name change for the organisation from BRIC to BRICS. The organisation has not formed a secretariat nor served as a formal international organisation. If BRICS want to address global issues in a concrete and practical way then an executive body for co-ordinated action is probably required - but presumably that will follow in the months ahead.

The meeting in April was attended by: President Hu Jintao (China); President Rousseff (Brazil); President Medvedev (Russia); Prime Minister Singh (India) and President Zuma (South Africa). The purpose of the meeting was to have an in-depth exchange of views on a wide range of issues, including the state of the global economy in the aftermath of the global financial crisis, and to outline further areas of co-operation among the BRICS countries. Since the meeting in April, BRICS have issued comments on a range of current affairs including the political turmoil in North Africa and the appointment of a new head of the IMF.

Why South Africa was invited

Some analysts and commentators were surprised that South Africa was invited to join the BRIC grouping, arguing that, since South Africa was only the 12th largest emerging economy, it was not the most obvious choice to join a group of countries that comprises the four largest emerging economies. At first glance, Indonesia would have made a more obvious candidate since it has a large population (over 250 million people) and the economy is growing at more than 6%. In comparison, South Africa has around 50 million people and is growing at only 3%.

However, South Africa's inclusion at the summit signified an important evolution of BRICS into an organisation covering Asia, Africa, Europe and America. This breadth of representation strengthens the voice and importance of emerging markets, and generally improves the influence of emerging economies within the global economy.

Africa's gateway

South Africa is seen as the gateway into Sub-Saharan Africa, leading the region in terms of mineral and industrial output, electricity generation, infrastructure, and sophisticated financial markets and service industries. Having access to the BRICS forum gives South Africa the opportunity to promote sub-Saharan Africa's development issues and to promote South Africa as an investment destination in its own right.

In recent years, developments in many sub-Saharan Africa economies have caught the attention of international investors, starting with the end of apartheid in South Africa. Since then, many countries have undertaken reforms, backed by the IMF and World Bank, prompting debt relief from the official community.

Sub-Saharan Africa growing as a key market

Economic growth in sub-Saharan Africa has risen measurably in the past decade. The financial position has improved in a number of countries, although there is a wide divergence in performance across the region.

Growth for the region as a whole averaged 6.5% in the five-year period 2004-2008. During 2010, the region grew by around 5%. Growth is expected to rise to 5.5% in 2011 and 5.9% in 2012. The combined current account for the region had swung from a deficit of 2.9% of gross domestic product (GDP) in 2003 to a surplus in each of the three years leading up to the global downturn.

Resource-rich countries in sub-Saharan Africa have attracted an increased inflow of foreign direct investment and there is a renewed focus on gaining access to international capital markets and developing local markets. Several countries besides South Africa now have a formal credit rating and have issued international bonds over the past few years, including Ghana, Gabon and Senegal. Others such as Nigeria, Kenya, Tanzania and Zambia are actively considering tapping the markets in the near future.

Challenges and opportunities

Many challenges remain, however, including improving governance, reducing poverty and unemployment, strengthening public financial management, and enhancing infrastructure. Addressing these issues will be key to raising living standards, moving to a higher growth path and attracting more foreign investment.

Clearly, although the inclusion of South Africa in the BRICS mechanism is still in its infancy, the relationship will be further strengthened should Africa forge ahead towards regional economic integration. This would open up opportunities for more foreign direct investment and the expansion of trade relations.

BRICS becoming a major international organisation

BRICS member nations currently account for 18% of global GDP and trade volume among the countries has increased by an average of 28% in the past 10 years. By 2015, the combined output of the BRICS countries is expected to exceed that of the United States, with the total value of their GDP accounting for more than 22% of the world's total.

BRICS is really a reflection of the rising importance of developing countries in the world economy. The organisation is fast becoming a defining force shaping the new international political and economic order, not only because of the member countries' impressive growth rates in the past, but also because of their great potential in the decades to come. The organisation is likely to be seen increasingly as a major driving force in the political economy of the world, especially in terms of driving the current global economic recovery. Already a number of other emerging economies are seeking BRICS membership.

It is only natural for the BRICS to seek a bigger say and more representation for themselves and for other developing countries on issues that have a bearing on world development. They do not intend to establish a new economic system to replace the current one. What they are looking for is to coordinate efforts to make the current international economic system more balanced, equitable and sustainable.

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