

NEVA MAKGETLA: SA in Brics is more commodity dependent

Membership has reinforced its reliance on commodity exports and reduced prospects of diversification

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Picture: JAMES OATWAY

As Brics expands beyond its five long-standing members (Brazil, Russia, India, China and SA), it seems worthwhile to evaluate the bloc's economic impact to date.

A forthcoming Trade & Industrial Policy Strategies study on the Brics economies and trade suggests that rather than fostering economic diversification in SA, the association has in effect reinforced dependence on commodity exports. The accession

of six new members seems unlikely to change this outcome

Brics initially arose for geopolitical reasons, to give voice to industrialising economies in the Global South, especially in trade negotiations. But it has often been presented as a chance for leading developing countries to jointly promote industrialisation. For SA, Brics could in theory open up growing markets for more advanced manufactured and high-end service exports, as well as encourage investments in infrastructure and industry.

In the event, SA's sales to its Brics partners are even more dominated by commodity-based products than its exports to the rest of the world. The share of relatively advanced manufactures — that is, excluding metals, coal-based petrochemicals, agricultural and forestry products — in SA merchandise exports to Brics dropped from a quarter in 2002 to under a 10th in the early 2020s. Mining, including refined metals and basic metal products, rose from 60% to 85%, while agricultural and forestry fluctuated between 5% and 15%.

The share of commodity-based goods in SA's trade with the rest of the world was lower than it was with Brics. Mining-based exports, including metals and coal-based petrochemicals, fluctuated around 60%, while agricultural and forestry products contributed less than 15%. Manufacturing outside mining and agricultural goods contributed 25%, with automotive exports alone at almost 10% and capital goods contributing more than 5%.

The pattern for imports is reversed. SA buys almost exclusively manufactured goods from its Brics partners. Of these, 55% were commodity based, largely petrochemicals; for the rest of the world, the figure was 60%. Most of the other manufactures imported from Brics were machinery, chemicals and cars.

SA has never had a surplus on the balance of merchandise trade with Brics, even when the balance with the rest of the world turned positive. The deficit with Brics has fluctuated but tended to increase, averaging \$5bn in the 2000s and \$8bn in the 2010s. In 2022, SA vastly increased imports of Russian oil, refined in India, which reflected US and European sanctions on Russia after the brutal invasion of Ukraine. In 2022, Brics accounted for 30% of SA's imports but bought only 15% of its exports.

SA's experience of intra-Brics trade reflects a fundamental dichotomy in the group. Trade with China, and to a lesser extent India, is far larger than with Russia, Brazil and SA, with more established and infinitely larger manufacturing industries. The smaller Brics members all depend on commodity exports.

China's share in the aggregate Brics economy rose from 45% in 2000 to 70% in 2022. India comes second at 13%, and SA is last at 1.6%. China is even more dominant in manufacturing. In 2022 manufacturing contributed more than 25% of China's GDP, about twice as much as in the other Brics members.

These realities explain SA's lopsided trade within Brics, an experience mirrored by Brazil and Russia. Faced with well-established, far larger-scale manufacturing industries in China and to a lesser extent India, SA has in effect fallen back on commodity exports. Iron and manganese ore, plus ferroalloys, account for half of SA's total sales to China. In contrast, SA's top imports from China are cellphones (10% of the total); computers (6%); batteries and transformers (5%); and cars (3%).

In sum, we should not look to Brics to drive economic diversification, though it may provide a useful platform for geopolitical engagements and a source of financing. The expansion to form the Brics-22 seems unlikely to change this reality.

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