Development of BRICS Bilateral Trade Relations: A South African Perspective

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This study examines the structure, value, intensity and complementarity of South Africa’s trade with its Brazil–Russia-India-China (BRIC) partners. It highlights the increasing dynamism of intra-BRICS trade, which started on accession to the World Trade Organisation in 2010. Key determinants to this dynamism include the rapid growth of Chinese and Indian economies accompanied by a steep rise in demand for South Africa’s primary commodities. The rising intensity with China is demand-oriented, while the intensity with India is supply-oriented, mostly in semi-finished and finished commodities. South Africa’s addition to BRIC coincided with three key developments; its trade balance with most BRIC economies narrowed; the quality of its exports to the BRIC improved; and the value of its exports to BRIC exceeded the value of exports to the European Union and Central Asia. The latter development is attributable to trade diversion from the European Union and Central Asia to the BRIC. Inclusive growth is probable if South Africa could leverage trade with the BRIC. More, so while employment is at peak in labour-intensive primary industry, intra-industry trade with the BRIC would resuscitate the manufacturing and services sectors so that the complementary effects of trade would be feasible.

Key words: South Africa, BRICS, Bilateral Trade Relations

INTRODUCTION

The BRICS originated from the work of Goldman Sachs (2001) who identified Brazil, Russia, India and China (BRIC) as growing economies rapidly expanding to become a global economic powerhouse ahead of the Group of 7 (G7) economies (Mathur & Dasgupta, 2013). According to Suresh & Dube (2013), by the time Goldman Sachs coined the idea of the BRIC; key structural changes were taking place within the BRIC member countries, which have been the catalyst in Sachs’ predictions. Brazil had established a drastic economic stabilisation plan to reverse hyperinflation and boost privatisation towards the end of 1980, while India had implemented major economic reforms in the early 1990s. On the other hand, Russia had proposed feasible strategies to regain its lost economic status, and China had survived the Asian economic crisis unharmed (Singh & Dube, 2013).

From 2001-2008, prominent economic changes were experienced within the BRIC economies, prompting formalisation on June 16 2009 in Yekaterinburg, Russia. Some of the changes included China exploring its modernisation capacity by joining the world trade organisation (WTO) in 2001; China overtaking Germany as third largest economy in 2007; and Brazil becoming a global creditor for the first time in 2008, as well as introducing a sovereign wealth fund with China and Persian Gulf states to invest excess capital (Singh & Dube, 2013).
In 2010, the BRIC combined more than a quarter of the world’s land area, 40 percent of world population, and GDP of US$20.39 trillion in Purchasing Power Parity (PPP) terms (WTO, 2015).

SA has been increasingly vocal about the non-representation of developing countries in the international arena, quite fitting with the desire within BRIC for a power shift away from the west. This prompted SA to be included in the BRICS in 2010, with official formalisation in 2011 (Onyekwena, Taiwo & Eberechukwu (2014).

The main objective for BRICS formation was to encourage commercial, political and cultural cooperation amongst BRICS member countries in contrast with the long standing bias of Western countries in the context of global affairs (IDC, 2014). On formation, the BRICS accounted for 19.9 percent of the world GDP in nominal terms and 26.8 percent of the world GDP in PPP terms (WTO, 2015).

The BRICS have been very successful in attracting foreign direct investment (FDIs). The manufacturing sector is responsible for high FDI inflows in China, while the bulk of inward FDIs in Brazil, Russia and South Africa are focused on the exploitation of natural resources. In India, by contrast, FDIs primarily flow to the service sector. Financial, real estate and business services tops the list (UNIDO, 2012).

Trade between BRICS is highly complementary. Brazil, Russia and South Africa are strong in the commodity and natural resources sectors with exports destined for China and India. With the use of cheap labour readily available in China and India, China dominates the manufacturing sector while India is a net exporter of generic pharmaceuticals, textiles, software engineering and business process outsourcing (Mathur & Dasgupta, 2013). Intra-BRICS trade was US$230 billion in 2011, and the BRICS countries set themselves a target of US$500 billion of trade by 2015. In 2012 the BRICS countries’ trade growth with Africa had outpaced global trade and trade with the rest of the world (UNCTAD, 2014).

As noted by UNIDO (2012), the BRICS were positioned for success by virtue of industrial policies connoted on internationalization, capability development, export promotion and FDI attraction. Countries that had previously adopted the industrial policy to enhance their imminent comparative advantage, foreign investment and technology transfer had seen substantial growth in their economies.

To foster positive gains from the alliance, the first BRICS institutions were formed in 2014. The institutions were the BRICS New Development Bank (NDB), the Contingent Reserve Arrangement (CRA), the BRICS business council (BBC) and the BRICS think tanks Council (BTTC). The impact is still to be ascertained as critics have labelled loopholes especially in the CRA (Cattaneo, Biziwick & Fryer, 2015).

In presence of natural resources, finances and consumers, the BRICS need cutting edge technology in the form of innovative models in order to impart further momentum on manufacturing and growth.

**OBJECTIVES**

As one the emerging economies of the future, many view South Africa’s inclusion in the BRICS as an honour. Cited amongst areas of commonality are GDP growth and economic stability. Some economists have refuted the notion and pointed out South Africa’s trade levels and performance to be below that of its members. However, to counter such suggestions, a lot of trade agreements
were signed within the BRICS membership, hence providing another dimension on benefits of trade within the group.

In view of the preceding, the study aims at finding ways for trade beneficiation amidst trade differentials in South Africa, the BRIC, the EU, Central Asia and Sub-Saharan Africa.

**RESEARCH METHODOLOGY**

The paper is based on two methodologies; namely the trade intensity index (TII) and the complementary index (TCI). The trade intensity index tells the relative importance of a trade partner, while the trade complementary index provides prospects for intra-SA-BRIC trade in that it shows how well the export and import structures match with each other. The degree ranges between 0 and 100 percent. Higher complementarity value indicates a stronger export/import match, while a lower value indicates no complementarity at all (WITS, 2015). Data series from 1995 to 2014 were selected for measurements in order to enable a time comparison between the pre-BRIC period and the period after BRICS. TII data calculations were collected from World Integrated Trade Solutions (WITS), while TCI data calculations were collected from the International Trade Centre (ITC). All the data computations were based on the 2-digit SITC level of exports and imports.

**LITERATURE REVIEW**

Krugman New Trade theory (1979) departed from the traditional belief that trade only arises and leads to mutual benefit if countries differ in their technologies or in their resources. Krugman shows that trade can also arise in mutually beneficial ways even if countries are similar. This trade he termed ‘intra-industry trade’, and shows a two-way exchange of goods with standard industrial classifications. The model focused on the effect of trade on autarkic equilibrium of the monopolistic competitive industry. The model, though applicable to modern day theory, fails to address how firms react to the change in demand curves they face in the short term, the reason for failure of the firm and the role of this failure towards final free trade equilibrium adjustment (Leao & Leao, 2009).

Another theoretical contribution of significance is the Gravity Model (GM), which draws from Isaac Newton’s law of universal gravitation. In this law, universal gravitation is described as the gravitation force between two masses in relation to the distance that lies between them. This relationship is applied to international trade flows to represent export volume from respective countries in a sample, their economic masses represented by each country’s GDP and the geographical distance between their major capital cities. The gravity model is useful in assessing the effect of trade agreements on trade. It determines whether a trade agreement leads to significantly more trade among its partners than one would otherwise predict given their GDPs and distances from one another (Starck, 2012).

Turning to a brief analysis of empirical literature, the first contribution was done by Didier & Hoarau (2014) who identified determining factors of bilateral trade flows between Sub-Saharan Africa (SSA) and BRIC countries. Estimations were done on gravity models for bilateral exports and imports of 47 African countries relative to BRIC, considered both as a group and individually, on the period 2000-2010. The results confirmed negative impact of distance and geographical remoteness together with the positive effects of SSA and BRIC’s GDPs. Moreover, the augmented variables (terms of trade, natural resources and democracy) highlighted the specific role of China in comparison to other BRIC economies.
The second contribution was done by, Lederman & Maloney (2003), who examined the empirical relationships between trade structure and economic growth, with particular reference to the influence of natural resource abundance, export concentration, and intra-industry trade. Panel data of five year periods from 1975-1999 was utilised. GMM systems estimator, OLS for intra-trade industry and the Herfindahl Index for export concentration were used as estimation techniques. In contrast with most recent literature, trade had a different effect on growth depending on its structure (natural resource abundance, export concentration and intra-industry trade). Natural resource abundance appears to have had a positive effect on growth, whereas export concentration hampered growth even after controlling for physical and human capital accumulation.

The third contribution was done by Connolly (1998) in Schneider (2003), who considered imports within certain specific Standard International Trade Classification (SITC) classes so as to separate out the effects of imports of goods that embody technology from general openness effects. She found that high-technology imports from developed countries positively affected domestic innovation and led to increased GDP growth as higher quality capital goods are used in domestic production.

The fourth contribution was made by Kuboniwa (2011), who studied the impact of trading gains on economic growth in BRIC using OLS regression for the period 1995-2010. The studies were done at the helm of the global financial shock, termed the ‘Dutch disease’ in 2000. Results of the study suggest that Russia was unscathed by the Dutch disease. All the BRIC nations were affected by trading gains. 50 percent and 20 percent were explained for Russian and Brazilian growth. Impacts on India and China were almost negligible, implying immunity to recurrent global financial crises should correlations persist.

The final contribution was done by De Castro (2012), who examined the evolution of trade intensity among BRIC during the period 1995-2009. An empirical analysis was also used to examine the intensity of bilateral trade flows between BRIC and EU. Calculations were based on the trade intensity index, trade complementary index and RCA. The results review Sino-Brazilian and Sino-Indian trade as a trade with the highest intensity progression. Russia was found to be the most intensive partner for EU.

**SOUTH AFRICA’S TRADE POLICY**

Trade policies adopted by South Africa were pinned by three interrelated strategies, that is, import substitution industrialisation, development of strategic industries in military equipment, oil and coal and the development of minerals related exports (Lewis, 2001) in Sandrey, Fundira, Vink, Jensen, Vilijoen & Nyhodo, 2013).

Accession to WTO accelerated the pace of trade policy reform. Trade liberalisation and tariff reduction measures were key aspects in the WTO offer. Trade reform brought about by the reduction in average tariffs from 15 percent in 1996 to 7 percent in 2011 signalled the commitment of South Africa towards trade-related growth. Presently, South Africa has shifted its policies towards market-led support measures that are in line with WTO rules, so as to facilitate industrial restructuring, technological upgrading, investment promotion, as well as small, medium & micro enterprises development (SMMEs) (Sandrey et al. 2013).

**SOUTH AFRICA-WORLD TRADE**

According to The Presidency (2014), the South African economy is one in which diversification has spanned its macro-economic environment. The country has adopted supply side policies to aid
in distribution of commodities to international markets. Exports in South Africa are mostly in the agriculture and mining industries. Machinery, transport equipment and petroleum make up the largest segment of the country’s imports (The Presidency, 2014).

Since the inception of democracy in 1994, South Africa has signed a total of 624 bilateral, political and economic agreements with many countries on the continent. The relations were centred mostly on trade (The Presidency, 2014). Changes in the South African export market made the implementation of bilateral agreements practically improbable. New markets emerged in China to the measure of 12.9 percent share of non-gold merchandise exports in 2012, compared to 0.8 percent in 1994. The same happened to India–SA relations. India became the fifth largest export destination for South African exports, overtaking United Kingdom and Switzerland (The Presidency, 2014). African countries, especially from the Southern Africa Development Committee (SADC), have become an important destination of South African exports since 1994. Exports to the entire African continent increased by 7.6 percent, from 10 percent in 1994 to 17.6 percent in 2012. SADC countries claimed 12.9 percent of total Africa’s exports in 2012, up from 8.3 percent in 1994 (The Presidency, 2014).

No major changes in export source and destination countries were recorded in 2014. The overall share of SA world exports of merchandise trade was 51 percent compared to 67 percent of world imports. Manufacturing, fuels, mining products and agricultural commodities dominated the economy’s total imports and exports of commodities. Share in world total service exports was 30 percent as compared to 36 percent of total service exports. Travel, transport and other commercial services dominated the economy’s total service imports and exports (World Bank, 2014).

South Africa’s World exports and imports decreased by 10.8 percent and 0.1 percent from December 2014 to February 2015. Major decline in trade was recorded in exports of mineral products, plastics & rubber, machinery & electronics and vehicles & transport equipment. A shift in world demand and limited global value chains amongst deteriorating economic conditions could have affected SA recent trade changes (SARS, 2015).

South Africa Trade Balances with the BRIC

Since 1990, South Africa had trading relations with BRIC countries. The trading relations were, however, minimal with concentration on essential commodities and services (Gelb, 2014). In 1990 South Africa’s exports to BRIC totalled US$111 million and imports totalled US$328 million. By 1995, total trade had accelerated to US$1.76 billion, but it then rose steadily in 2002, when it amounted to US$2.3 billion which was slightly more than 4 percent of total trade. A steady incline of US$5.4 billion was recorded between 2002 and 2007 against imports of US$12.7 billion, thus posting a deficit of approximately US$7 billion. Between 2007 and 2012, South Africa’s total trade with BRIC countries had increased to US$36.1 billion (Gelb, 2014). Figure 1 reflects on SA’s trade balance with the BRIC from 2000 -2014 – in other words, whether trade favoured it or its trading partners.

Figure 1 SA Trade Balances with the BRIC (US$)
SA recorded a trade deficit with BRIC as a whole for most of 2000–2009; however, it has recorded consistent surpluses in trade with India since 2000. Prior to BRICS inclusion, SA recorded trade deficits with China and Russia, changing dramatically to surpluses in 2010 after inclusion. Trade with Russia followed a similar trend, changing to a surplus after 2010, while trade with Brazil has been in deficit for most of the period from 2000 - 2012. According to Edwards & Lawrence, (2012) in Onyekwena et al. (2014), rapid growth of emerging economies and the rise in demand for SA commodities were the most important events responsible for the shift in SA trade with most BRICS countries.

From 2012-2014, the trade balance between SA and the other BRICS countries emerged into a deficit. Russia recorded a surplus; save for 2014 when the effect of economic sanctions imposed by the EU had crippling effects on its economy. China and India’s trade with SA increased significantly; however, exports from SA were too little to offset a negative trade balance. The trade deficit with Brazil widened over the same period, which was most probably due to unfavourable trade policies and high tariffs from the Brazilian perspective towards SA. As a result, SA preferred to trade with other Latin American countries where tariffs were lower (Onyekwena et al. 2014).

**South Africa Trade Structure with the BRIC**
Trade structure is referred to as the composition of exports and import commodities within a particular setting (ITC, 2015). The SA trade structure with the BRIC is assessed based on data from UNComtrade and the International Trade Centre. The assessment is made in four snapshot segments of 2001, 2007, 2011 and 2014 so as to monitor the gradual changes in composition, with the BRICS formalisation in mind.

South Africa’s exports to BRIC over the period 2001-2014 were largely dominated by minerals and beneficial products. Overall share of iron ores and concentrates and coal related products to the BRICS rose from 24 percent in 2001 to 27 percent in 2007 and 48 percent in 2014, indicating a much greater degree of concentration (ITC, 2015). Prior to the formation of BRICS, SA exports were concentrated in the minerals sector to all the BRIC economies. A gradual change occurred after the BRICS formation, which saw the composition of SA exports changing into semi-finished and finished products. Figure 2 presents South Africa’s key export categories to the BRIC economies.

Figure 2 SA key export categories to the BRIC (Percentage)


From an individual country’s point of view, South Africa’s leading exports to other BRICS countries were in the form of raw materials, semi-finished products and fruits. Of these commodities, coal related products, iron ores and concentrates and ferroalloys dominated the top export list to Brazil, India and China. Fruits in varying varieties including grapes dominated the exports of South Africa to Russia. However, trucks, motor vehicles and manganese ores also found a mark on the leading exports (ITC, 2015).
Since 2001, imports from BRICS to South Africa were mostly finished products. Machinery, nuclear reactors and boilers, electrical and electronic equipment and mineral fuels, oils and distillation products were the most dominant imports. The overall share of machinery, nuclear reactors and boilers rose from 10.3 percent in 2001 to 18.3 percent in 2014. Electrical and electronic equipment rose by 8.2 percent from 9.9 percent in 2001 to 18.3 percent in 2014, a clear reflection on the intensity of imports in response to BRICS formalisation. Mineral oils, fuels and distillation products followed similar trending characteristics, with an overall increase of 5.9 percent of total imports from 2001 to 2014. South Africa also found itself importing some of the commodities in its export basket, a term Krugman (1979) termed ‘intra-industry trading’. Figure 3 presents South Africa’s key import categories from the BRIC economies.

Figure 3 SA Key Import Categories from the BRIC (Percentage)


From an individual country point of view, South Africa imports from Brazil were mainly household items, including meat and edible offal. Mineral fuels, oils and distillation products and agriculture commodities, including wheat and meslin and industrially manufactured commodities such as synthetic rubber and fertilizers formed major imports from Russia. Ferroalloys and coal, briquettes, ovoids and similar solid fuels manufactured from coal were also amongst the top imports. This was regardless of South Africa’s position as net exporter of the products to China and India, a position validating the Hecksher-Ohlin’s comparative advantage assumptions for trading nations (ITC, 2015).
Cars, diamonds, medicaments, petroleum oils and rice were the major imports from India to South Africa. The imports intensified with the formalisation of the BRICS, owing to relaxation of trade and import tariffs. Imports from China were more diversified than that of the other BRIC members. Electrical equipment, data processing machines, motor spare parts, televisions and footwear and clothing were amongst the top Chinese imports from 2001 -2011. The imports became more intense after 2011, and were skewed towards electric appliances for line telephony, automated data processing machines, printing machinery and footwear (ITC, 2015).

EMPIRICAL RESULTS

By implementation of collected data from WITS and ITC, this study analysed the bilateral trade relations in terms of intensity and complementarity between South Africa and the BRIC countries, and separately with the EU & Central Asia and Sub-Saharan Africa.

Trade Intensity

The World Bank (2014) defines trade intensity as the share of a country’s exports going to a trading partner, relative to the share of world exports going to the same partner. Trade intensity index is used as a measuring tool and is calculated as follows;

\[
EI_{AB} = \frac{X_{AB}}{X_A} / \frac{X_{WB}}{X_W}
\]  

Where \( X_{AB} \) equals SA exports to country B (a partnering country) \( X_A \) equals total SA exports, \( X_{WB} \) equals total world exports to country B, and \( X_W \) equals total world exports. The equation yields a figure from zero upwards. An index greater than one means that SA sells a larger proportion of its exports to country B than the rest of the world does, and the opposite is true.

Export intensity shows the relative importance of country B in terms of foreign demand for SA goods, as well as the importance of SA to country B as a source of imports. Figure 4 maps the intensity of SA exports relative to BRIC from 1995 - 2014.

Figure 4 Intensity of South Africa’s Exports to the BRIC
South Africa boasts a significant proportion of exports to China and India respectively. India is the prominent partner with an index averaging 2.5 per cent over the period 2005-2014. China followed a similar trend with more exports from manganese minerals, ferroalloys and iron pyrites. The index averaged 1.2 percent since the institutionalisation of BRICS (WITS, 2015).

In contrast, the intensity of SA exports to Brazil and Russia did not show any trending pattern. Indeed, both countries accounted for less than 0.6 percent and 0.1 percent of SA exports over the review period. In the case of Brazil, high tariff rates were to blame for low SA export intensity with the country. Take for example in 2010, South Africa exported more than US$28 million worth of transport equipment to Columbia, a Latin American country, retaliating against the 35 percent bound tariff rate on all SA automobile exports to Brazil (WITS, 2015).

The low intensity of SA exports to Russia was the result of ineffective trade policy on Russia’s part, as it had to prioritise the organisation of trade missions. Machinery and transport equipment were the top Russian imports, with the equivalents of 40 percent of total Russian imports, yet they were ranked third in most SA exports to Russia (Volchkoval & Ryabtseva, 2013).

Figure 5 shows a comparison analysis of SA export intensity in relation to BRIC, European Union (EU) & Central Asia (CA) and Sub-Saharan Africa (SS-Africa).

The intensity of exports to Sub-Saharan Africa followed an upward trending since 2005. South Africa signed a lot of bilateral trade relations with the SS-Africa, amongst them the prominent SADC and SACU trading agreements. This had a positive effect on SA export intensity averaging 11 percent for the rest of the period (WITS, 2015).
The EU & Central Asia and the BRIC did not see any significant intensity changes. The exports tend to dwindle towards the end of 2014 with both regions averaging 0.8 percent for the whole review period. Exports to BRIC were not intense as expected. The strong Rand, dependence on primary products and unfair trading practices by other members affected SA exports greatly.

Export intensity with the EU & Asia, followed similar repercussions, trade and investment treaties on BRICS formalisation and the crippling of the Zimbabwean economy caused a shift in exports concentration towards the Sub-Saharan region and the BRIC with better trading relations after formalisation.

Secondly, we shall look at import intensity, which is the share of a country’s imports going to a trading partner, relative to the share of world imports for that country. SA import intensity with the BRICS is presented as follows:

$$MI_{AB} = \frac{Y_{AB}}{Y_A} / \frac{Y_{WB}}{Y_W}$$  \hspace{1cm} (2)

Where, YAB equals SA imports by country B, YA equals total imports from SA, YWB equals total world imports by country B, and YW equals total world imports.

Figure 6 shows the intensities of imports from SA by other BRICS countries.

Figure 6 Import Intensity from SA by other BRICS countries


Brazil was the most dominant importer of SA products between 2005 and 2009, only to be surpassed by India and China in 2010. From 2010 onwards, the import intensity levelled amongst all BRICS partner countries. The intensity averaged 1.5 percent for India, 1.4 percent for China, 1.3 percent for Brazil and 0.3 percent for Russia. The growing demand for pharmaceutical products explained India’s dominance. Russia’s economy is dependent on commodity exports in oil and gas, and metals such as aluminium and steel. South Africa’s economy relies on commodity
exports of mineral and metals, making the countries similar in nature. This has reduced imports of SA products from Russia as explained in the review period (WITS, 2015).

Figure 7 maps the intensity of SA imports from the BRIC, the EU & Central Asia and Sub-Saharan Africa.

Figure 7 SA Imports Intensity from the BRIC, EU and CA & SS- Africa

![Intense of SA Imports from BRIC, EU;CA & SS-Africa](image)


Imports from the SS-Africa were the most intense since 2005. From 2010 to 2014 the import intensity averaged 4.5 percent, with major imports in raw materials and fuels. Imports from the EU and Central Asia were dominated by chemicals, machinery and transport & equipment. The intensity maintained a 0.8 percent average since 2005. A rise in demand for capital goods in BRIC countries amidst increase in industrial production caused BRIC-SA import intensity to surpass the EU & Central Asia. The import intensity of the BRIC was more than 1.5 percent for most of the period. Major imports were concentrated in machinery & equipment, pharmaceuticals, chemicals and processed foods (WITS, 2015).

Even though SA imported more from the Sub-Saharan countries, imports from the BRIC performed quite well. Their distribution was qualitative in nature with a large bearing on value added products, the area SA has not explored well and the main reason for the negative trade balance with the BRIC.

**Trade Complementarity**

Trade complementarity measures the extent to which two countries are natural partners. This is in relation to the degree to which the sectoral composition of a country’s exports correlates with the sectoral composition of imports from a trading partner (Onyekwena et al. (2014).

Trade complementarity between South Africa and the BRIC countries is calculated as follows:
\[ EC_{AB} = 1 - 0.5 \sum_{k=1}^{K} | e_k^A - m_k^B | \] (3)

Where \( e_k^A \) is sector \( k \)'s share of total South Africa's exports, and \( m_k^B \) is the sector's share in country B's total imports. A perfect positive correlation between the two sectoral shares yields an index of 1, while a perfect negative correlation yields an index of 0. Figure 8 shows the trade complementarity between SA and the BRIC countries as well as the EU.

Figure 8 Trade Complementarity; SA, the BRIC & EU

The complementary index is highest in respect of the EU for most of the period under review, starting at 0.5 percent in 1995 and going to 0.42 percent in 2012. This made the EU a more natural trading partner than countries that trade with SA on an inter-industry basis. From 1995 onwards until the onset of the 2008 financial crisis, the indices decreased for all the other BRICS countries as well as the EU. This was a reflection of gradual diversification of SA trading partners since the end of apartheid in 1994, and most likely a natural global phenomenon that the more trading partners a country has, the less likely it becomes a natural partner to any specific country (Onyekwena et al. 2014). The most intriguing scenario is that, while SA’s natural trading patterns with the EU and other BRICS countries declined due to the global financial crisis in 2008, SA became more of a natural trading partner with China as reflected by an upward trend in China’s index. SA exports in the form of primary products fitted perfectly into Chinese demand for imports than any of the other countries. More so, a diversified export structure to a mineral and resource dominated structure in the late 2000s made SA exports more appealing to China’s imports (Onyekwena et al. 2014).

CONCLUSIONS AND POLICY RECOMMENDATION

The study examined trading relations between South Africa and the other BRICS countries. Accession to WTO, with key aspects of trade reform through trade liberalisation and tariff reduction, necessitated the increase in volume and intensity of trade between South Africa and the BRICS. An analysis of South Africa world trade shows Sub-Saharan Africa as the main destination for SA exports while the Central Asia was the main import source. The dynamism and intensity of SA trade was more pronounced with the country’s admission to the BRICS. SA
exports to other BRICS countries surpassed exports to the EU and Central Asia, which dominated SA trade for decades.

Trade with India was favourable and intense over the review period while the balance with China switched from a deficit to a surplus coinciding with SA’s inclusion in BRICS. SA-trade with Brazil and Russia was relatively low. South Africa was the net-importer in both countries and her trade balance had a deficit. The overall structure of SA trade with BRICS switched from trade in primary products to trade in semi-finished and finished products, an indication of consciousness on global value addition.

Although trade complementarity does not reflect on other determining aspects, such as distance and possibility of trade and transport barriers amongst other factors, the changes in complementarity values are consistent with trade intensity findings and other reviewed trends.

In order to gain more from BRICS trade, South Africa needs to review existing tariffs and non-monetary barriers with Russia and Brazil, so as to exploit fully potential markets in both countries. More so, a substantive preferential trade agreement within BRICS may be necessary in increasing the volume and intensity of trade.

REFERENCES


