



The South African business sector will engage its BRICS counterparts to address uneven trade patterns in the emerging bloc

By Busi Mabuza

Long before globalisation became a modern buzzword, more than 200 years ago, British economists Adam Smith and David Ricardo, acknowledged the potential of free trade to transform poor countries into wealthy states.

In explaining the benefits of free trade, Smith eloquently used the metaphor of “The Invisible Hand” in his famous book *‘The Wealth of Nations’*, published in 1776, to describe the ability of markets, when unhindered and unrestricted, to efficiently distribute resources, goods, and services in a way that benefitted societies.

While many business and economic experts agree that trade generally benefits nations, there are instances where trade produces deficits in some countries and surpluses in others.

A country that is running a trade deficit with its trading partners is facing a quandary of buying more imports than it is selling exports. If this trade imbalance is left unaddressed, it has the potential in the long run of hurting economic growth and job creation in the deficit-running country.

Trade is beneficial between nations when it is balanced. This is why at the upcoming BRICS summit taking place in Johannesburg on August 22-24, the South African chapter of the BRICS Business Council will engage its counterparts to find solutions to the long-standing trade deficit that exists between South Africa and BRIC countries.

The Minister of Trade and Industry of China and business leaders from China and South Africa met this month to discuss balancing trade between the two countries.

Since 2010, South Africa has been a member of Brazil, Russia, India, China, and South Africa (BRICS), a geo-economic bloc of influential developing countries that represents about 42% of the world's population and 32% of global gross domestic product (GDP).

Trade between South Africa and its BRIC counterparts has grown exponentially in the period between 2016 and 2022, growing annually by around 7% to reach \$50.1 billion last year.

In 2022, South Africa sold exports valued at \$17.6 billion to BRIC markets, and it bought imports valued at \$32.5 billion from BRIC countries, generating a trade deficit of \$14.9 billion. The trade deficit that South Africa recorded last year is more than four times larger than the deficit of \$3.7 billion recorded in 2010 when it joined BRICS.

It is also worth noting that raw materials dominate South Africa's export basket to BRIC markets while South Africa mostly buys manufactured imports from BRIC countries. The South African chapter of the BRICS Business Council, working together with government, has taken a position to engage its BRIC counterparts to explore practical and innovative solutions to address the uneven trade patterns that exist amongst the bloc's members.

The South African chapter of the BRICS Business Council believes that trade could be balanced through attracting inbound export-oriented investments from BRIC countries to South Africa and identifying outbound export opportunities for South African products into BRIC markets. At the same time, there is a need for BRICS countries to collaborate to remove bottlenecks that stifle free flow of imports and exports across the bloc.



As an investment destination, South Africa is a preferred location for multinationals looking to access markets in Africa. South Africa is blessed with the abundance of natural resources ranging from platinum, iron ore, manganese, coal to vanadium, coal, gold, diamonds, and other minerals.

South Africa is also investing heavily to expand, maintain, and protect its world-class logistics and transportation infrastructure, which allows exporters to take their goods to markets to any corner of the world.

We also have a sophisticated financial system that at its centre has the largest stock market in Africa, which enables companies to raise capital to fund expansion of their market footprints.

In addition, South Africa is a leading destination for digital service providers and call centre operators, thanks to its quality broadband infrastructure and a skilled, English-speaking workforce.

We also boast a cutting-edge automotive manufacturing industry that produces more than 500,000 vehicles annually; as well as a competitive, fast-growing agricultural sector that produces high-value exports.

The economic strengths highlighted above make South Africa a strategic location for multinational companies that are looking to take advantage of the African Continental Free Trade Area (AfCFTA).

AfCFTA is the world's largest free trade area spanning 47 African countries with a combined 1.3 billion population and GDP totalling \$3.4 trillion.

There is an opportunity for our BRIC partners to leverage the relationship they have with South Africa to access this single continental market, which has liberalised trade on 88.3% of 5,000 products that are traded in Africa.

To improve the composition of trade patterns across all BRIC markets, we are proposing that our BRIC partners consider outsourcing or relocating parts of their industrial production to South Africa in order to find new export markets facilitated by AfCFTA, particularly agriculture, automotive, pharmaceutical and logistics industries. The localisation of industrial production in Africa will go a long way towards balancing the uneven trade patterns that currently exist between the continent and our BRIC partners. This approach will help South Africa and other African countries to diversify their economies away from reliance on commodity exports, enabling the production of high-value manufactured goods.

South Africa is currently implementing economic reforms to attract new investment. These reforms are aimed at improving our country's competitiveness and reducing the cost of doing business, particularly logistics costs related to energy, water, telecommunications, ports, and rail.

The South African government is constantly reviewing its regulations and laws to identify areas where it must cut red tape to make it easier to do business across the entire economy.

The imminent BRICS summit will provide the bloc's member states and African countries a platform to unlock trade and investment opportunities to accelerate post-covid economic recovery, not only across Africa and BRICS countries, but the entire world.

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