

## SPEAKERS' DEBATE

### **Nikolaus Lang, Managing Director and Senior Partner in BCG's Munich office**

We have about 20 minutes left and we also want to get some questions from the audience, but I would like to ask our panel a quick question and ask for a focused answer. Building on the five ideas I shared during my presentation, and from your experience, what do you think business leaders and companies see as the key success factors and potential pitfalls in the expanded BRICS? Let me start with you, Trudi. What do you see as the key success factors and potential pitfalls?

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

In terms of success factors, it often boils down to the same things in business across different regional blocs. You want to invest in an area where you are going to get a reasonable return and where you have the capacity to reinvest to growth that business, or to take your money out. It sounds very straightforward, but we know that all those things are often very difficult in South-South investment. Macroeconomic conditions often make it very challenging to realize the returns you expect in terms of sudden changes. It is clear that many of the BRICS countries are high growth so the macroeconomic picture from that perspective is relatively stable. Of course, with expansion there are countries that bring different kinds of complications to that clear macroeconomic picture. Similarly, I think when it comes to the ability to reinvest or take your proceeds, foreign exchange volatility can often change the picture, as well as simply capital mobility with capital restrictions that sometimes make it difficult for companies to take money out. Once again, I think that with most of the BRICS countries in terms of their capital market regulations and capital controls, those are not necessarily immediate challenges. However, saying this against the context of what is happening in Russia, certainly points to what a business would have to really think about in terms of making that business story clear from entry to exit of those profits. In general, I think economic diplomacy is needed even within BRICS countries, just because we are all similar emerging market economies does not mean that it is all hunky dory, there are often issues that you would see at the WTO, sometimes we have trade disputes even amongst ourselves, questions around logistics, visas even. From a business perspective one has not only needs just a geopolitical muscle but that economic diplomacy muscle, which requires a bit more cooperation with your own host government when things get tricky from that perspective. I would say that certainly when I look at South Africa's corporate experience, initially after the fall of apartheid there was a move towards to the West, given that it was the area the business class was most familiar with. However, over time there has been an opening up and I think the

BRICS countries and the expanded BRICS configuration creates that comfort to deepen those South-South relations in a forum where it feels that issues can be resolved should they arise.

**Nikolaus Lang**

Excellent. Thank you very much. Étienne, you represent a European country in a country that is part of the expanded BRICS, and Austrian companies are also well known for being very export-oriented. What do you see as the key success factors or potential pitfalls?

**Étienne Berchtold, Ambassador of the Republic of Austria to the United Arab Emirates, former Foreign and European Policy Spokesperson for three Austrian Chancellors**

I would say that my main advice would be not to be too greedy and remain a bit cautious. There is huge potential to make money, but also huge potential to not get money out of the country where you are doing business. At least stay out of Russia, and Austrian companies have found that it is very hard to get out of the Russian market, so any Western country thinking about entering the Russian market should not do it. Do not forget the extraterritorial application of US sanctions, and no Western company can ever afford to be subject to Western and in particular US sanctions, so keep that in mind. Keep in mind that relations will probably be more antagonistic between BRICS countries, the US and the West in general, so you do not want to be caught up in that. Honestly speaking, invest in good in-house legal departments and public affairs department, and speaking from my profession, hire good former diplomats who are well-connected and will tell that 'you may make money, but you will no longer be received by a Senator on Capitol Hill'. You have to be very careful not to lose access to other markets then as well, so it is always a balancing act. If I can give one piece of advice on where you can make money it would probably be in projects that unite the West and the BRICS, for example on climate change where the UAE hosted COP 28 and COP 30 will be in Brazil. Climate-related projects are less antagonistic and potentially lead more to success. IMEC could potentially be a huge gamechanger as well and you can invest in infrastructure with fewer geopolitical risks as well as the potential for good profits. If you want to think about a regional headquarter for those sorts of operations, you might really think about this region, the UAE and the Gulf, which is well-positioned to potentially serve as a bridge between the East, China, India and the West.

**Nikolaus Lang**

Very interesting. I also like the point about what we describe as building companies' geopolitical muscle, being able to navigate a new reality given that the world is not flat anymore, as some people thought in the 1990s and 2000s.

Constanza, you represent hundreds of Brazilian companies acting in Brazil but also elsewhere. What is your view on key success factors and pitfalls?

**Constanza Negri Biasutti, Brazil B20 Sherpa and former Trade & International Integration Head at CNI (National Confederation of Industry) in Brazil**

I think we have to consider that there are three dimensions internally, the companies, the countries, as Trudi was saying, and this geopolitical and geoeconomic muscle. In terms of key success, I would say the first is understanding multipolarity and non-alignment, so recognizing

the role of BRICS in a multipolar world and the various political stances of its members. Second, navigating internal dynamics, so companies need to be mindful of tensions within the bloc, and knowing about things like diverging agendas. Third, in terms of key success factors, engaging in sustainable and diversified strategies, so as far as possible, companies need to diversify investment across sectors and geographies to mitigate risks.

In terms of pitfalls there are three things to avoid. First, there are geopolitical divisions. Second, companies also have to be cautious about the fragmentation within BRICS due to competing national interests. Third, technological divergence means that companies need a plan for compatibility challenges in a fragmented technological landscape within BRICS. Last but not least, there is the erosion of cohesiveness and companies need to take account of the risks posed by BRICS expansion to its internal unity. We will have to see how this goes in the future and whether this will be a challenge to companies' operations.

### **Nikolaus Lang**

Very good, thank you. Qiao, what would be your perspective, and maybe also a Chinese perspective on key success factors and pitfalls?

### **Qiao Yide, Vice Chairman and Secretary General of Shanghai Development Research Foundation**

First of all, I would say we should have one strategy for one country because all the BRICS are very diverse in terms of different development strategies and social systems, so you cannot use one strategy to fit them all. For example, two or three weeks ago I and some Chinese businessmen met with South African businessmen and we asked them what they wanted, and, in my mind, the Chinese could provide EVs. They said no, they don't want EVs now, maybe in five years because they haven't had the infrastructure. What they said they wanted was to look at some outdated facilities in China, for example, a brass furnace that could be dismantled and moved in parts to South Africa. It reminded me that 20 or 30 years ago China did the same thing. We asked if we could dismantle some outdated facilities in the US and Japan and move the parts and reassemble them in China.

Second, we should study in-depth the business environment, law and regulations, not just before investing but also continuously after investing in the operation. For example, the US government currently has put a lot of restructure regulations on investment operating in China. A couple of days ago a US biochemicals company came to my office and asked me what they were supposed to do. I told them that in some cases China is now in a very difficult position but if you look at your specific industry in-depth, you have some potential because at least until now, the biochemical industry is not in the small yard of the US government. Also, the middle class is growing in China, the population is starting to age, and the Chinese government has started to build lots of hospitals. That means that there is a great need for your specific industry.

Third, local talents and experts should be used and trusted. In this case that US companies have done very well particularly in China unlike some countries where they prefer to use their own citizens, but US companies just want to use talent, even local people.



When it comes to pitfalls, the first thing to avoid is too much concentration of decision-making at headquarters. Second, companies should not simply copy their experience in advanced countries, even if they had been successful or in other developing countries but should do something that is designed for specific countries.