

TRUDI MAKHAYA

Board Member, Spar Group & Former Economic Advisor to the President of South Africa

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Trudi, over to you. What does the BRICS mean for Africa and from your experience in South Africa, what are the benefits? What do you see are the key contributions going forward?

Trudi Makhaya, Board Member, Spar Group and Former Economic Advisor to the President of South Africa

Thank you for that and thank you for inviting me to join this panel. Looking at it from a South African and African perspective, our economies have integrated into the world economy in difficult and sometimes complicated ways, and Africa has been a marginalized continent in terms of contribution to trade and investment flows. I think when BRICS came along it promised the possibility of a different kind of global economic cooperation that did not have the legacy of the historical relationship that African economies have typically had with the global economy. I think we all know the history in terms of being a continent that has been extracted on and that is dependent in many ways on the global economy, as well as a continent that has had very difficult relationships with the Bretton Woods Institutions, like the World Bank and the IMF. If you think back to the 1980s and a lot of the debates around structural adjustment, with the world dictating economic policy to African economies without fully understanding African realities.

I think the idea of an alternative to that, and a different way of trading and investment has been very attractive. Of course, South Africa was the first country that benefitted from BRICS expansion having joined the bloc a year after BRIC formed and became BRICS. At the time, which was quite soon after the global financial crisis, it also promised a way to recover with a different set of economies. If we look at the experience since then in terms of that promise, the BRICS have grown to be quite sophisticated, and you see in their communications quite a lot of ambition around trading with each other and investing in each other's economies.

If I look very specifically at the South African experience, from the trade perspective in the BRICS configuration, we mostly export to China but also to a certain extent we enjoy good relations with Brazil, India and less so in terms of exports and trade with Russia, but still quite present. On the whole, we have found that the trade balance is against South Africa, so we are running a deficit against the BRICS nations, in particular our main trading partner there, China. We also find that a lot of exports we send to the BRICS bloc have continued to be commodities with very low value added and they also tend to have very cyclical pricing. The question then is if we have really fundamentally changed the quality of the trade. You will have recently seen a lot of advocacy from South Africa to the BRICS nations has been on how to

close the trade gap and try to move towards more balanced trade, and in essence, narrow the deficit. It is also about how we move away from commodities towards more value-added products.

In a sense, I can say that BRICS has been very important in terms of providing options but when it comes to some of the fundamental structural changes, we want to see in the way Africa engages with the rest of the world, that is still very much a work in progress. Thinking about it from a foreign direct investment perspective, we have seen South African companies invest in the rest of the BRICS. For instance, Naspers, one of the major media conglomerates coming out of South Africa, is well invested in Brazil and Russia, Discovery Holdings in China, and there are others, and vice versa. With the prospect of BRICS expansion we also see countries, like Saudi Arabia for instance, being quite active in terms of inward investment in South Africa and the continent. You mentioned energy earlier in terms of oil and gas, which was quite interesting, but if you look at South Africa in terms of renewable energy, the biggest renewable energy investment in South Africa is actually from Saudi headquartered ACWA Power, with a 100-megawatt plant. Those new energy partnerships are also being formed that promise to create a sense of cohesion and independence within the bloc. From a development finance perspective if we think about the New Development Bank, or the BRICS Bank as it is often called, and what it means for infrastructure, it has really been one of the successes of the BRICS in terms of creating a new institution from scratch and one that can hold its own. It is still much smaller than the World Bank, but it can hold its own in terms of advancing loans for infrastructure to African and other countries.

To summarize, I would say that BRICS is given options, which are being deepened by expansion, but it is important that this is constructive optionality that really changes the structure of how Africa is integrated into the rest of the economy.

Nikolaus Lang

Thank you very much, Trudi. I think this perspective of optionality plays an important role, not only for South Africa but also for Brazil.