The South African Retail Sector and the BRICS Trading Bloc – An Analysis of Opportunities
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1. Executive Summary:

The concept of BRIC was introduced in 2001, as a group that would represent emerging markets of the world, as counterpoise to economies of the 'rich-world'. In 2010, South Africa was added and so completed the geo-political trading bloc - BRICS. There are various thoughts around the inclusion of South Africa, but it is evident that it now represents the ‘gateway’ to the African Continent. A lot of work is still being done to better understand whether BRICS are a trading bloc, although at this point, still remains to be discovered.

The recent launch of the New Development Bank aims to ensure transactional ease to large-scale funding for infrastructure projects. A series of dedicated policy frameworks and governance may be necessary for sustainability. Probabilities of intra-country, bilateral and exclusive trade agreements are being tabled at BRICS summits which ultimately strengthens intra-BRICS participation, to the extent where currency trading is being promoted and will reduce the dependency of dominant currencies.

Research into the BRICS will uncover the fact that there is a limited amount of information that creates much reality in these early days but that there are a number of possibilities due to the individual strengths of these countries. In this report, we attempt to unveil some of the opportunities that we see as potential and provide insights on South Africa's inclusion, together with probable recommendations that we have gathered from our International Immersion and through various interviews.

It remains to be seen whether BRICS will remain exclusive to only its member country alliances or it will seek to expand its global footprint by concluding deals with other global players. The trends of globalisation will definitely force BRICS to include other trade partners in order to have a viable trade model that is sustainable like the European Union.

"We reiterate that the world economic order is changing and that the process of developing economic policy agenda at the global level should reflect this. While there is a realization even amongst the developed countries about the increasing economic weight of emerging economies, this is not fully reflected in the governance model of global institutions such as the IMF and World Bank. We shall continue to work alongside our governments to gradually usher in governance reforms at multi-lateral institutions". (BRICS Business Forum 2013)
2. **Introduction:**

BRICS is the acronym for Brazil, Russia, India, China and South Africa. The concept of BRIC excluding the ‘S’ was created by analyst James “Jim” O’Neill from Goldman Sachs in 2001 and was indicative of those countries that would grow at a faster rate and be a safe place for investors (Mielniczuk, 2013). According to O’Neill (2001), the BRIC countries were not necessarily a political alliance (like the European Union) or a formal trading association, but that they have the potential to form a powerful economic bloc in the future. Unlike the other global or regional inter-governmental organizations and institutions, BRIC was not proposed or initiated by its member states (Mostafa & Mahmood, 2015). The purpose of BRICS was geared more towards gaining political clout than as a trading bloc, with 43% of the world’s population, 18% of global trade and 20% of the world’s GDP (Van Agtmael, 2012). O'Neill estimated that over the next ten years, the BRIC weight in the World GDP will grow faster, their economies would be larger than those of the G7, and that the BRIC nations would dominate the world economy by 2040 (Mostafa & Mahmood, 2015). The inclusion of South Africa in 2011 was controversial as there were sceptics both locally and internationally (Harrison, 2014). This announcement was met with deafening silence by many global investors (Naidu, 2013).

South Africa's invitation to BRIC combined with its renewed membership of the Security Council will enhance its influence in the global stage. The BRIC membership also presents new opportunities for South Africa to increase its competitive edge (Matola, 2011). The membership will enhance its growing international role for trade and future significance to partners who want to access the emerging African markets. South Africa remains a significant player in Africa through its international influence as described by Carmody (2012).

It is currently safe to conclude at this initial stage that all five countries are working towards a formation of a powerful economic bloc which is described as a set of countries which engage in international trade together, and are usually related through a free trade agreement or other association (Business Dictionary, 2015).
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3. **Business Opportunity Statement:**

South Africa’s inclusion in the BRICS alliance has expanded its economic landscape by presenting opportunities for trade partnerships within the BRIC countries and beyond. The BRICS emerging economies, predicted to become economically stronger than the more developed world economies, will through formation of strong and effective trade partnerships, enable South African industries like its retail sector, to increase its competitive edge and enhance its global influence, thereby creating growth in the retail industry and the SA and African economies.

4. **Research Objectives and Scope:**

4.1 Research Objectives:

The aim of the study is to analyse and evaluate opportunities that can contribute to the success of the retail sector within the BRICS trading bloc in order to apply lessons learned and offer recommendations on opportunities for the South African retail environment. The research objectives will be addressed by focussing on the following:

- The role of BRICS as a trading bloc
- Evaluation of agreements of trade to facilitate retail opportunities within the BRICS bloc
- Analysis of potential retail opportunities created through the BRICS alliance

4.2 Scope of Research:

Within the context of the retail sector, the research scope focussed on whether BRICS truly operates as a trading bloc when compared with other effective trading blocs such as the European Union (EU), by investigating how the EU developed policies and trade agreements to become as effective as it is today. The research also included, based on input derived from both local and international information gathering interviews and workshops, potential opportunities and recommendations for South African Retail.
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Exclusions and Boundaries:
- The research study will focus only on opportunities for the retail sector in South Africa.
- Any global trading blocs other than BRICS will be included purely to support and inform this research topic.

Limitations:
Due to the limited period of existence of BRICS, secondary data for South Africa is only available from 2010 onwards.

5. Research Questions and Relevance to Industry

5.1 The research questions that will guide the focus of this study are:

- What is the role of BRICS?
- What policies facilitate trade platforms within BRICS?
- What potential retail opportunities are created through the BRICS alliance?

5.2 Relevance to the Retail Industry:

It is important to consider and evaluate why opportunities within the BRICS trading bloc is at all relevant to the retail industry. According to Matola (2011), the BRICS membership presents new opportunities for South Africa to increase its competitive edge. Membership will enhance its growing international role for trade and future significance to partners who want to access the emerging African markets. For a country to achieve a competitive advantage, trade partnership is very important and in the context of South Africa’s entrance to the global stage post-1994, it is not negotiable (Carmody, 2012). South African retailers believe that the key to building trade links with BRIC countries is to create strong supplier relationships with them and leverage off what these countries are experts in. These countries have a wealth of knowledge and experience that can be applied in South Africa so we should gain an understanding of these countries laws and rules of doing business as well as international best practices. The ultimate reward of effective international trade is strong economic growth in the Retail sector within South
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Africa, resulting in a stronger, robust South African economy.

6. **Research Methodology:**

Research will be conducted using the two chosen options namely, documents & interviews.

Research documents will be mainly from nominated databases, journals, articles as well as any published past research papers. Interviews will be face to face and telephonic. Interviews will be conducted in Johannesburg, Cape Town and Durban.

Face to face interviews with South African Department of Trade and Industry, GIBS and W&R SETA will form part of the information gathering process.

These will provide us with sufficient local content. Further research on international perspective will be gathered through immersion and arranged interviews with international retailers, chamber of commerce and foreign trade missions of Brazil, Russia, India and China.

7. **Summary of Literature Review:**

There are no conclusive answers on whether BRICS constitute a homogeneous alliance (Knoke, Knobauch, et.al. 2012). However, by focusing on trade agreements, trade relations, and foreign direct investments flows, financing agreements between these countries, there are many benefits that can be extracted from this arrangement.
The table below provides a high-level overview of each country’s economic overview in relation to the retail sector for the (2014 year).

<table>
<thead>
<tr>
<th>Country</th>
<th>Brazil</th>
<th>Russia</th>
<th>India</th>
<th>China</th>
<th>South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country's size</td>
<td>8,511.965 km²</td>
<td>17,075.400 km²</td>
<td>3,166.330 km²</td>
<td>9,597.000 km²</td>
<td>1,219.912 km²</td>
</tr>
<tr>
<td>GDP</td>
<td>2.246 trillion USD</td>
<td>2.097 trillion USD</td>
<td>1.877 trillion USD</td>
<td>5.24 trillion USD</td>
<td>350.6 billion USD</td>
</tr>
<tr>
<td>Population</td>
<td>203,657,000</td>
<td>144,018,000</td>
<td>1,281,054,000</td>
<td>1,366,837,000</td>
<td>53,451,000</td>
</tr>
<tr>
<td>% of Population Unemployed</td>
<td>4.9</td>
<td>5.5</td>
<td>8.8</td>
<td>4.1</td>
<td>25.5</td>
</tr>
<tr>
<td>Population Density (persons per sq km)</td>
<td>24</td>
<td>8.6</td>
<td>425</td>
<td>144</td>
<td>44.0</td>
</tr>
<tr>
<td>Economic Growth 2014</td>
<td>0</td>
<td>0.5</td>
<td>5.4</td>
<td>7.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Inflation (% growth)</td>
<td>6.3</td>
<td>7.8</td>
<td>6.4</td>
<td>3.1</td>
<td>6.1</td>
</tr>
<tr>
<td>Per Capita Income (Nominal)</td>
<td>$12,789</td>
<td>$13,611</td>
<td>$51,625</td>
<td>$6,959</td>
<td>$6,354</td>
</tr>
<tr>
<td>Size of the retail sector</td>
<td>230 Billion USD</td>
<td>398 Billion USD</td>
<td>500 Billion USD</td>
<td>433 Billion USD</td>
<td>42 Billion USD</td>
</tr>
<tr>
<td>% contribution of retail to GDP</td>
<td>9%</td>
<td>9%</td>
<td>6%</td>
<td>4%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: [http://www.euromonitor.com/retailing](http://www.euromonitor.com/retailing)

Brazil

- As the world’s 8th largest economy and fifth largest country, Brazil is a regional economic power. Its abundant agricultural, mineral, and energy resources have led to the development of an extensive industrial base, diversified economy, and infrastructure.
- Competitive advantages evident in The Global Competitiveness Report 2009-2010 include a highly sophisticated business sector (32nd); facility in absorbing and adapting foreign technology (36th); knack for generating innovation (43rd); and one of the most sophisticated financial markets in the region (51st).
- Since opening its market to imports in the 1990s, Brazil has gradually reduced its import tariffs and trade barriers. As a means of stimulating the expansion, modernization, and restructuring of its industrial park, the Brazilian government offers reductions on import tariffs or tax deductions for imported capital goods not available locally.
Russia

- The world's largest country in terms of space and 15th biggest economy.
- Apart from connections with Europe, Russia remains relatively closed to trade and investment. The government screens foreign investment, and subsidized state-owned businesses limit competition and market opportunities.
- The government uses extensive subsidies, state-owned companies, export taxes on petroleum products, and other means to influence prices.

India

- The 7th biggest economy in the world, with the 2nd biggest population. India makes up 18% of the world.
- Demographics of India are favourable. India still has a positive birth rate meaning that the size of the workforce will continue to grow for the foreseeable future. (unlike India) A rising workforce helps to increase saving and investment. It also enables increased productivity.
- Positive Growth forecasts a recent study from Goldman Sachs, forecast that India could grow at a sustainable rate of 8% growth until 2020.
- Comparative advantage in labour intensive industries. India will also benefit from the liberalisation of free trade in recent years.

China

- Now the world's largest economy and largest in population. Makes up 19% of the world.
- China's labour cost is low. The low price of China's export commodities can enhance the real income level of the people of importing countries, stimulate the growth of consumption in other fields and propel the economic growth of these countries.
- China's economic development has enhanced the country's demand for imports, which has expanded the exports of other countries.
South Africa

- Ranked 34th in the world on GDP ranking and 2nd in Africa. Makes up 0.7% of the world’s population and 24th in world ranking.
- South Africa’s debt to GDP ratio is 45% (USA 100%, Japan 200%, and UK 90%). The World Bank recommends a ratio of 60%.
- SA is ranked 2nd out of 183 countries for good practice in protecting both borrowers and lenders when obtaining credit for business (World Bank Doing Business Report 2011).

In their findings (Mostafa & Mahmood, 2015) state the following:

- GDP growth: BRICS could be the engine of global economy
- Markets and consumption: the BRICS at the centre
- Savings and investments: BRICS lead in these areas
- Human capital and innovation: preparing to lead knowledge economies

The following retail sector subcategories were included as areas of relevance to retailers:

**E-tailing:**

E-tailing has become a competitive differentiator to shopping options for South African (SA) retail shoppers and any further delay will have negative implications on local retailers. The international retailers that are entering SA retail space are fully set up to trade online. This puts South Africa at a disadvantage as local retailers won't be able to compete on the same footing. With the rest of BRICS countries fully set up for e-tailing, South Africa will benefit from a country such as China with booming e-commerce and set to become the largest in the world (Santini, 2013).
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Textiles (Clothing & Footwear):
Brazil has, as of 2014, the third largest footwear industry in the world, trailing behind China and India. Even though its production was impacted by the Chinese industry and changes in the United States market, Brazil is still the most important footwear producer outside of Asia. Brazil's footwear industry solid base is maintained by its world-renowned reputation, especially relating to the high quality and relatively cheap leather. The price of Asian footwear is gradually rising. With the expansion of the Brazilian footwear market to new countries, there could possibly be an opportunity for this expansion to take place in South Africa. [http://thebrazilbusiness.com/article/footwear-industry-in-brazil](http://thebrazilbusiness.com/article/footwear-industry-in-brazil)

India is the second largest producer of fibre in the world and the major fibre produced is cotton. Other fibres produced in India include silk, jute, wool, and man-made fibres. 60% of the Indian textile Industry is cotton based. In South Africa, clothing and textiles industry accounts for 8% of country’s GDP we can leverage off India’s strengths in this sector. [www.businesspartners.co.za](http://www.businesspartners.co.za)

Food retail:
Russia is one of the most promising markets in Central and Eastern Europe for premium products owing to pockets of extreme wealth and an emerging middle class, and a strong brand identification and loyalty (Business Monitor International Ltd, 2014).

Can South African Food Retailers exploit this demand? Coupled with this opportunity comes the lack of infrastructure in Russia as stated in the Russia Food and Drink Quarter1 2015 report by Business Monitor International. South Africa is known to have a structured and advanced retail sector, with this advantage and know how, South African retailers have the opportunity to make significant inroads in Russian retail through their infrastructural expertise.

Some of the challenges that BRICS face are that it is less cohesive and integrated as a bloc and is beset with divisions, rivalries and conflicts, particularly among the most powerful and influential members of the organization. This could jeopardize the potential co-operation among those countries (Mostafa & Mahmood, 2015). BRICS countries are facing numerous challenges, difficulties, and uncertainties, particularly in the
social, political, military, and security sectors, both internally and externally. Those challenges and uncertainties could undermine and jeopardize the current growth rates and economic developments of these countries and limit their competitiveness (Mostafa & Mahmood, 2015). It is known that China, India, and Russia are competing for regional leadership and power. Although relations among them have recently improved in the economic, trade, and investment areas, they have bitter historical memories of territorial and other disputes. Brazil, Russia, India, and South Africa are showing suspicion about the growing and dominant role of China in the organization (Mostafa & Mahmood, 2015).

The BRICS nations have created their own bank boasting a $100 billion capital start-up of which China will contribute $41 billion and the total pool is equivalent to 2% of the joint reserves of BRICS (Bloomberg, 2014). The five governments agreed that they have been denied the a proper say in the running of global institutions like the World Bank and the International Monetary Fund and have developed the BRICS bank in order to facilitate investment in infrastructure—dams, roads, energy generation, and that countries would be able to tap into this fund if they run into balance-of-payments problems (Bloomberg, 2014). The BRICS bank offers an alternative to global institutions, which attach political conditions to the low-interest loans they offer developing countries (Heinrich, 2013). One potential stumbling bloc the BRICS face is deciding what currency to use. China has waged a campaign for its currency, the Renminbi, to be adopted (Heinrich, 2013).

The International Monetary Fund (IMF) and the World Bank play a major role within the global multilateral institutions, the IMF’s purpose is to ensure monetary stability in the world economy by establishing a system of fixed exchange rates and giving balance of payment support. The World Bank was initially established to facilitate the reconstruction of post-war Europe, the bank is also focusing on providing finance to developing countries. The major frustration by BRICS countries is the unfavourable voting pool system within the IMF and the World Bank whereby in majority the European bloc and the United States holds the majority votes to take major decisions and the Presidents of these institutions is either an American or a European based on the voting power of these countries.
8. **Research Findings**

8.1. What is the role of BRICS?

The idea of BRIC was developed with a practical purpose of developing a geopolitical node of influence as an alternative to the dominant Western European and North American alliance and influence O’Neill (2001). South Africa’s controversial entry was necessary to play a constructive role in the rebalancing of geopolitical power globally including its role as a voice for the African continent. The choice was also, to avoid an embarrassment because Africa was seen as irrelevant, and South Africa was finally chosen over Nigeria. According to Charlton (2014), BRICS formation was a strategy by Beijing to dilute rather than confront the USA influence on global governance. It cannot be ignored that after the Cold War and the collapse of the Soviet Union, the United States of America assumed a dominant position in global politics and governance. It is also predicted that the BRIC countries can be included in the top ten most powerful economies of the world excluding South Africa which is ranked at 31st Harrison (2014).

The BRICS cooperation was formalised in order to capitalise on the group’s collective promise for stability in the wake of global crisis in 2008. The formation of BRICS is a signal of a greater geopolitical role, with aims to enact institutional reforms that shift global power from the United States of America and Europe. The major focus of the BRICS nations was on the need to reform international multilateral institutions, like the IMF, World Bank and the UN Security Council, by creating a new institutional body. The first heads of state BRIC meeting took place in June 2009 in Yekaterinburg, Russia. President Medvedev described the summit as a necessary reaction to the global financial crisis which occurred in 2008. During the meeting, leaders discussed the importance of creating a more diverse international monetary system to serve their interests, with a diminished reliance on the dollar as the global reserve currency. It is clear from the analysis that this move was geopolitical which is described as a combination of geographic and political factors influencing or delineating a country or region (Dictionary.com, 2015).

8.1.1. **Review of the European Union as a Trading Bloc:**

The European Union (EU) is a unique economic and political partnership between 28 European countries that together cover much of the continent. The EU was created in the aftermath of the Second World War to create unity in Europe. The first steps were to foster economic
cooperation, the idea being that countries that trade with one another become economically interdependent and are more likely to avoid conflict. The result was the European Economic Community (EEC), created in 1958, and initially increasing economic cooperation between six countries: Belgium, Germany, France, Italy, Luxembourg and the Netherlands. Since then, a huge single market has been created and continues to develop towards its full potential.

What began as a purely economic union has evolved into an organisation spanning policy areas ranging from development to environmental aid. A name change from the EEC to the European Union (EU) in 1993 reflected this. The EU is based on the rule of law: everything that it does is founded on treaties, voluntarily and democratically agreed by all member countries. These binding agreements set out the EU's goals in its many areas of activity. The EU has delivered half a century of peace, stability and prosperity, helped raise living standards, and launched a single European currency, the euro, that competes strongly with major world currencies like the U.S. dollar.

The abolition of border controls between EU countries has enabled people to travel freely throughout most of the continent. It's become much easier to live and work abroad in Europe. The single or 'internal' market is the EU's main economic engine, enabling most goods, services, money and people to move freely. Another key objective is to develop this huge resource to ensure that Europeans can draw the maximum benefit from it.

One of the EU's main goals is to promote human rights both internally and around the world. Human dignity, freedom, democracy, equality, the rule of law and respect for human rights, these are the core values of the EU. Since the 2009 signing of the Treaty of Lisbon, the EU's Charter of Fundamental Rights brings all these rights together in a single document. The EU's institutions are legally bound to uphold them, as are EU governments whenever they apply EU law.

The EU remains focused on making its governing institutions more transparent and democratic. More powers are being given to the directly elected European Parliament, while national parliaments are being given a greater role, working alongside the European institutions. In turn, European citizens have an ever-increasing number of channels for taking part in the political process. The BRICS, being a fairly new
collaborative group of countries, can learn a huge amount from the example set by the EU in how it went about strengthening the ties between its countries and the key factors that have made it the effective trading bloc it is today.

The EU has developed strategic partnerships and the strategy has emerged as one of the most important public relations tools for the global stage. It has formed strategic partnerships with key allies like the USA, Canada, Japan, Russia, China, India, Brazil and South Africa. Recently it has formed the EU-Africa strategic partnership to boost its visibility in the world stage. The EU-Africa project focuses on Africa to promote multilateralism and collaboration. These steps are a result of important changes in the global geo-political landscape (www.saiia.org.za).

The analysis below demonstrates the success of the adopted European Union strategy of expansion through bilateral trade agreements using its multi-country inclusion approach. As a result, this model has been very successful and many trading partners have been included in the process. The BRICS countries are members of the G20, the IMF and World Bank and some have trade agreements with the European Union.

<table>
<thead>
<tr>
<th>Country</th>
<th>Trade &amp; Investment Agreements</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States of America</td>
<td>The initiative of a transatlantic agreement is based on the recommendations of the EU-US High Level Working Group on Jobs and Growth that steered the deliberations on the future EU-US relations since late 2011.</td>
</tr>
<tr>
<td>Japan</td>
<td>The EU and Japan launched negotiations for a free trade agreement in April 2013. Japan is the EU's second biggest trading partner in Asia, after China. An FTA could increase EU GDP by 0.6% and boost EU exports to Japan by a third.</td>
</tr>
<tr>
<td>Association of Southeast Asian Nations (ASEAN)</td>
<td>The EU negotiates currently with four countries of the ASEAN region. As a whole, ASEAN represents the EU's 5th largest trading partner with €212.8 billion of trade in goods and services. The EU is by far the largest investor in ASEAN countries accounting for an average of 17.1% foreign direct investment share during the period 2009-2011.</td>
</tr>
<tr>
<td>Southern Mediterranean</td>
<td>The EU has completed so far two rounds of negotiations for a Deep and Comprehensive Free Trade Agreement (DCFTA) with Morocco. Morocco is the first Mediterranean country to negotiate a comprehensive trade agreement with the EU. The Commission has a mandate to start a similar process with Tunisia, Egypt and Jordan.</td>
</tr>
<tr>
<td>Canada</td>
<td>Canada is the EU’s eleventh most important trading partner whereas the EU is Canada’s second-largest trading partner.</td>
</tr>
</tbody>
</table>
partner, after the United States. In 2012, the value of bilateral trade in goods between the EU and Canada was €61.7 billion. An economic study jointly released by the EU and Canada before the negotiations were started showed that a comprehensive trade agreement could increase their bilateral trade by another €25.7 billion.

**India**

India combines a sizable and growing market of more than 1 billion people and is an important trading partner for the EU as well as an emerging global economic power. **What remains interesting is that India is now a full member of BRICS and India's is asserting its economic power through the BRICS New Development Bank**

**Mercosur**

The EU-Mercosur trade ministerial agreed to exchange offers on customs duties and quotas not later than in the last quarter of 2013. So far, nine negotiating rounds held between the EU and Mercosur focused on trade rules other than direct market access issues.

**Gulf Cooperation Council**

Negotiations for a free trade agreement were suspended by the Gulf Cooperation Council in 2008. Informal contacts between negotiators continue to take place.

**African, Caribbean and Pacific countries (ACP)**

Economic Partnership Agreements (EPAs) are trade and development partnerships between the EU and African, Caribbean and Pacific countries (ACP), based on the Cotonou Agreement (2000). The aim is to consolidate free access to the EU market for products from our ACP partners, foster trade-related cooperation and promote investment.

**Free Trade Agreements already in place**

**Colombia and Peru**

The FTA with members of the Andean region, Colombia and Peru, has been provisionally applied with Peru. The EU is the second largest trading partner of the Andean region after the US. It is expected that, once fully implemented, the deal with both Andean partners will result in total tariff saving for European and Andean companies of more than €500 million per year.

**Central America (Honduras, Nicaragua and Panama)**

The trade provisions of the Association Agreement between the European Union and Central America is an important stepping stone in our relations with those three countries that also paves the way to a closer integration between the European Union and the whole of Central America.

The EU is Central America’s second biggest trading partner.

**South Korea**

This agreement has been the first of a new generation of free trade agreements that went further than ever before at lifting trade barriers and making it easier for European and Korean companies to do business together. EU exports to Korea are up by 16.2%, from €32.5 billion in 2011 to €37.8 billion in 2012.

**Mexico**

Since the entry into force in October 2000 of this comprehensive Free Trade Agreement, total bilateral trade has doubled, passing from €21.7 billion in 2000 to €47.1 billion in 2012. On his recent visit to Mexico in November
<table>
<thead>
<tr>
<th>Free Trade Agreements finished but not yet applied</th>
<th>Eastern Neighbourhood</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012, EU Trade Commissioner Karel De Gucht called for the current FTA to be upgraded. <strong>South Africa</strong>&lt;br&gt;South Africa is the EU's largest trading partner in Africa. The Trade, Development and Co-operation Agreement, in force since 2000, established a free trade area that covers 90% of bilateral trade between the EU and South Africa. The liberalisation schedules were completed by 2012. South Africa is now involved in further negotiations with the EU as part of the South African Development Community (SADC).</td>
<td>The EU has recently concluded negotiations for a Deep and Comprehensive Free Trade Area (DCFTA) with <strong>Moldova, Armenia and Georgia</strong>. The DCFTAs are part of the Association Agreements with these three countries. The EU is the main trading partner for each the three countries. The DCFTAs will provide for a significantly improved mutual access for goods and services between the EU and its eastern neighbours.</td>
</tr>
<tr>
<td><strong>Chile</strong>&lt;br&gt;The EU-Chile Free Trade Agreement is broad and comprehensive and covers all the areas of EU-Chile trade relations. EU is Chile's second largest source of imports, after the USA. The EU is also Chile's third largest export market, after the recent rise of China as an important export market for the EU.</td>
<td><strong>Ukraine</strong>&lt;br&gt;On 15 May 2013, the Commission adopted the proposals for Council decisions on the signing and provisional application of the EU-Ukraine Association Agreement, including its trade part. The next step will be the signature of the Agreement by the Council, once the political conditions are met.</td>
</tr>
<tr>
<td><strong>Singapore</strong>&lt;br&gt;This agreement is the EU's second ambitious agreement with a key Asian trading partner, after the EU-Korea FTA, and the first with a member of the 10-country Association of Southeast Asian Nations (ASEAN). Singapore is the EU's largest trading partner in South-East Asia. EU-Singapore trade in goods and services each grew by roughly 40% between 2009 and 2011.</td>
<td><strong>Central America (Costa Rica, El Salvador and Guatemala)</strong> - The Association Agreement between the European Union and Central America is meant to reinforce economic integration between the members of the Central American region.</td>
</tr>
<tr>
<td>There are also five Economic Partnership Agreements with <strong>African, Caribbean and Pacific States</strong> that have been negotiated but they have not yet entered into force. These are Cote d'Ivoire, Cameroon, the Southern African Development Community, Ghana and the Eastern African Community. The EU has finished negotiating eleven trade agreements that have yet to enter into force.</td>
<td></td>
</tr>
</tbody>
</table>
Forthcoming negotiations

**Agreement on investment protection with China** - This is the first ever proposal for a stand-alone investment agreement since foreign direct investment became the exclusive competence of the EU under the Lisbon Treaty (December 2009). An EU-China investment agreement would streamline the existing bilateral investment protection agreements between China and most EU Member States into a single, coherent text.

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8.2 What policies facilitate trade platforms within BRICS?

8.2.1 Trade platforms and the New Development Bank

The survival of BRICS as a trading bloc will largely be dependent on carefully selected and well-articulated policies that will facilitate efficient and effective trading platforms, which will ensure that selected policies allow for member nations to command sustainable growths and the ability to withstand the possible crisis and allow for consistent business cycles.

The Sustainability Governance Indicators (SGI) study by the Bertelsmann Foundation, a German think tank, sheds light on the status of sustainable governance among the BRICS countries. The study found that economic and social governance appears sustainable in Brazil and China, India is in the middle, and Russia and South Africa follow, as the least sustainable economic and social policies among the five BRICS nations (Reisen, 2013). The ability to create implementable budget policies and high tax revenue collections will be vital to further solidify the ability of BRICS nations to realize their primary mandate as a trading bloc.

The BRICS nations recently launched the New Development Bank. The bank is intended to complement the International Monetary Fund and the World Bank lending arm, the international Finance Corporation, by making it easier and quicker for developing countries to gain access to large-scale financing for infrastructure projects. The new bank will stimulate growth within the BRICS nations and cut back the growing gap in the financing needs of infrastructure projects. Rather than being in competition, it will complement the International Monetary Fund and World Bank (Prange/nz, 2014). This augurs well for the BRICS as this is in line with the original establishment of the organization.

Recently the five leaders of the BRICS signed a memorandum establishing a Contingent Reserve Arrangement (CRA) – a $100 billion contingency fund, which member states can access for financial difficulties.
The establishment of National Development offices in Africa – Johannesburg, South Africa shows a real commitment to include Africa for ease of access to opportunities within BRICS. This allows for the bank to be administered by an African who will obviously understand Africa needs and aspirations. As a result this will also allow for a much shorter process to apply for funding for projects.

In India, Singh and Kalirajan (2006) suggest that monetary policy addresses multiple objectives of achieving and managing sustained growth, while ensuring macroeconomic stability. As a result, commodity, price driven inflationary shocks have not led Central Banks to tighten monetary policy (NIPE, 2011). The evidence for India reveals that the monetary authority places more weight on the developments of the foreign exchange markets in addition to output growth: the Reserve Bank of India cuts the interest rate, when there is real exchange rate appreciation, and it raises the interest rate, when the output growth increases (NIPE, 2011). This has kept the economy of India quite stable and hence makes it a credible market to consider as a trading partner.

China targets inflation numbers and the fluctuations of inflation numbers seem to be the main driver of monetary policy changes. This has a high degree of proactively monitoring the movements of the markets and, therefore, looks to cushion them from the impacts of massive markets external surprises and shocks. Brazil and Russia are more concerned about economic growth and South Africa keeps an eye more on the stability of financial markets. Brazil monetary policy, on the other hand, is accommodative when there is an increase in the output growth. However, when the output growth exceeds the threshold of 0.4%, the monetary authority tightens the interest rates (NIPE, 2011). The Bank of Russia exhibits strong concerns about economic growth, but it also follows closely the developments in the money market. These monetary policies are designed to contain the amount of disruptions that can be caused by lack of monitoring the behaviours of the markets and the failure of policies to protect the economy.

The above synopsis indicates that the BRICS organization is operating on individual country policy frameworks. There are some sustainable and some less sustainable policies to facilitate trade platforms within BRICS. The establishment of a BRICS bank and related financial lending arms within BRICS will further promote an agenda to enhance credible growth opportunities in the related countries. This has been the biggest bone of contention in the relationship with BRICS nations and other with International Monetary Fund and World Bank, that there was a biased and too much power concentrated on the United States of America at the expense of emerging economies. The BRICS New Development
Bank contingency fund through Contingency fund Reserve Arrangement (CRA) will aim to ensure that member states don’t crumble under external financial shocks in the financial markets thereby promoting sustainability of established and ongoing projects.

However, BRICS will need to further look to establish dedicated policy frameworks that are more binding for the organization than aligning member countries individual policies. This will further strengthen BRICS as a credible trading platform with astute operating disciplines guided by a strong will to enforce them. An example is that of the EU which has developed a 2030 policy framework for climate and energy policies for its members to steer the energy and climate policies. The policy framework integrates different policy objectives such as reducing greenhouse gas emissions, securing energy supply, supporting growth, competitiveness and jobs through a high technology, cost effective and resource efficient approach.

The benefits of a solid policy framework are:

- To provide certainty to investors and develop the necessary infrastructure to meet the objectives and targets
- To support progress towards a competitive economy which create opportunities for growth and jobs

BRICS countries would have to develop a solid policy framework in order to ensure that SA Retailers and investors have comfort for stability and certainty in the countries they invest in (www.eur-lex.europa.eu).

### 8.2.2 Joint Statistical Information Sharing towards formulation of Public Policy:

The BRICS bloc has made significant progress to formalise the trading relationships despite there being no formalised policies in each country. Each country is in the process of formalising its trading protocols within BRICS; however, significant progress has been made in the individual country’s statistical information compilation. In 2010, the BRICS decided to cooperate in information sharing and the process of disseminating social and economic data statistics on each country commenced in order to assist member countries to formulate robust and sustainable trade agreements and develop policies that are sustainable and conducive to trade within the bloc.
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In a series of meetings held in Pretoria, South Africa in 2013 and during the 6th Technical Meeting of National Statistical Offices (NSO) of the bloc held in Rio de Janeiro in February 2014, the select data sharing was one of the resolutions agreed by the bloc in order to understand each country’s socio-economic dynamics. The statistical data sharing is meant to harmonise the trading protocols. Brazil was selected to host the 2014-15 summit and implemented the activities of the Joint Action Plan for the group. As a result, the National Statistical Office of Brazil (IBGE) assumed the role of compiling, printing and distribution of the Fifth Joint Statistical Publication of the BRICS including development of collaborative systems to disseminate statistics of the BRICS. This is one of the key initiatives by BRICS to jointly develop a common statistical database to form an important tool for public policies, as well as a repository for researchers.

Thematic areas of responsibility have been taken by each of the 5 BRICS countries; India would lead in Geospatial technologies and its applications. The benefits of such data sharing are said to be; ‘Earth observation application, land information system, Institutional mechanism and capacity building and Industry engagements’ (Press Information Bureau, Govt of India, Ministry of Science and Technology- 2015).

Some practical ways in which sharing of statistical data will assist BRICS member countries are:

- Youth can exchange knowledge and improve research competencies for innovation through a BRICS youth connectivity and networking online tool. This will provide a platform for research to exchange ideas and to generate evidence-based investment recommendations.
- The formulation of relevant BRICS-related investment programmes that will provide research-based technical and institutional support to the South African government and SA Retailers in policy analysis aimed at informing the long-term strategy goals of retailers within BRICS.
- Allow for broad-based analysis on the relationships between South Africa and the BRICS countries from the perspective of both South Africa’s national interests, the interests of the African continent, SA Retailers and the interests of the BRICS countries.
- Shape the strategic vision of South Africa retail companies and their wider African footprint around global financial, economic and governance issues

(http://www.sabrics-thinktank.org.za)
8.2.3 Fortaleza Declaration:

Under the theme Inclusive Growth: Sustainable Solutions, the Sixth BRICS Summit was held in Fortaleza – Federative Republic of Brazil. This summit deliberated and produced Sixth BRICS Summit – Fortaleza Declaration.

During the summit the BRICS countries reaffirmed their openness to increasing engagement with other countries, particularly development countries and emerging market economies, as well as with international and regional organizations with a view to fostering cooperation and solidarity in relations with all nations and peoples. BRICS have for a period of its existence been guided by main agendas of peace, security, development and cooperation.

The social inclusion policies as well as economic growth of the BRICS was seen as being key to stabilizing global economy, creation of jobs, reduction of inequality, and reducing poverty which contributes to the realisation of the Millennium Development Goals.

The BRICS Sixth Summit saw the signing of the Agreement establishing the New Development Bank (NDB), with the purpose of making resources available to finance infrastructure and sustainable development projects in BRICS and other emerging and developing economies.

The establishment of a BRICS bank and related financial lending arms within BRICS will further promote an agenda to enhance credible growth opportunities in the related countries. As per the Fortaleza Declaration the Bank shall have an authorized capital of US$ 100 billion. The initial agreed capital shall be US$ 50 billion, equally shared among the founding members. Furthermore the signing of the Treaty paved the way for the establishment of the BRICS Contingent Reserve Arrangement (CRA) with an initial size of US$ 100 billion.

As a way of elevating the support environment for increasing trade opportunities among the member nations a Memorandum of Understanding on Cooperation among BRICS Export Credit and Guaranteed Agencies was also signed. This will facilitate and control the nation to nation trade amongst member states.
8.3. What potential opportunities are created through the BRICS alliance?

If we take a look at the unique strengths of the BRICS countries, one can begin to see how BRICS can be seen as a trading bloc. For the purposes of this research, we investigate these areas of opportunities and specifically how South Africa could benefit from it.

For example, China is the world’s largest manufacturer and has created numerous employment opportunities giving birth to a growing consumer class where consumption of goods and services are continuously rising.

Russia is a very educated country with numerous achievements in mathematics and sciences. They are also a massive exporter of energy and have the highest household income of all the BRICS countries. This poses an opportunity for South Africa to make use of.

Brazil recently made some important finds on oil reserves making them self-sufficient on energy consumption – they can also become a large exporter, of which South Africa can benefit enormously. They are currently major exporters of agricultural products such as coffee and sugar.

India’s eased restrictions for foreign direct investments and streamlined industrial licencing processes have made India a very attractive destination for new capital. They also boast a highly educated workforce and honest accounting practices, which continue to attract foreign businesses.

Based on the statistics shown below, there are opportunities for South Africa to trade in the wine and beef markets since a number of countries have a consumption that is higher than its demand for these products. China’s 1.3 billion people could become a potential market, since its demand far exceeds its ability to produce wine and beef. South Africa would however need to improve its infrastructure and energy resources if it wants to do major trading within BRICS and other countries. Access to China’s capital reserves would be a viable source to fund the resolution of these problem areas for South Africa. The BRICS alliance is the platform by which to access these funds and presents another opportunity that South Africa should explore. The BRICS alliance presents immense opportunities for South African Retailers and Africa as a whole. During September and October 2015, the India-Africa Forum took place in India where all African States and business delegations came together to explore business opportunities presented by the BRICS alliance. This continuous engagement will ensure that the New Development Bank’s funds are utilised based on the needs and infrastructure developments presented by each country in need.
The upcoming Africa-China 2015 Summit is to take place in Johannesburg South Africa to strengthen the South-South cooperation. Over the past 15 years, the trade volume between China and Africa has increased from $10 billion to $220 billion. During the same period, China’s direct investments in Africa increased from $500 million to $30 billion. There are more than 3000 Chinese companies running their businesses in Africa. The AU has also adopted Agenda 2063 and its first 10 year implementation plan to take advantage of the opportunities presented by the cooperation (http://www.iol.co.za/the-star/news).
There are various opportunities for South Africa such as knowledge transfer of Technology, Skills - both Social and Cultural. Internationally balanced trade relations, an increase in exports of finished goods in conjunction with raw materials and opportunities for financing of infrastructure will be the result of mutual understanding that can be further gained.

For an economic benefit to be realized, the birth of new organisations, SMEs (small to medium enterprises) and markets must take place (Goedhuys, 2007). This will occur, based on effort and input to R&D, technology and innovation that integrates scientific and market research to enable positive market response to new or modified products in the marketplace (Gackstatter, Kotzemir & Meissner, 2014). Generally R&D is funded by national governments and large business enterprises (Gackstatter et al., 2014).

As described by Abbas (2014), the effective use of global knowledge and technology from developed economies increases the competitiveness of BRICS countries. A country that is rated as highly competitive has a high likelihood of rapid growth within a medium to a long time period (World Economic Forum, 2005). Competitiveness can be defined as a roadmap outlining the route to economic wealth through a careful combination of that country’s policies that directly influences its productivity and ability to achieve higher levels of increased wealth (World Economic Forum, 2005).
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Each BRICS member differs greatly from the others in terms of political systems, economic structures and national interests (Beijing Review, 2015). With this in mind, it has been difficult to gain momentum as a global force; however, as the Chinese Ambassador Li to Russia commented, that over the past years, BRICS countries have established a mechanism and platform for their cooperation and achieved some results (Beijing Review, 2015).

China has inked a good many deals with Russia, including big oil and natural gas supply contracts. Brazil’s leading aircraft manufacturing company Embraer Commercial Aviation has grabbed a big share of China’s regional aircraft market, and China-produced subway trains have been exported to Brazil. China’s economic ties with India and South Africa have also consolidated (Beijing Review, 2015). It has been stressed by Ambassador Li, that BRICS countries have unique advantages in bilateral and multilateral cooperation as their economies are highly complementary. More notably, they all have growing markets. Currently, BRICS countries combined imports and exports account for 16 percent of the global trade, but trade among the five countries only amounts to 1.5 percent of global total (Beijing Review, 2015).

It is imperative that the member states of BRICS align their individual strengths to increase trade amongst themselves. Each of the five countries has its strengths which can be used to further cement BRICS as global force both politically and commercially.

Brazil dominates the sugar, coffee and orange juice markets and competes with the US to be the world’s biggest soya bean exporter (Euromonitor, 2015). Brazil accounts for about 35% of all coffee output. Brazil’s biggest manufacturers include producers of automobiles, consumer electronics, computers and software and heavy industries. Automobile production makes up one-fifth of the industrial base (Euromonitor, 2015).

Rice is the main food crop in China, but tea, sugar and fibre crops are also important cash earners. China is also the world’s biggest producer and consumer of cotton. Nationally, the agriculture sector consumes about 70% of China’s surface water but more than one-fifth of water resources are unfit even for farming (Euromonitor, 2015).
In South Africa agro-processing, textiles and clothing, electronic, metallurgy and automobiles are the major industries. The degree of competitiveness has waned as wages have risen. The average factory worker in South Africa earns several times more than one in China but is less efficient (Euromonitor, 2015).

Agriculture employs 48.9% of the workforce in India. Progress is hindered by low levels of public investment, poorly maintained irrigation systems and inadequate roads. Less than one-third of all crop land is irrigated and most farming is at the subsistence level (Euromonitor, 2015).

Russia’s agriculture sector’s share in GDP is relatively small. Although the soil is fertile, years of neglect mean that yields are just a third of those in Western Europe (Euromonitor, 2015). Farmers are ill-prepared to meet the goal of self-sufficiency officials have abruptly imposed in response to western sanctions. For example, up to half of the fruit production from small farms and 20% of industrial vegetable production is lost to spoilage each year (Euromonitor, 2015). There are massive mineral and forest resources with iron ore, coal, copper, aluminium, manganese, salt and precious metals all being produced, though facilities are in need of modernisation (Euromonitor, 2015).

Brazil’s economy has become much more diverse in the past decade. The country still depends on exports of iron ore, soya, other farm products and raw materials but less so than in the past. In 2014, the country’s major export markets were the EU (18.7%), China (18.0%) and the USA (12.1%). (Euromonitor, 2015). With sanctions that have been placed on EU products in Russia, the lack of knowledge in farming and that 40% of Russia’s food supplies are imported, both China and Brazil can use this as an opportunity to trade in rice, tea, coffee, sugar and other farming products which are their strengths.

China is the world’s largest car market but car penetration in China is still modest (Euromonitor, 2015), therefore, Brazil, Russia and India can enter this market successfully and profitably being the some of the largest car manufacturers in the world.

Brazil has an abundance of mineral deposits and is the world’s largest exporter of iron and it is also set to become a large exporter of petroleum (Euromonitor, 2015). Russia has raw materials, such as oil, natural gas, and metals that make up more than two-thirds of all export
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revenues. South Korean, Japanese and Chinese investors hope to move into the Russian market to secure stable supplies of coal and other energy resources and in 2014, 51.8% of Russia’s exports went to the EU (Euromonitor, 2015). Both Russia and Brazil can create a competitive advantage for their countries and for BRICS as a trading bloc instead of allowing the Japanese and South Koreans gain these energy resources. South Africa has tremendous energy issues and Russia or Brazil could assist with this challenge.

In 2014, 42.9% of all Chinese exports went to other Asian economies, 16.9% was shipped to the USA and 15.8% went to the EU. The composition of exports, however, is highly concentrated. Approximately 47.2% consists of machinery and transport equipment while another 26.1% is miscellaneous manufactured goods (Euromonitor, 2015). It is surprising that Africa does not feature nor do any of the BRICS countries feature amongst the countries that China exports the most to. There is also an opportunity to move the dependency away from machinery and transport goods by increasing the exports of cotton and rice within the BRICS countries.

South Africa has diamonds, iron ore, copper, manganese, platinum, limestone and chrome. The country has the world’s largest gold deposits and about 80% of world’s platinum reserves (Euromonitor, 2015). South Africa should also beneﬁciate these products and then export them, especially within BRICS and more speciﬁcally to India, as there is a high demand for gold.

South Africa has a strong banking system with multi-national players. Banks are liquid and proﬁtable but the risks from unsecured lending have risen (Euromonitor, 2015). The banking system in India is rudimentary and small relative to the rest of the economy (Euromonitor, 2015). Can they help Brazil and India in setting up a world class banking system? Either by transfer of skills or knowledge.

The textile industry in India provides work for up to 35 million and indirectly beneﬁts more than twice that number (Euromonitor, 2015). In 2014, exports of basic manufactures and mineral fuels (mainly coal) made up 45.3% of the total. Asia takes 28.3% of India’s exports. The EU and the USA are two other important trading partners, accounting for 16.2% and 13.4% respectively of the country’s total exports in 2014 (Euromonitor, 2015). The question has to be asked, if the textile industry is as big as it is, why does India not export more textile than it does coal? Also, the EU and USA are their biggest trading partners at the moment, there must be shift to move their reliance away from the US and EU and into the BRICS bloc.
Over and above this, we do believe that for each of these countries to use their strengths to create a competitive advantage for BRICS, a platform must be created to facilitate this process.

9. Local and International Immersion Findings

9.1 Local Findings

Local interviewees included two major South African retailers, the DTI, GIBS Professor Adrian Saville as well as GIBS Dr Thabo Mosala. It is interesting to note the different responses across these groups. This is outlined below.

9.1.1 BRICS and its role in the global economy

On the question of the role of BRICS and its geo-political mandate, the retailers described it as being a political and regulatory alliance with the intention of influencing global affairs as well as creating an opportunity for trade links between these countries. While its geo-political mandate would be to enable stronger political clout of emerging economies in global decision making, BRICS is not operating as an effective trading bloc at present. The DTI does not see BRICS as a trading bloc but as a cooperation forum to create business opportunities for both government and businesses across these economies and to ensure that these countries open up market opportunities to trade. There is no singular trade agreement between the countries and neither a trade agreement under a singular umbrella that covers trade agreement.

On the other hand, there is a view that BRICS was simply a historic accident and could have been any combination of countries with a high level of business interest. Its geo-political mandate was thought to be non-existent and may well mature into a political force since China and India are long-standing enemies and Russia has a track record as a strong political power in its own right.

Another view is simply that the BRICS collaboration is the future hope for a new world order that will counter the existing Western dominance socially, economically and politically.

While the DTI very clearly saw the BRICS bank as a means of funding structural development with a regional focus targeting specific key industries and limiting the influence of the IMF and the World bank, retailers felt that while the bank has credibility, there was no clarity on the
role of the bank, nor guidelines and agreements that will enable countries to make use of the bank. The academic view is that there is great potential for the bank to be an enabler and aid emerging markets and playing the role of catalyst in making BRICS a true trading bloc. It could assist with speeding up development in infrastructure and remove conditional and regulatory implications that the IMF and the World Bank attach to loans/funding, and create stability of local currencies. The negative reaction from US when a number of West European governments were in support of the bank indicates that the creation of the bank is a good idea and will enhance and enable emerging economies. Similarly, the IMF and World Bank are not in favour of the BRICS bank. Interestingly, the DTI sees the BRICS bank as complementary to the IMF and World bank, and not as a competitor.

9.1.2 South Africa’s role in BRICS

In terms of the role that South Africa plays with regards to the African continent, one retailer felt that Nigeria would overtake S.A. as the driver of the African economy while the other retailer saw S.A. as one of the major catalysts for expansion into Africa and aligns its company vision to this albeit tough to trade in Africa. The non-retailers also felt that many other African countries like Ghana and Kenya were also gateways to Africa and not S.A. alone. The DTI saw South Africa as the biggest trade partner in Africa and one of the powerful emerging powers in the region. Further to this, the DTI indicated that South Africa is trusted to lead in the advancement of a developmental agenda. It is meant to advance the developmental agenda into the G20 and thus be a key player in the global agenda. South African leaders participate directly in the African regional bloc to make sure that Africa’s agenda is unified.

With regards to S.A.’s inclusion in the BRICS alliance, the example of Singapore as the gateway to Asia was referenced as the ideal model. South Africa however is a long way off from being a true gateway and would need to work hard on its infrastructure, logistics and technology. Retailers also question the value that S.A. can add since China and India have already been doing business with African countries for a long time while Brazil and Russia are well positioned to export its produce and resources to Africa.

However, despite all of this, retailers believe that the key to building trade links with BRIC countries is to create strong supplier relationships with them and leverage off what these countries are experts in. These countries have a wealth of knowledge and experience that can be
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applied in South Africa. e.g. we should gain an understanding of these countries laws and rules of doing business as well as international best practices and note that the Chinese have a sense of urgency that you don’t see in our country. Their domestic market is massive, their labour is cheaper and India’s labour is even cheaper.

9.1.3 Potential Retail Opportunities via BRICS

South African retailers agreed that no real benefit or opportunities for trade currently exists between the BRICS countries. They felt strongly that tariffs and duty fees needed to be reduced, and simple things such as travel visas should be free. These would enable easier trade between the BRICS countries. They also believe that BRICS can be a catalyst for investment in retail trade that will grow the respective economies in the areas of skills and infrastructure development, reduction in agricultural wastage, job creation and first world supply chain benefits.

There is also a view that opportunities exist for South Africa to trade in the wine and beef markets since a number of countries have a consumption that is higher than its demand for these products. The 1.3 billion people in China is an example of a potential market, since its demand far exceeds its ability to produce wine and beef. South Africa would however need to improve its infrastructure and energy resources if it wants to do major trading within BRICS. Access to China’s capital reserves could be a viable source to fund the resolution of these problem areas for South Africa. The BRICS alliance could be the platform by which to access these funds and is another opportunity that South Africa should explore.

The DTI however, indicated that South Africa’s entry into BRICS is meant to open doors for SA businesses and open market opportunities. Mention was made of the BRICS Business Council, a platform to network and find a niche on key industries to stimulate growth and productivity. It is meant to take advantage of increasing intra brics trade and develop opportunities for services, retailers and other players to expand footprint into partner economies. The Fortaleza agreement was structured with a clear recognition that each country was at a different stage of development. BRICS has not developed a single trade policy but it is meant to complement each other’s economy. Presidents of each country are meant to find a mutually beneficial way for opportunities in a bi-lateral trade, identify opportunities for value added services. The thrust is to facilitate trade without competing with each other directly. South Africa’s approach is to change its current trade with the BRICS
countries from primary products to value added services goods and services. Therefore, it aims to ensure that trade follows investment where value added services, products and services are exported.

The neutral view is that the cultural differences between Brazil, Russia, India, China and S.A. is a barrier to entry and that S.A. would need to find places with lower cultural differences to enable greater ease of doing business. The CAGE model could be used to assess this issue: C stands for Culture, A for Administration, G for Geography and E for Economic difference. These are key concepts in making business easier.

9.2. International Immersion Findings

9.2.1 Infrastructure development – roads/ports/rail

In order for BRICS nations to realize maximum benefits in potential trading options, this will have to include ensuring the availability of infrastructure that will be able to link key points of trade access. In Africa there will be a need to fast track the availability of reliable road networks to access business centres. This includes well maintained and modern day ports. Rail remains a very reliable and affordable transports means and will be critical to ensure this is well linked to be bigger part of Africa for smooth successful trade. In China, references were made to the “one belt, one road” concept where China is looking to expand and redirect the country's domestic overcapacity and capital for regional infrastructure development. This will improve trade and relations with Asian, Central Asian and European countries. The initiative aims to transform ASEAN into a single market and production base in order to boost the region’s competitiveness and connectivity. Similarly, the African continent can follow this example to boost competitiveness and connectivity in the African continent.

9.2.2 Africa Union

At the CEIBS School of Business Science Prof. Gosset emphasised the formation of an African union whereby Africa can be seen as a united continent, with the potential to increase its overall economic status with a common currency, trade policies and co-operation that will benefit the whole of Africa. South Africa as a strategic partner in Africa needs to consolidate its trade relations with the rest of Africa and work with African trade blocs such as SADEC, COMESA (Common Market for East and Southern Africa), ECOWAS (Economic Community for West African
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States) and SACU (Southern African Customs Union). This will help BRICS members to facilitate better trade with the rest of Africa which will support the continent’s economic and infrastructure development.

9.2.3 Intra-BRICS Co-operation:

The Seventh BRICS Summit was held in Ufa, Russia under the theme “BRICS Partnership – a Powerful Factor of Global Development”. This had the key priorities in respect of further strengthening and broadening intra-BRICS cooperation. BRICS looks to be moving to enter into what seems to be real agreements that will benefit member countries. These will be through various options such as exclusive trade agreements, intra-country trade agreements, and bilateral trade agreements. This brings rise to a number of possibilities for the BRICS member states:

Sector Bilateral Agreements

Apart from being part of BRICS a number of the members state had some form of country to country bilateral agreements that were in force. These also could now play a part an increased role in further accelerating trade possibilities. India has always had a good relationship with South Africa long before the BRICS formation. Their relationship will now be further strengthened by their BRICS relationship which will mean more opportunities. A number of South African businesses are using India as key manufacturing base of various products.

Beneficiation – commodities/minerals

BRICS members have to create specialists in certain areas of strength to actualize real country benefit. Currently South Africa exports high volumes of gold to India for processing and it is then sent back to South Africa for trade in the jewellery stores and other needy functions of gold. This depletes South Africa’s ability to create real end to end opportunity for maximum earning out of the product. The end to end process could be allowing South Africa to earn for the rights of production, processing of the products and packaging. This would also create various employment opportunities for South Africa. India is very big in manufacturing – therefore the BRICS member states could take full advantage and allow the most manufacturing to reside in India.
Strategic Alliance/Collaboration

BRICS member states will inherently need to look at forming strategic alliances and benefiting collaborations. This will mainly be driven by the established needs that exist either across all BRICS nations or could be nation to nation alliance.

9.2.4 Currency Trading

The emerging economies of the BRICS countries are proactively promoting mutual trade in their national currencies, a trend that could reduce the dominance of the US dollar in global trade. Russia and India have established trade agreements that are worth up to about $12 billion. There are further alliances and collaborations that are being negotiated within BRICS member states and these will be finalized in the relevant country’s currency. As part of these agreements they are also looking into how these countries will be able to protect currency volatility.

While China and India have shown that they have better functioning models, Russia, Brazil and South Africa have lots of work to do. Russia needs to fix the structure of their economy. Brazil needs to fix their structural problems (education, infrastructure, productivity), has the potential to become bigger than the US in twenty years from now. If China with its state led capitalism and India which is more market oriented keep working as they have been up until now, there would be major increases in their per capita income. There is a strong view that China will dominate the BRICS alliance and maintain leadership. There is some concern as to whether China will favour itself or collaborate fairly, but the general belief is that China will have each of the BRICS countries interests at heart. On the whole, due to its demographics and land mass, BRICS has the potential to uplift each country to become a major player in world socio-economics.
10. Recommendations

Based on the research findings described, a number of possibilities emerged. These recommendations are outlined as follows:

**SARC – South African Retail Council**

Using the EU trading bloc as an example of how to promote effective trading, BRICS countries would need to define binding policies and trade agreements that will create a platform for trade between the BRICS countries. Initially known as the EEC (European Economic Community), the core values of the EU were established to promote human dignity, equality, freedom, democracy and respect for human rights that formed the foundation of the policies that allowed for easier movement of goods, services and people within Europe. This internal market became the economic engine of the EU. They also established bi-lateral agreements with a number of powerful countries such as U.S.A., Japan, India, Canada to name a few.

Using SADEC trading bloc as an example, trade policies established by the governments of all SADEC countries require a two stage conversion of product, so as to not attract any duties and foster growth in their respective industries. In the experience of TFG (The Foschini Group) retailers, top selling clothing items can be manufactured from scratch in Mauritius, and arrive in South Africa within thirty to forty days of ordering with low cost air freight that is similar to shipping costs. To attempt this with China, this process would take between sixty to ninety days at a push and then approximately thirty days of shipping freight time as air freight is too expensive.

SARC together with the BRICS Business Council and DTI could trigger these political discussions that will enable a lower cost of doing business.

Key objectives would include:

- establishing a charter of core values and binding policies that will govern how business is conducted
- ensure high quality produce and transactions that are free of bribery and corruption
- access to funds via the NDB to establish improved infrastructure, logistics and technology that enables lower cost trade
SARC would need to lobby BRICS governments to improve the trade environment between BRICS countries. These would include for example, reductions for key category items (while maintaining tariffs as a form of revenue), relaxing restrictions and tariff regime on Foreign Direct Investments, preferential travel arrangements amongst BRICS nations as well as promoting intra-BRICS co-operation as described below. SARC could also influence BRIC countries to establish their manufacturing capability within South Africa and provide employment to the local South Africans. Utilising the CAGE model (Culture, Administration, Geography, Economics) to establish alignment and bi-lateral trade with a country where these factors are conducive to easier trade partnerships.

Intra-BRICS Co-operation

Established nation to nation trade relationships such as those existing between South Africa and India should be further strengthened by their BRICS relationship which will mean more opportunities for economic growth. New bilateral agreements should also be established between BRICS countries where there are currently no trade partnerships and include agreements for merger and acquisition growth opportunities. Establish standard rules and compliance requirements for all countries within the bloc for movement of products. Progress has been made with regards to major S.A. retailers doing business with the BRIC nations. The work done by Price Waterhouse Coopers is a good example of advisory support for S.A. companies looking to do business with BRIC nations. They have an available established advisory support process for any South African retailers who may wish to open up opportunities within the BRIC nations. Price Waterhouse Coopers has set-up online desks for particularly Africa, India and China trade support. They have available capacity to assist South African retailers with performance improvement where they partner with S.A. clients to provide robust performance improvement solutions to complex business problems such as intra-BRICS co-operation (http://www.pwc.co.za/en/country-desk.html).
Infrastructure development

If smooth effective trade and accessibility is to be achieved between the BRICS countries and the larger continent of Africa, it is critical to fast track the availability of reliable road networks, rail and modern day ports.

Currency Trading

BRICS countries should proactively promote mutual trade in their national currencies and reduce the dominance of the US dollar in global trade. As part of these trade agreements, these countries need to consider ways of protecting currency volatility.

Africa Union

Using the EU strategy as an example, should the countries within Africa unite, it will have the potential to improve the overall economic status to benefit the whole of Africa. This will position Africa as a strong global economic trade partner for BRIC countries and the rest of the world.

S. A. retailers need to make use of access to all the African trading blocs and gain entry to other African markets, thereby becoming a key trader within Africa and an enabler for trade within Africa.

BRICS Business Council

Using the lobbying power of the SA Retail Council, a more pro-active approach should be undertaken to engage the SARC in the following structures:

- BRICS Business Council during the BRICS Summit events taking place in different countries.
- African Union Business Forum in order to exploit opportunities across Africa
- SACU indirect participation by providing input to harmonise the duties within SADC and other African trading blocs.
11. Conclusion

From the very beginning of our research, it was evident that very little practical data was available on the subject of BRICS as a trading bloc and even more ambiguity about potential opportunities that such a union could possibly generate. As we started unpacking the various strengths of each member of BRICS, we found possible opportunities and risks. Through our analysis, we found an indication that BRICS is not a trading bloc but rather, more a geo-political arrangement that has the ability to succeed.

In order to be successful though, it would need to be open to negotiate and invite other strategic partners and countries on board in order to fulfil its mandate. Globalisation is real and requires a multi-country approach based on a common philosophy to trade. The European Union has been very successful and BRICS success in future depends on how many strategic partners it brings on board to expand its mandate and trade philosophy.

Beneficiation, strategic alliance and bilateral agreements will be key in an effort to pave the way forward. Quite important though is infrastructure development to ensure easy access for trade. Apart from these components, it would seem that China and India may have demonstrated preferable adaptability for intra-BRICS trade, although the stunt in China's growth rate may cause additional concerns. Brazil, Russia and South Africa require solutions to their economic and structural dilemmas in order to prepare themselves for effective collaboration.

All in all, we conclude that although BRICS is not a trading bloc, the collaboration of these countries could become hugely successful. Regular summits are held in order to re-group, gather thoughts and make solid decisions. At least, that is the intention, but it is uncertain how different the expectations and priorities are of the BRICS members. Clear policies and agreements for trade will ensure that this alliance is strengthened for optimal benefit for all BRICS countries.

As Jim O'Neill and his team at Goldman Sachs, predicted that Brazil, Russia, India and China would account for a much larger share of the world economy by 2011 and called for the nations to be represented at the top table of economic decision-making by joining groups such as the G7.
Their predictions have come true in spectacular style. China had the world's sixth largest economy in 2001, according to the International Monetary Fund; it is now second only to the United States. Here in Britain the rise of the new powers was brought home this week by a forecast from the Economist Intelligence Unit that Brazil was poised to overtake the UK (the IMF reckons it has already done so).
12. Glossary

<table>
<thead>
<tr>
<th>Word</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
<tr>
<td>Trading Blocs</td>
<td>A set of countries which engage in international trade together, and are usually related through a free trade agreement or other association (Business Dictionary, 2015).</td>
</tr>
<tr>
<td>Geopolitical Power</td>
<td>the combination of geographic and political factors influencing or delineating a country or region (Dictionary.com, 2015).</td>
</tr>
<tr>
<td>EU</td>
<td>A group of European countries that participates in the world economy as one economic unit and operates under one official currency, the euro. (Investopedia, 2015).</td>
</tr>
<tr>
<td>EEC</td>
<td>European Economic Community created in 1958, and initially increasing economic cooperation between six countries: Belgium, Germany, France, Italy, Luxembourg and the Netherlands</td>
</tr>
<tr>
<td>Multilateral Institutions</td>
<td>A multilateral organisation is an international organisation whose membership is made up of member governments, who collectively govern the organisation and are its primary source of funds (Aid Watch, 2008).</td>
</tr>
<tr>
<td>World Bank</td>
<td>The World Bank is made up of 188 member countries. These member countries, or shareholders, are represented by a Board of Governors, who are the ultimate policymakers at the World Bank (World Bank, 2015).</td>
</tr>
<tr>
<td>IMF</td>
<td>The International Monetary Fund (IMF) is an organization of 188 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world (International Monetary Fund, 2015).</td>
</tr>
<tr>
<td>G7</td>
<td>Group of seven, USA, France, Germany, United Kingdom, Italy, Japan, Canada</td>
</tr>
<tr>
<td>NDB</td>
<td>National Development Bank formed by BRICS. Financial institutions dedicated to fund new and upcoming businesses and economic development projects by providing equity capital and/or loan capital (Business Dictionary, 2015)</td>
</tr>
<tr>
<td>SARC</td>
<td>South African Retail Council</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>---------</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investments</td>
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<tr>
<td>DTI</td>
<td>Department of Trade and Industry</td>
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<tr>
<td>SADEC</td>
<td>Southern African Development Community</td>
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<tr>
<td>SACU</td>
<td>Southern African Customs Union</td>
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<tr>
<td>ECOWAS</td>
<td>Economic Community for West African States</td>
</tr>
<tr>
<td>COMESA</td>
<td>Common Market for East and Southern Africa</td>
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</table>
13. References


doi:10.1057/ejdr.2012.8; published online 1 March 2012


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South African Retail Sector and the BRICS Trading Bloc – An Analysis of Opportunities

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http://www.eur-lex.europa.eu
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http://www.pwc.co.za/en/country-desk.html
14. Appendices

### 14.1 Research Plan and Instruments

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<th>Research Objectives</th>
<th>Responsible</th>
<th>Timeline</th>
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<td>Amalgamated Beverage Industries &amp; relevant databases</td>
<td>What is the role of BRICS?</td>
<td>Renaldo/Mandla</td>
<td>01-Jun-15</td>
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<td></td>
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<td>Mandla/Kennedy</td>
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<td>Mandla</td>
<td>01-Jun-15</td>
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<td>01-Aug-15</td>
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<td>01-Aug-15</td>
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<td>Local Interviews</td>
<td>TFG</td>
<td>What is the role of BRICS and what potential opportunities does it create for South Africa</td>
<td>Nancy</td>
<td>01-Jun-15</td>
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<td>Interviewer</td>
<td>Question</td>
<td>Response</td>
<td>Duration</td>
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<td>Prof. A. Saville</td>
<td>Shoprite</td>
<td>What is the role of BRICS and what potential opportunities does it create for South Africa</td>
<td>Annie/Mandla</td>
<td>01-Jun-15</td>
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<td>Shoprite</td>
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<td>Renaldo</td>
<td>01-Jun-15</td>
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<tr>
<td>Dr T. Mosala</td>
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<tr>
<td>International Interviews</td>
<td>Relevant Retailers, DTI &amp; Chambers of Commerce</td>
<td>What is the role of BRICS and what potential opportunities does it create for South Africa</td>
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14.2 Interview Transcripts

**QUESTIONNAIRE**

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<thead>
<tr>
<th>Name of Interviewer</th>
<th>Nancy Brown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of Interviewees</td>
<td>Selwyn Eagle and Peter Adams</td>
</tr>
<tr>
<td>Place</td>
<td>TFG Head Office, Parow East, Cape Town</td>
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<tr>
<td>Date</td>
<td>18th May 2015</td>
</tr>
<tr>
<td>Topic</td>
<td>BRICS and opportunities for S.A. Retail</td>
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**PERSONAL PERSPECTIVE**

1. **What is the role of BRICS from your perspective?**
   
   BRICS is a political move in an attempt to bring balance to global decision making power. It was never about creating trade links, although there is no reason why traders should not exploit the potential opportunities.

2. **Do you see South Africa as a springboard for African continent’s expansion?**
   
   Yes, however, Africa is not easy to trade with. We have had to pull out some of our brands from Nigeria due to the unethical way in which business is conducted there. We have kept some of our affluent brands like G-star and Fabiani but not a good experience. Trade is good in other African countries e.g. Ghana, Zambia, Kenya. We will continue to expand our footprint in Africa but there are many lessons to be learnt and challenges to overcome.

3. **What is your view of South Africa’s inclusion in BRICS? What opportunities does South Africa’s inclusion present for South Africa and other BRICS countries?**
How SA came to be part of BRICS is neither here nor there, the important thing is that we exploit our position by building relationships with the BRIC countries. Relationships go a long way. You can progress way more by building strong supplier relationships than fighting with the governments and legislation…even though this is also necessary. The SA government is playing a key role in the high duty charges being imposed by doing trade with BRIC countries. The fees go to SADC countries, but are the people of Africa really benefitting? Who in Africa is really benefitting?

We also need to protect local industry as the Chinese are capable of owning the whole of South Africa. They already own most of Zimbabwe. We need to learn from these BRIC countries and build South Africa to become a strong competitor in the global economy. The Chinese are willing to work for less money. Brazil and China are extremely successful at developing small enterprises within their countries. They have also successfully nationalised business with some parts being denationalised. The Chinese have a sense of urgency that you don’t see in our country…and their domestic market is massive. India on the other hand has poor infrastructure and their labour force is even cheaper than the Chinese.

OPPORTUNITIES

1. What are the retail opportunities that BRICS presents for South Africa retailers/Industries?
   Certainly for a start, we should expect to see simple things such as free visas or no visas required to move across borders between the BRICS countries. This will enable easier trade between the BRICS countries.
   The key building block in seeking retail opportunities is building strong relationships with suppliers in the BRIC countries. It’s also important to understand the legislation of these countries…their laws and rules of doing business as well international best practices.
   E.g. China charges tax on expenses as opposed to income. It’s also better to go directly to source and avoid the middle man.

2. What are the key retail opportunities for S.A. retailers in the following categories.
   China are masters at manufacturing and production and are able to produce at a high quality as well as lower quality depending on the
product. South Africa can learn a lot from their best practices especially when setting up local manufacturing plants and factories. Brazil have a strong fashion retail market particularly for women. Shoes are also one of their key import products.

Education and technology is something that South Africa can leverage off from countries like Russia and India. The quality of South Africa’s matric qualification is questionable making it difficult to find employable youth. India definitely has the cheapest labour market. The import duties are extremely high and disabling in terms of effective ongoing business.

The interviewees did not comment on the questions relating to the BRICS bank and geo-political mandate.
QUESTIONNAIRE

<table>
<thead>
<tr>
<th>Name of Interviewer</th>
<th>Mr Renaldo Phillips</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of Interviewee</td>
<td>Mr Ram Harisunker</td>
</tr>
<tr>
<td>Place of Interview</td>
<td>Shoprite Checkers</td>
</tr>
<tr>
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<td>24 May 2015</td>
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<tr>
<td>Topic of the interview</td>
<td>BRICS + Opportunities for SA/ Retail</td>
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PERSONAL PERSPECTIVE

1. What is the role of BRICS from your perspective?

   It is a grouping of major countries in the world and the role to form an alliance on trade, investment and regulatory transformation. It is also a political alliance to have more influence in global affairs within regulatory bodies.

2. What are the benefits/opportunities for your country in being a member of BRICS?

    There are none at the moment; however, it should be the following:
    - preferential inter country trading
    - inter country investments especially in infrastructure and utilities
    - major political voice in the world bodies

3. Do you see South Africa as a springboard for African continent’s expansion?
That has always been the perception, that SA will be the driver of the African economy, however, in reality this is not fact, especially taking into account the recent xenophobia attacks, where South African companies were singled out. Taking into account that the Nigerian economy is now larger than South Africa’s and with their growth rate well above South Africa’s, I think Nigeria will become a key driver in the continents growth.

4. What is your view of South Africa’s inclusion in BRICS? What opportunities does South Africa’s inclusion present for South Africa and other BRICS countries?

South Africa is the smallest contributor of GDP in the BRICS grouping. The question must be asked, are the other BRICS countries just using South Africa as a springboard into Africa or can South Africa really add value? It’s no secret that China has been “colonising” Africa for decades now, India also has been spending and forging alliances with oil producing African countries in order to ensure their fuel and gas supplies are met for present and future consumption. Africa is the biggest consumer of India’s parboiled rice and this illustrates that if India does not cement the relationship with Africa, they will lose one of the biggest export markets. Brazil being the largest producer of poultry in the world; is ideally located to export into Africa; this indicates the massive potential for export growth. Russia sees itself as a major player in the oil, gas, energy and nuclear markets and Africa is an untapped market especially with regard to energy and infrastructure. In view of the EU sanctions against Russia, they have no choice but to look to Africa for support.

OPPORTUNITIES

3. What are the retail opportunities that BRICS presents for South African retailers?

BRICS has not opened up any avenues in this sector and none in any other sector as well, that is, India still does not allow Foreign Direct Investment in the retail sector other than single brand retail which only allows high end products. South Africa’s anti-dumping regulation on Brazilian chicken hinders trade between the countries. But I do believe that there is potential for the BRICS to become a
catalyst for retail investment and in turn aid the growth of the respective in economies. This can be done through, open trade between the countries, reduction of tariffs/ duties which will facilitate for private investments and lead to the following:

- Major job creation
- Skills development
- Infrastructure development
- Reduction in agricultural wastage
- First world supply chain benefits

4. What are the key retail opportunities for SA retailers in your country in these categories:

I. Textile (Clothing & Footwear)
   India and China are leading manufacturers in this category, SA retailers can benefit from this.

II. Food Retail
   India, Brazil and China are major producers of commodities and SA can capitalise on the benefits of trade agreements in these categories, similar to the EU preferential duty agreements.

III. Natural Resources/Mining
   SA can benefit from Beneficiation as this has not been explored to date, that is, gold and diamonds.

IV. Infrastructure
   SA is known for having world class infrastructure in supply chain and the remaining BRICS countries do lag behind in this. This knowledge can be transferred between the blocs enabling to create competitive advantages.

V. Services
South African Retail Sector and the BRICS Trading Bloc – An Analysis of Opportunities

SA lags behind on internet penetration whereas India leads the world in software innovation and China in hardware, in addition, India leads the world in business processing opportunities, if SA can tap into this resource, e-tailing will present endless opportunities for growth.

VI. Energy
With SA’s dismal supply of energy, which results in major costs for South African retailers, a lot can be taken from Brazil’s use of sugar cane as a fuel source and Russia and China’s nuclear and hydroelectric skills.

NATIONAL DEVELOPMENT BANK (BRICS BANK)

1. Why was the BRICS Bank created from your perspective?
   It was created to facilitate and speed up development in infrastructure, also removes conditional and regulatory implications that the IMF and the World Bank attach to loans/funding.

2. What role does the BRICS bank play?
   It does not have a role or there has not been any clarity on what they will do. It should provide stability on local currencies against the impact of the US dollar and against financial crisis, similar to that of 2008.

3. Do you think the BRICS Bank is a source of power and influence? If so how? If not why not?
   No, because there are no guidelines/agreements to enable the countries to use the bank. However, the bank can become a source of power and influence in aiding emerging markets in infrastructure amongst the member states.

4. What is the relationship between BRICS bank and institutions such as the World Bank, IMF etc.
   There aren’t any relationships as the NDB does not have any veto votes as the IMF and World Bank and it’s is only available to the BRICS countries.
GEO-POLITICAL MANDATE

1. What was the mandate of BRICS from a political point of view?
   Enable the emerging markets to have more political clout in world organisations enabling it to become a super power.

2. Do you consider BRICS as a trading block? If so why?
   No, because there is no evidence to support the concept of BRICS as a trading bloc, except for the recent 10 year visa being offered to businesses

3. What is the outlook of BRICS 20 years from now?
   It has the potential due to its demographics and land mass to uplift each country to become a major play in world socio-economics.
PERSONAL PERSPECTIVE

1. What is the role of BRICS from your perspective?

   BRICS is a historic accident, it came together by chance and could have been any combination of countries struggling disproportionately, but with a high-level of business interest. Jim o’Neil identified BRIC countries. He could have easily identified any combination. There is no specific ‘magic’ associated with the current combination.

2. Do you see South Africa as a springboard for African continent’s expansion?

   Yes, however, SA is not the only window to Africa. In fact, countries such as Kenya or even Ghana for that matter, could also be springboards. These would be more obvious choices into the African continent.

3. What is your view of South Africa’s inclusion in BRICS? What opportunities does South Africa’s inclusion present for South Africa and other BRICS countries?

   SA has a lot to learn, in terms of Infrastructure, communication, technology and Logistics. An ideal example is Singapore which has really become the gateway to Asia, via investing heavily on the attributes mentioned above. Countries that get into the business of
presenting and shaping themselves as the gateways, will ultimately become the gateways. Its about doing, not saying. Economic integration is one of the most effective ways to build sustained economic effective and to keep advancing. This way, you elevate economic growth and economic wealth.

**OPPORTUNITIES**

1. **What are the retail opportunities that BRICS presents for South Africa retailers/ Industries?**

   Not much. The reasoning behind this is perhaps the cultural difference between Brazil, Russia, India, China and SA. Remember, if you are looking for opportunities with these countries, you have to wonder that perhaps everyone else could be doing the same thing too. If SA can find places with lower cultural difference and greater ease of doing business, then those are the places to look for. Eg: If you open a retail store in Brazil, there are requirements spanning to understanding and speaking Portuguese etc. Where there are cultural similarities, as an example Hungary, Poland, the Czech republic, Slovenia, Chile, are culturally closer to us than Brazil. Take the CAGE model as an example: C stands for Culture, A for Administration, G for Geography and E for Economic difference. These are key concepts in making business easier.

2. **What零售 opportunities does your country present for SA retailers?**

3. **What are the key retail opportunities for SA retailers in your country in these categories?:**
   
   VII. Textile (Clothing & Footwear)
   VIII. Food Retail
   IX. Natural Resources/Mining
   X. Infrastructure
   XI. Services
   XII. Energy
South African Retail Sector and the BRICS Trading Bloc – An Analysis of Opportunities

There is hope and prospect for SA in these, but this will not make SA rich, commodity prices will be as volatile as they are today. We will remain a consequence of the world's economy. Unless, this is a gateway to something else for SA. Remember there is a ceiling to the amount of productivity that you can get out of an economy.

NATIONAL DEVELOPMENT BANK (BRICS BANK)

1. Why was the BRICS Bank created from your perspective?

Created to send a clear political signal. Banks that have been established to foster development and stabilise the world monetary systems are controlled by western Europe and North America. The west is being overtaken, so does the western ethos and culture that characterise these banks and institutions suit the emerging economy? Natural outgrowth of the shift in economic sands.

2. Do you think the BRICS Bank is a source of power and influence? If so how? If not why not?

Very modest at the moment. Western countries were asked if they would engage and become involved with the BRICS bank. For obvious reasons, the US was adamant that this bank doesn’t have a place and that it wouldn’t promote economic improvement. There was some outrage from the US, when a number of the West European governments were in support of BRICS bank. So, there is credibility.

3. What is the relationship between BRICS bank and institutions such as the World Bank, IMF etc. What is the impact of BRICS bank on institutions such as the World Bank, IMF etc.

The IMF and World bank are not in favour of BRICS bank.

GEO-POLITICAL MANDATE

1. What was the mandate of BRICS from a political point of view?

None, nothing. As above, could have been any four chosen countries. Russia has been a long-standing political power. India and China are fierce enemies of hundreds of years. As they grow, their political voices will expand.
2. What is the outlook of BRICS 20 years from now?

Russia needs to fix the structure of the economy. They are not great integrators. Russia will remain the curious, quirk somewhat dangerous place. The economy will perhaps be smaller rather than bigger.

Brazil: if they fix their structural problems, i.e.: Infrastructure, Education, productivity and Capabilities, in 20 years, has the potential to become bigger than the US. China and India have shown that they've got better functioning models.

China has state led capitalism whilst India is more market oriented. Each of them has a spectacular chance of stumbling too. So, there is no certainty of where they will be in 20 years from now, however if they keep working as they have been up until now, there would be major increases in their per capita income.
QUESTIONNAIRE

DEPARTMENT OF TRADE AND INDUSTRY

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<thead>
<tr>
<th>Name of Interviewer</th>
<th>Kennedy and Mandla</th>
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<td>Malose, Moloko, Gugulethu, Shamira</td>
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<td>South African Retail Sector &amp; the BRICS Trading bloc: An Analysis of Opportunities</td>
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PERSONAL PERSPECTIVE

5. What is the role of BRICS from your perspective?
6. What are the benefits/opportunities for SA from being a member of BRICS?
7. Do you see South Africa as a springboard for African continent’s expansion?

What is your view of South Africa’s inclusion in BRICS? What opportunities does South Africa’s inclusion present for South Africa and other BRICS countries?

OPPORTUNITIES

5. What are the retail opportunities that BRICS presents for South Africa retailers?
6. What retail opportunities/potential industries will benefit SA retailers from your perspective?
7. What growth opportunities/benefits do you foresee for SA retailers in these categories:
   XIII. Textile (Clothing & Footwear)
   XIV. Food Retail
   XV. Natural Resources/Mining
   XVI. Infrastructure
   XVII. Services
   XVIII. Energy
South African Retail Sector and the BRICS Trading Bloc – An Analysis of Opportunities

NATIONAL DEVELOPMENT BANK (BRICS BANK)

5. Why was the BRICS Bank created from your perspective?
6. What role does the BRICS bank play?
7. Do you think the BRICS Bank is a source of power and influence? If so how? If not why not?
8. What is the relationship between BRICS bank and institutions such as the World Bank, IMF etc.?
9. What is the impact of BRICS bank on institutions such as the World Bank, IMF etc?

GEO-POLITICAL MANDATE

4. What was the mandate of BRICS from a political point of view?
5. Do you consider BRICS as a trading block? If so why?
6. What is the outlook of BRICS 20 years from now?

EXPORT OPPORTUNITIES

1. What commodities/products can South Africa export into the BRICS countries?

GENERAL

1. From your perspective, is BRICS going to grow its membership?
2. Any other perspective about the future prospects of BRICS in the global economy?

THANK YOU
South African Retail Sector and the BRICS Trading Bloc – An Analysis of Opportunities

DEPARTMENT OF TRADE AND INDUSTRY RESPONSE

Overview

South Africa hosted the BRIC Summit in 2010 in Durban and it was admitted as a member through the same year. BRICS composition is as follows:

- Brics Summit - chaired and driven by Presidents of BRICS countries
- Brics Business Forum – driven by business leaders
- Brics Civil Society – driven by civil organizations

Each unit has a dedicated Chairperson and reports separately during the summit. The key sectors identified by the BRICS Business Council as critical are ICT, Agriculture, Mining, Services, etc. The BRICS Business Forum is chaired by Brian Molefe and Patrice as CEO. The BRICS economic strategy initiatives are trade facilitation and ecommerce acceleration.

The next BRICS Summit is in Russia on 6-9 July 2015. Not aligned

Personal Perspective Questions

BRICS role is to create a conducive environment for partners to cooperate and create business opportunities for business and government across the economies. South Africa’s entry into BRICS is meant to open doors for SA businesses and open market opportunities. The key opportunities and benefits for SA are:

- To provide access to market and trade
- To create jobs and increase production
- Investment attraction
Inclusion of South Africa

The rationale of including South Africa into BRICS was based on a premise that the members were regional leaders in their own right. In Africa, South Africa was the largest economy and a leader in the African continent, so are the other 4 members in their respective regions. South Africa is the biggest trade partner in Africa and one of the powerful emerging powers in the region.

Trading Block

There is no singular trade agreement between the countries and neither a trade agreement under a singular umbrella that covers trade agreement. BRICS is a cooperation agreement to make sure that countries can open up market opportunities to trade. The original BRICS aim is highly driven by finding commonalities amongst countries and driving global issues with a unified voice. Therefore, BRICS is not a trading bloc but a cooperation forum.

Geo-political move

Yes BRICS is considered as a geopolitical move due to the frustration of the member’s minimal voice in multilateral institutions like the WTO, World Bank, IMF, etc., it is meant to start asserting its voice in the G8 plus 5.

New Development Bank

The purpose of the NDB is to fund infrastructure projects for the rest of Africa, Russia, South America and Asia. At the moment China, Russia, Brazil are funding infrastructure in some parts of Africa. The main purpose is to unite and jointly pursue infrastructure projects by targeting key industries. In addition, it is meant to limit the influence of IMF and the World Bank which have strict conditions of structural adjustment
programmes. This bank will assist in the cross border infrastructure funding. It is not competing with the World Bank and IMF but complimentary, however the priorities will differ. BRICS has regional focus which is addressing developmental needs.

RETAILERS

The opportunities for retailers are going to come from the success of the SA African retailers who are moving into the African continent. Their footprint is going to enable BRICS members to facilitate trade in those countries and BRICS members will supply or manufacture goods, services and products in the countries where retailers have presence in order to reduce costs of imports and enhance their supply chain management process. The opportunities are on e-commerce, e-tailing trade which is still relatively small in Africa.

BRICS Business Council

This is a platform to network and find a niche on key industries to stimulate growth and productivity. It is meant to take advantage of increasing intra BRICS trade and develop opportunities for services, retailers and other players to expand footprint into partner economies.

Fortaleza Agreement-Brazil

The Agreement was structured with a clear recognition that each country was at a different stage of development. BRICS has not developed a single trade policy but it is meant to complement each other’s economy. Presidents of each country are meant to find a mutually beneficial way for opportunities in a bi-lateral trade, identify opportunities for value added services. The thrust is to facilitate trade without competing with each other directly. South Africa’s approach is to change its current trade with the BRICS countries from primary products to value added services.
South African Retail Sector and the BRICS Trading Bloc – An Analysis of Opportunities

goods and services. Therefore, it aims to ensure that trade follows investment where value added services products and services are exported.

**Benefits to South Africa from BRICS**

South Africa and Africa will benefit through a focused intervention. South Africa is trusted to lead in the advancement of a developmental agenda. It is meant to advance the developmental agenda into the G20 and thus be a key player in the global agenda. South Africa leaders are not excluded in the BRICS Summit; they participate directly in the African regional bloc to make sure that Africa’s agenda is unified. Ultimately leads to: attract investments, creates access to markets, create jobs, increase in production.

**BRICS Membership**

BRICS membership is likely to grow in numbers, if we look at the composition; the Middle East is not covered. With a geopolitical agenda, a Middle Eastern country is likely to be co-opted in the near future.
**South African Retail Sector and the BRICS Trading Bloc – An Analysis of Opportunities**

**QUESTIONNAIRE**

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<th>Kuben, Renaldo, Mandla</th>
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<td>Name of Interviewee</td>
<td>Dr Thabo Mosala</td>
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<td>GIBS Campus</td>
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<td>Date of Interview</td>
<td>11 June 2015</td>
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<td>Topic of the interview</td>
<td>BRICS + Opportunities for SA/ Retail</td>
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**PERSONAL PERSPECTIVE**

1. What is the role of BRICS from your perspective?
   - South–South Cooperation to promote South–South trade
   - Leaders of BRIC and South Africa hope that this cooperation will bring a new world order and counter the existing Western dominance socially, economically and politically

2. What are the benefits/opportunities for your country in being a member of BRICS?
   - Access to the different markets within the countries, China and India has 1.3 billion people each
   - Technology sharing
   - South Africa is now trading more with China
   - South Africa is not competitive and efficient especially in the textile industry. We need to use this as an opportunity to become competitive
   - We need to identify what we can sell cost efficiently, an example would be South African Wine
   - Access to capital - China has more reserves than any other country, 3.9 trillion in reserves
   - Sovereign Funds - China has invested 46 Billion dollars in the Transnet deal
3. Do you see South Africa as a springboard for African continent’s expansion?

Only is South Africa develops or upgrades its infrastructure. Other companies are going to countries like Kenya and Nigeria. South Africa energy and Infrastructure has stagnated. We are an advanced economy and our infrastructure needs to be more attractive.

4. What is your view of South Africa’s inclusion in BRICS? What opportunities does South Africa’s inclusion present for South Africa and other BRICS countries?

South African economy is small. The corporate companies drive South African Economy. The bigger the corporate companies – the bigger our economy will get. It’s not a level playing field in terms of South African corporates competing with companies that exists within the BRIC countries.

**OPPORTUNITIES**

5. What are the retail opportunities that BRICS presents for South African retailers?

- The number of people that are accessible due to the large populations of India and China.
- India has strict laws in terms of doing business, there is opportunity if these laws are relaxed
- South African companies can leverage of the above 2 points

6. What are the key retail opportunities for SA retailers in your country in these categories:

China has become a major consumer of wine. In China Wine is made out of Rice, and the best quality of wines are made from grapes. South Africa is renowned for their wines and there is opportunity to gain access into China as their consumption outweighs their production.
South Africa is also known for its quality of Beef and China is the world’s largest consumer of Meat.
NATIONAL DEVELOPMENT BANK (BRICS BANK)

7. Why was the BRICS Bank created from your perspective?

The IMF is dominated by the USA. USA dictates terms through structural adjustment programs. The IMF lends money to other countries and then imposes restrictions that favours the US. EG AGOA- one of the conditions is chickens must come tariff free, this will impact local suppliers like Rainbow Chickens

8. Do you think the BRICS Bank is a source of power and influence?

Yes as it will reduce power of the US and will reduce dependence on the West

9. What is the relationship between BRICS bank and institutions such as the World Bank, IMF

There are no relationships established yet, however it threatens sources of power of the IMF and The World Bank

GEO-POLITICAL MANDATE

10. What was the mandate of BRICS from a political point of view?

Collaboration- It is the overarching objective and strong shared desire for peace, security, development and cooperation that brought together BRICS countries with a total population of nearly 3 billion from different continents. BRICS aims at contributing significantly to the development of humanity and establishing a more equitable and fair world.
11. Do you consider BRICS as a trading block? If so why?

- It is already a trading block - the Asian bank can and will facilitate this, EG Wine. If South Africa does not have funds to produce more wine, the bank can help.
- The BRICS bank will be the catalyst and a platform to make it a trading block.
- Another example is Fuel Cells. Building generators as a source of energy. Fuji embarked on this. The platinum mines vested interest in this as it uses platinum. China can fund a plant to build generators here in South Africa near the platinum mines. This will create employment and we can sell these to other countries.
- Funding of power generators, hydropower in the DRC. DRC has waterfalls to generate hydro power, South Africa can take the lead on this and China can fund.

12. What is the outlook of BRICS 20 years from now?

It will be a powerful partnership lead by the Chinese. However, a question arises as to whether China will collaborate or will they favour themselves?

It is assumed that China will have everyone’s interest at heart.