

Within the context of BRICS: A South African perspective on cooperation and coordination between private and public sector business and trade investment promotion agencies

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50 years of Department of Commercial Promotion & Investments -half a year of promoting Brazilian exports and investment attraction, Brasilia, 14 October 2015



Structure of presentation

- An overview of the current South African economic outlook
- Illustrate some of complex issues that requires a higher level of cooperation and coordination amongst trade & investment promotion practitioners
- Structural proposals to improve the conversation on trade and investment within BRICS
- Added to brief: some practical suggestions on best practice

Part 1: South African economic outlook

Purpose – to get an idea of some of the complex trade & investment issues that require ongoing conversation, coordination and cooperation

Part 1: South African economic outlook

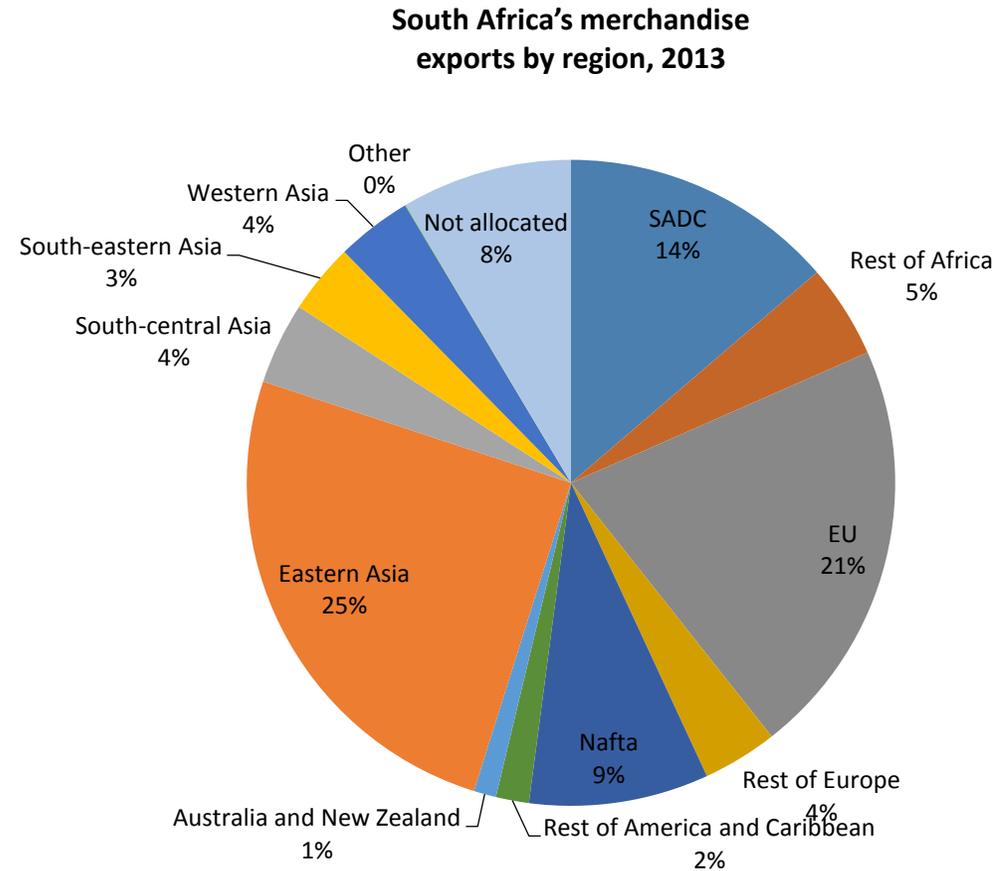
- South Africa remains the most attractive investment destination on the African continent
- It has some economic infrastructure gaps e.g. electricity – nevertheless has world class infrastructure
- Problems include high level of unemployment and skills deficiencies, labour issues, areas of policy uncertainty
- Nevertheless most attractive private business regulatory climate in Africa (World Bank's report Doing business 2014)
- Positive integration and FTA developments

Part 1: South African economic outlook

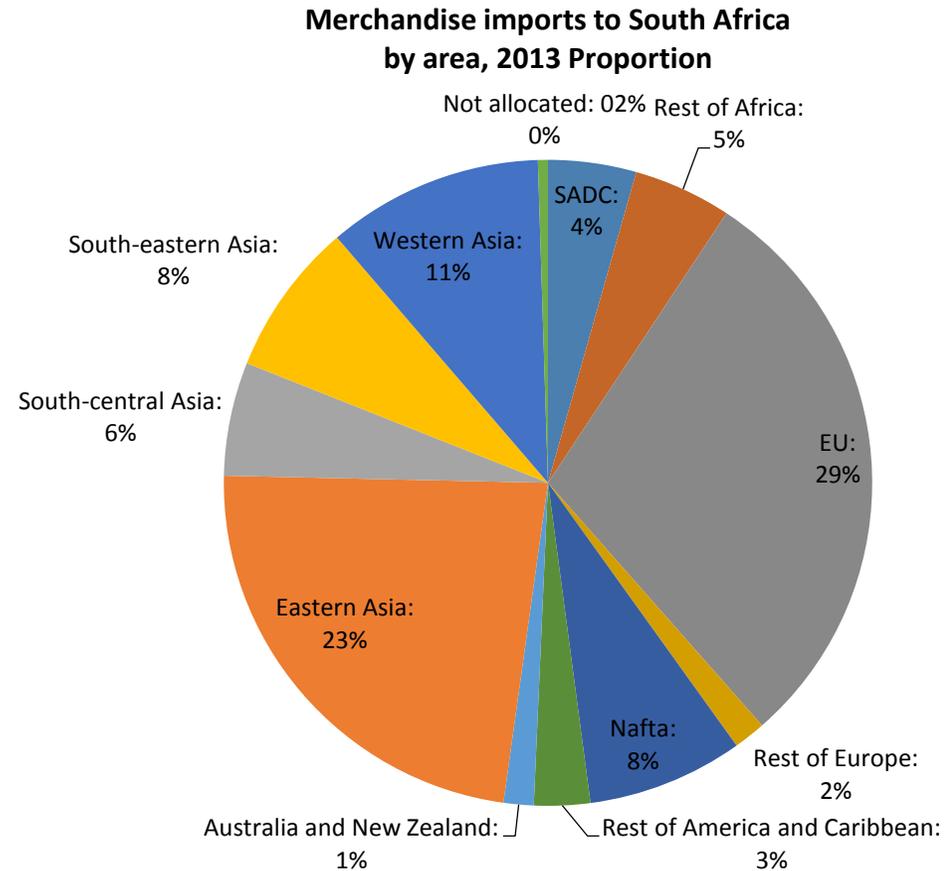
| South Africa's merchandise trade with the world, 2013 ^a | | | | |
|---|--------------|--------------|----------------|-------------------|
| Country | Imports Rbn | Exports Rbn | Total Rbn | Trade balance Rbn |
| Southern African Development Community (SADC) | 43.2 | 108.0 | 151.2 | 64.9 |
| Rest of Africa | 48.0 | 36.9 | 84.9 | -11.1 |
| European Union (EU) | 284.4 | 165.4 | 449.9 | -119.0 |
| Rest of Europe | 15.4 | 29.5 | 45.0 | 14.1 |
| North American Free Trade Agreement (Nafta)area | 75.4 | 70.6 | 145.9 | -4.8 |
| Rest of America and Caribbean | 27.2 | 13.0 | 40.1 | -14.2 |
| Australia and New Zealand | 14.6 | 8.8 | 23.4 | -5.8 |
| Eastern Asia (including China, Hong Kong, Japan) | 225.1 | 198.9 | 424.0 | -26.2 |
| South-central Asia (including India, Iran, Kazakhstan, Pakistan) | 55.7 | 32.2 | 87.9 | -23.5 |
| South-eastern Asia (including Indonesia, Malaysia, Singapore, Thailand) | 74.8 | 27.7 | 102.6 | -47.1 |
| Western Asia (including Israel, Iraq, Turkey) | 105.0 | 29.7 | 134.7 | -75.4 |
| Other | 0.4 | 0.3 | 0.7 | -0.1 |
| Not allocated | 2.0 | 67.1 | 69.1 | 65.1 |
| Total | 971.2 | 788.1 | 1 759.3 | -183.1 |

Source: IRR, South Africa Survey 2014/15 based IDC, email communication, June 2014

Part 1: South African economic outlook



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2013

- South Africa & BRICS total trade – R380.4bn, up 27.1% from 2012
- South Africa & Brazil – R21.8bn, up from R20.1bn, 8.5% growth
- South Africa and Russia – R7.5bn, up from R5.1bn, 47% growth
- South Africa and India – R80.8bn, up from R68.3bn, 18.3% growth
- South Africa and China – R270.1bn, up from R204.6bn, 32% growth

Illustration of issues requiring conversation, cooperation and coordination

- South Africa needs to reverse its economic slowdown, largely due to the weak demand from its traditional trading partners in Europe and the USA where consumption remains sluggish. It needs to find new markets and capitalise on its incorporation into new geo-political blocs such as BRICS.
- It needs to balance its constitutional rights to labour action with the need to remain globally competitive. It must guard against its “cost of labour” out-pricing its goods & services
- The high-level of unemployment means that it needs to rapidly attract investment that creates jobs; also for socio-political stability purposes.
- The skills deficiency needs to be supplemented through attracting them from trading & investment partners through a process of skills-transfer.

Illustration of issues requiring conversation, cooperation and coordination (continued)

- The country needs to develop a strategy to address the current negative trade balance with its main trading partners (including the BRICS countries).
- To achieve its stated objective of improving intra-Africa trade it needs to coordinate industrial development and diversification across the region.
- The worsening sovereign ratings across BRICS means reduced investor confidence and more expensive lending. Cross country coordination is required to reverse the downgrading.
- Third party currency trading pushes up the cost of doing business. BRICS needs to build on the swap agreements to allow for direct settlement in BRICS currencies.

Illustration of issues requiring conversation, cooperation and coordination (continued)

- South Africa needs to urgently address its shrinking manufacturing capacity by putting measures in place to ensure beneficiation of its raw materials prior to export; and to substitute its import of value-added goods through ensuring local manufacturing thereof.
- In the BRICS context: Introduce measures that promote greater integration, easier movement of people and goods and the maximisation of bilateral preferential agreements to benefit manufacturing and trade across the broader trade bloc

Part 1: Conclusion

- Complex issues that require private and public sector coordination and cooperation – especially amongst trade & investment promotion practitioners
- Both domestically and multi-laterally
- Structures for conversation limited, even non-existent

Part 2: Issues requiring conversation, cooperation & coordination

- Trade imbalances
- Changing the content of trade: manufacturing investment in place of trade
- Beneficiation of raw materials prior to export
- Focus on national interest vs mutual interest leads to uncoordinated trade & investment promotion
- Transacting in third party currencies

Part 2: Issues requiring conversation, cooperation & coordination

- Disjuncture between bilateral preferential trade agreements and trade bloc agreements
- Measures to promote greater integration, easier movement of people & goods and maximising preferential trade agreements to the benefit of manufacturing capacity across the trade bloc
 - analysis of bilateral agreements to determine best proposition
 - multilateral agreements such as AGOA

Part 3: Structural arrangements to improve cooperation & coordination

- BRICS Contact Group on Economic & Trade Issues (CGETI) developed the “Trade and Investment Cooperation Framework”
- Areas of work:
 - Multilateral cooperation and coordination
 - Promoting & facilitating trade & investment
 - Innovation cooperation
 - SMEs cooperation
 - Cooperation on Intellectual Property Rights
 - Cooperation on Infrastructure and Industrial Development

Part 3: Structural arrangements to improve cooperation & coordination (continued)

- Specific proposals made in the framework agreement
 - The enhancing of information exchange on trade/investment policies and business opportunities through mechanisms including websites for trade/investment information sharing.
 - The encouraging of their trade/investment promotion agencies to establish stronger relationships, and providing policy support for trade/investment missions amongst the BRICS Members.
 - Expanding cooperation on trade/investment promotion platforms such as trade fairs and expositions to increase opportunities for BRICS enterprises to meet, communicate and cooperate with each other.

Part 3: Structural arrangements to improve cooperation & coordination (continued)

- Improving the transparency of the trade/investment environment in line with their respective laws and regulations.
- Enhancing communication and cooperation in the areas of standardisation, certification, inspection and quarantine.
- Enhancing communication and cooperation between agencies responsible for trade remedies.

Part 3: Structural arrangements to improve cooperation & coordination (continued)

- Specific proposals made with regard to SME's
 - Conducting information exchanges on SMEs regulatory and supporting policies, as well as the experiences and practices in this area.
 - Exploring possibilities of signing a BRICS SMEs Cooperation Agreement.
 - Encouraging promotion agencies such as SMEs associations and development centres to establish contacts and hold joint activities including trade/investment expos, human resource training, consulting, seminars, etc.

Part 3: Structural arrangements to improve cooperation & coordination (continued)

Domestic

- Need for trade & investment promotion agencies to interact with chambers of commerce
- Why:
 - To eliminate duplication of activity
 - Maximise the country's effort
 - Coordinate private & public
- Reach national consensus prior to multilateral negotiation

Part 3: Structural arrangements to improve cooperation & coordination (continued)

BRICS Business Forum

- Identify policy and legislative impediments to doing business between the various BRICS countries, e.g. the visa regulations, do work on reconciling merchandise trade data and models for services trade data collection, etc.
- Commission research to look into what policy and legislative adjustments are needed to support economic growth amongst the BRICS participants
- Host BRICS-wide trade & investment conferences and exhibitions
- Design mechanisms to exploit complementary sectors of the various economies and to exploit the various Free Trade and Bilateral Preferential Agreements that exist in the various BRICS countries
- Coordinate trade & investment activities

Part 3: Structural arrangements to improve cooperation & coordination (continued)

- Association of BRICS Trade and Investment Promotion Agencies
 - Structured engagement to coordinate trade & investment policy and activity
- BRICS Development Forum
 - For purposes of better coordination, at both a policy and implementation level, bring two groupings across the BRICS bloc, private and public, business and trade promotion agencies together, to interact on an ongoing, structured and coordinated manner.
 - International example - Baltic Development Forum, a leading think-tank and network for high-level decision-makers from business, politics, academia and media to promote cooperation, coordination, coherence and advocacy. This includes the trade & investment promotion agencies

Part 4: Suggestions on best practice

- Getting the basics right
 - Format of business matchmaking events
 - Factor in enough lead time
 - Plan effective programme
 - Skill delegates in the art of matchmaking
 - Collaboration: consultants vs business organisations
- Focus promotion activities on SMMEs
- SMMEs – shift assistance from trade promotion to trade activation

Thank you!

