

South Africa's South-South Dilemmas: Will a BRIC fall on IBSA?¹

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BRIC was formally launched as an emerging powers leadership group on 16 June 2009 in Yekaterinburg, Russia. This a preliminary analysis of its implications.

There's one glaring omission in the Bric combine that needs urgent rectification. The acronym needs to be made Brics with addition of the letter 'S' to include South Africa, the most powerful economy in the continent of Africa. That would make the grouping truly representative of the world and, perhaps, even a formidable combination for the future.²

In a sign that South-South co-operation will receive even greater emphasis in South Africa's foreign policy and economic relations, minister of trade and industry, Rob Davies, in a May interview, indicated that he had instructed his department to accelerate work on a November South-South trade conference to be held in South Africa. As a corollary to what will be the Jacob Zuma administration's ongoing advancing of the African agenda, such an initiative could potentially have a major impact on how Africa – not just South Africa – interacts with the 'emerging power' economies, whose governments have shown increasing interest in tapping into the continent's resources. 'We would,' according to Davies, 'like to make this a major event which would begin to shape an agenda of negotiation of new agreements with the dynamic economies of the South,' taking into account changing realities where 'the economies of the industrialised countries of the North are in decline and where there is continuing growth in economies, it is in the developing countries of the South.'³ Davies continued: 'This is not just about trade based on tariff reductions toward each other – there is a broader co-operation agenda that is emerging and I think we have to build on that.'⁴ This is, perhaps, about as succinct an expression of 'economic diplomacy' as has been articulated by the new administration of President Jacob Zuma.

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Background

Depending on the extent of the follow-up, Davies' pronouncements could resonate more widely in how South Africa and other African countries relate to both traditional as well as to the newer emerging economic powers. This could – and should – be so in as much as there is growing concern over Africa's largely reactive, rather than proactive, engagement with the world's rising economic powers including India and China as well as Brazil, Iran and Turkey among others; all beating a path to the continent to enter into bilateral agreements motivated

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by interests in strategic access to Africa's mineral, energy and arable land endowments.⁵ Both from a South African, and wider continental strategic perspective, the development of an 'agenda of negotiation of new agreements with the dynamic economies of the South' is compelling at a time when regional and continental integration is edging ever higher on the agenda of African heads of state, and when Africa is already finding this strategic objective complicated by the European Union's economic partnership agreement (EPA) offensive. Indeed, the EPA controversy, and how it is playing out in a very problematic manner in regard to the future of the Southern African Customs Union (SACU), underlines the need for a more strategically considered approach to prioritising developmental co-operation in relation to trade and market integration, wherein deepening integration to facilitate intra-African trade takes priority.

The rethink underway in the priorities pertaining to economic diplomacy comes at a time when South Africa is having to revisit South-South co-operation and where it, and the rest of the continent, fit within a fast changing world order; one in which power is shifting from West to East. While Tshwane, which affords a high priority to South-South co-operation, has invested more in it politically and conceptually than any other African state and promises to strengthen this emphasis in the foreign policy of the Zuma administration, there are a number of global South commitments in need of revisiting in terms of South Africa's national interests and the interests of the continent. While Tshwane strongly identifies with and participates in the Non-Aligned Movement (NAM), the G77+China and newer generation groupings like the G20+ involved in the Doha trade negotiations (different from the G20 finance ministers), the Bandung-revived New Asia Africa Strategic Partnership (NAASP) and the India-Brazil-South Africa (IBSA) trilateral dialogue forum, there is a discernable geopolitical 'class' stratification opening up; one that increasingly differentiates between an 'emerging powers' club led by the so-called BRIC economies comprising Brazil, Russia, India and China, first identified as such by Goldman Sachs, and the much broader global South of developing and least developed countries.⁶ This differentiation foreshadows a realigning of the South that could be problematic for Africa and pose an awkward diplomatic predicament for South Africa. For while South Africa's foreign policy identity places it firmly in the South, alongside an identity that is widely afforded it as an 'emerging economy,' the looming emergence of BRIC – excluding South Africa – could upset Tshwane's global South calculus with newly marginalising implications for Africa – South Africa included.

BRIC, formally launched on 16 June 2009 in Russia as the latest of the three formations under discussion, is an attempt to bring together the four largest of the world's emerging market economies to push for a restructuring of the global economy in the aftermath of the global economic meltdown. Its initial focus centres around upping the ante on devising alternatives to the US dollar as the world's reserve currency. IBSA, launched in 2003, was conceived as a combination of three like-minded, democratic regional powers of the South bridging the tri-continental scope of Asia, Africa and South America, with an aim at influencing changes in the global economy as well as reforming global governance centring on the UN system, the UN Security Council in particular. NAASP on the other hand was an attempt to revive Afro-Asian co-operation that grew out of the 1954 Bandung conference. Its launch was spearheaded by South Africa and Indonesia in April 2005.

IBSA loses momentum while NAASP stalls

There are signs, however, that both IBSA and NAASP are losing momentum. NAASP, in particular, appears moribund even as China, India, Japan and South Korea have unilaterally fashioned their own unilateral outreaches to Africa outside it, while the African Union (AU), African governments and stakeholder institutions seem equally oblivious to NAASP as a mechanism for managing the 'new scramble' for Africa. Everyone, including the likes of Turkey and Iran, are trying to carve out a piece of the African action, irrespective of the continent having a common position on how to manage its own action in its own interests and developmental agenda. But if the emerging Asian powers have been bypassing a strategic partnership framework which Africa itself ignores, it is IBSA, where South Africa has had much invested, that seems likely to be sidelined by the BRIC powers, who have decided to become more than a Goldman Sachs acronym, and to institutionalise their quadrilateral identity as the vanguard of the new post-Western world order. This could, in the process, marginalise South-South co-operation epitomised in the IBSA trilateral relationship.

Why this is so has much to do with a widely perceived disengagement of India from IBSA. Indeed India, with much the more complicated regional geopolitical circumstances to contend with, compared to either South Africa or Brazil, is increasingly distracted by the manner in which its presumed regional primacy is challenged by the encircling machinations of China and Pakistan, especially, recently with regard

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to Sri-Lanka which could become a Sino-Pak satellite.⁷ This would be on the strength of military aid received by Colombo to defeat the Liberation Tigers of Tamil Eelam (LTTE), with the aim of short-circuiting New Delhi's Indian Ocean sea lanes of communication (SLOCs) extending as far down the eastern African littoral as Madagascar. From an international security standpoint, South Africa, for its part, may not have helped matters by not following up the IBSAMAR maritime exercises of April 2008 with participation in the anti-piracy flotilla in the Indian Ocean which includes Chinese, Russian, and Indian naval deployments. Whether or not such a deployment would be in its narrowly defined economic interests, South Africa's absence exposes the limitations of its African agenda in terms of the continent's broader security interests and South Africa's presumptive continental leadership. 'Anti-hegemon' as it is, South Africa does not aspire to great power status and lacks the attributes to become one (save being transformed into a supranational regional state).

India, as a civilisational mega-state, does aspire to leave behind its global South identity in favour of assuming great power status. Thus BRIC, its geopolitical rivalry with Beijing notwithstanding, becomes infinitely more relevant in national interest terms than IBSA. At the same time, China and Russia have made the Shanghai Co-operation Organisation (SCO), to which India has observer status, more attractive at the heads of state level where it will now be included in the SCO's inner councils.⁸ This makes BRIC, at a global level (in tandem with the SCO at the regional level), all the more compelling in the power-shifting sweepstakes concerning the world economy. Hence, the proximity in timing of the first BRIC summit in mid-June ahead of the SCO summit, also hosted by Moscow. The stage was set for making BRIC more than an acronym when Russian President Dmitry Medvedev visited Brazilian President Luiz Inácio Lula da Silva last November.⁹ The two made a joint announcement calling on BRIC, as the leading emerging market countries, to hold their first summit in response to the global financial crisis resulting in a series of Russian and Chinese pronouncements on moving away from the US dollar as the world's reserve currency. Indeed, a geopolitics of economic decoupling, of which moving away from the US dollar as a currency of trade among BRIC emerging economies is a key feature, is a motivating factor behind the Medvedev-Lula call to summitry. South Africa, by the way, has one of the world's main 'floating currencies' as the rand has surged 25.3 per cent against the dollar since November.¹⁰

BRIC laying in New Delhi

Preparations for the first BRIC summit were laid at a 13-14 May 2009 'pre-BRIC summit preparatory meeting' in New Delhi organised by the Observer Research Foundation.¹¹ The institutionalisation of BRIC will involve the formalising of regular meetings among the foreign ministers of the quartet while finance ministers and central bank governors will meet before G20 and IMF-World Bank meetings. BRIC ambassadors/permanent representatives should set up regularised consultations at such international conference centres as Geneva, Vienna or New York. Heads of state summits would take place on an annual rotational basis and include specialist BRIC working groups, a BRIC business forum and co-operation between chambers of commerce and academics among other sectors – not unlike the IBSA business council, sectoral working group and academic forum format. There is already a BRICs network of 'alter-globalisation' scholars in which South African ANC member of parliament, Ben Turok is a leading actor.¹²

The summitry modalities pose awkward challenges for South Africa's diplomatic standing as an 'emerging market country,' given its IBSA+2 'Outreach 5' status at G8 summits. Within this setting, BRIC will overlap into the G8 in terms of Russia's membership in that grouping, while subtracting South Africa and Mexico when it comes to BRIC. While summits would be rotational, they might be held, taking advantage of the opportunity of the presence of the four BRIC leaders, on the occasions of the UN General Assembly, the G20 and G8 summits 'with the aim of moving toward stand-alone summits.' From the standpoint of the Outreach 5 of the G8, BRIC summitry excluding South Africa (and Mexico) could call into question the utility of an Outreach 5 as anything more than a diluted vehicle for North-South dialogue on the side of G8 summits as the African voice presented by South Africa would be absent from the internal deliberations of the 'emerging country' club.

As it is, the Outreach 5 seems to have been a possible way-station to expanding the G8 into a G13. At the same time, from IBSA's very inception, the possibility of its expansion to include China and Russia has been broached but rejected. IBSA's identity as a like-minded troika of democratic regional powers of the South lent it a norms and values global governance legitimacy and idealism that precluded its incorporating Russia and China. Now, it appears that the more hard-nosed realism of emerging economic power has trumped IBSA with BRIC. South Africa's exclusion remains to be clarified. BRIC, however, could well allow for observer status as does the SCO

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which could accommodate South Africa and other emerging economies of the South with the possibility of full membership. But it remains to be seen if BRIC will include such a provision. South Africa's exclusion from BRIC and the impact this could potentially have on Africa becomes all the more salient as a concern when contemplating the punch-line at the end of the pre-summit advisory.

While a major thrust of the BRIC agenda will be conducting intra-BRIC trade in the national currencies of the BRIC countries, it is observed that *'it may be useful for BRIC to engage with countries like South Africa*, both to enhance trade possibilities between Brazil and the other three nations [using South Africa as a transit point] but to also tap into the trade possibilities with regional trade partners of each of the BRIC countries. This might help create a trade enhancing network of [free trade agreements] FTAs.¹³ [italics added] This can be coupled with the four countries using their significant forex reserves to pursue co-investing initiatives not just within the BRIC region, but 'in another regions [e.g., Africa] where co-investments can be advantageous to all four nations.'¹⁴ As articulated, this is a challenge to whatever trade and industry minister Rob Davies has in mind when he talks of a 'South-South trade conference for purposes of establishing an agenda of negotiations of *new agreements*.' [italics added] Clearly, South-South co-operation is no longer an exercise in 'third world solidarity.'

If BRIC is going to exclude South Africa while seeking to use it to facilitate an intra-BRIC trade agenda that will see it combining forces in the scramble for Africa, what is the South African and African counter-strategy – or pre-emptive manoeuvre – in adapting to what is clearly a power-shift within the South and a more clearly resolved emerging economies power bloc? This is where Tshwane has to creatively leverage its strategic comparative advantage as a regionally-based African power with the continent's largest economy and institutional, financial, and industrial capacities to ensure that emerging market great powers and other non-African actors in the global South engage Africa on Africa's terms. In the process it needs to move beyond the 'one and the many' paradigm where external powers such as China and India deal with the continent on unequal terms embedded in the continent's fragmentation into 53-odd dubious sovereignties.

Conclusion

While South Africa cannot place itself in the emerging great power league of its IBSA partners – India and Brazil – it does,

nevertheless, fill a uniquely strategic niche in African terms. It is the premier catalytic regional power driving the continent's integration toward an ultimate goal of continental sovereignty. Given the institutional and governance infirmities of the AU, *South Africa is Africa's default leader* irrespective of its non-hegemonic aspirations. It remains the preferred gateway to the rest of the continent's economy as reflected in Standard Bank's largest shareholder, the Industrial and Commercial Bank of China (ICBC) with 65 joint projects in Africa and plans for continuing expansion on the continent. This places South Africa in the pivotal leadership position to influence the continent's terms of engagement with external powers, though the EU/EPA experience is indicative of the divide-and-rule tendencies of external actors in a position to exploit Africa's divisions defined by its fragmented sovereignty. In that sense, the BRIC consolidation has a silver lining for South Africa in as much as BRIC aspires to co-invest in the continent in a manner that consolidates the group into a collective. A move that compels Tshwane and the continent to deal with them as an emerging power bloc on collective bargaining terms requiring a proactive African (or South African) economic agenda that strategically directs BRIC's co-investment plans rather than reactively responding to BRIC's African agenda which may not be Africa's (or South Africa's) African agenda.

Engaging BRIC in Africa also changes the tendency toward a reactive resentment that other African states express about Tshwane presuming to speak for Africa from the IBSA platform whereas, with South Africa being excluded from BRIC, Tshwane may be better positioned to be accepted as being best placed to engage BRIC on behalf of, and/or in partnership with, other African state and institutional actors. However this engagement unfolds, India, Brazil, and South Africa may have to evaluate their trilateral relationship within the IBSA context. If India is determined to become ever less active, then South Africa will have to focus increasingly on engaging India bilaterally and/or within the context of engaging BRIC. The same goes for Brazil which can engage South Africa in a broader trans-South Atlantic relationship with southern Africa and the rest of the continent, and as a leading member of the Union of South American States (UNASUR). Thus, the South Africa-Brazil relationship may offer more scope for South Atlantic inter-regionalism whereas the Indo-South Africa relationship will be more strictly bilateral (while possibly factoring in SACU). This all boils down to the need for South Africa to have a BRIC/emerging power policy/strategy within its broader South-South co-operation focus.

In anticipation of a possible scenario where IBSA trilateral-

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ism fades into bilateralism amid BRIC's momentum, Tshwane will have to adjust its diplomacy accordingly in developing a more focused and differentiated 'emerging market' strategy interacting with its South-South economic diplomacy. This could take the form of initiating a multi-layered but inter-related agenda of formalised engagement beginning with a South Africa-BRIC dialogue initiative, perhaps growing out of the planned South-South trade conference. This could lead to establishing a broader but separate track BRIC-Africa forum complemented possibly by an AU forum with the Association of Southeast Asian Nations (ASEAN), either replacing the NAASP or as a mechanism for breathing life into it and giving it direction. This is all a far cry from South African notions of a 'G8 of the South' but may be a more realistic reflection of power realities in fashioning a more proactive African agenda regarding external powers, traditional and emerging alike.

Policy considerations

The South-South trade conference: The thrust, or part of the thrust, of such a conference should be to begin coming to terms with BRIC as a new global economic actor and external economic actor on the continent. The idea of a three-tiered dialogue of engagement – South Africa-BRIC dialogue, BRIC-Africa forum and Africa-ASEAN forum – might be part of the considerations of ways forward emerging from the conference or might, informally, be the kind of follow-up initiatives emanating from it.

South Africa-BRIC dialogue: An ongoing consultative dialoguing initiative is needed to determine how South Africa relates to BRIC – and BRIC to South Africa – within the context of IBSA, and IBSA's future as well as interrelationships between South Africa, Indian and Brazil within the G8 Outreach 5. The implications of the BRIC notion of engaging with countries like South Africa, both to enhance trade possibilities between Brazil and the other three nations needs fleshing out in terms of how South Africa relates to BRIC and vice versa.

Given that South Africa has *bi-national commissions* (BNCs) with each BRIC country, a South Africa-BRIC dialogue could be pursued and/or initiated through the BNC route as a complement to a collective dialoguing format. What is important is for provision to be made for civil society, private sector and academic/think tank participation.

BRIC-Africa forum: South Africa has to play a leading role in developing a broader African multilateral co-operative interaction with BRIC in tandem with its own

country-focused national interest dialogue with BRIC. This forum should be predicated on Africa assuming a proactive initiative in determining/defining how BRIC engages the continent, especially on issues of co-investment. Perhaps, the AU could be persuaded to delegate the NEPAD heads of state and government steering committee to serve as the point of departure for how such a forum should be structured. Other African institutional stakeholder actors such as the African Development Bank (AfDB), the Development Bank of Southern Africa (DBSA) and other development finance institutions should be involved as well.

AU-ASEAN forum: Within a broader South-South co-operation agenda, such a forum may serve as a more targeted alternative format for co-operation than the NAASP. Or the NAASP might be re-defined in terms of a more focused relationship between the AU and its regional economic communities (RECs) and the ASEAN (or ASEAN+3) in charting a more clearly defined inter-regional relationship between Africa and Southeast Asia. Consideration of this option could emerge out of an evaluation of the NAASP and its effectiveness since its Bandung launch in 2005. Further, an AU-ASEAN forum could serve as a pilot forerunner of similar type mechanisms that might be forged with the Gulf Co-operation Council (GCC) or the South Asian Association for Regional Co-operation (SAARC) in re-focusing the Association of Sub-Regional Organisations Conference (ASSROC) component of NAASP.

The point in the above illustrative options is the possibility that there may be a need to revisit how South Africa's emerging economies/South-South co-operation agenda is structured and implemented. Each of these illustrative options should allow for major non-governmental, private sector and academic/think tank inclusion on how they – or some other initiative intended to achieve the same goals – are structured and implemented operationally just as is reflected in the manner in which IBSA is structured. Indeed, it might be useful to establish a non-governmental South-South co-operation council of South African academic and think tank specialists and economists to engage with government in monitoring the progress of the South-South agenda as it relates to South Africa's national interests and to advancing the African agenda in the rest of the continent.

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Endnotes

- 1 BRIC refers to the Brazil, Russia, India and China grouping, IBSA to India, Brazil and South Africa
- 2 Paranjay Guha Thakurta. 2009. 'The importance of BRIC, including South Africa.' *The Asian Age*, 14 June. Also see: Siddarth Varadarajan. 2009. 'BRIC is a bloc but a soft balancer.' *The Hindu*, 13 June, where a complementarity between BRIC and IBSA is suggested.
- 3 Brendan Doyle. 2009, 'Look South for growth, not West, says minister.' *Sunday Times (Business Times)*, 17 May, p. 7.
- 4 *Ibid.*, p. 7.
- 5 See: F Kornegay & C Landsberg. 2009 'Engaging Emerging Powers: Africa's search for a "Common Position"', in a forthcoming issue of *Politikon*.
- 6 David Oakley. 2009, 'Decoupling gains brand new group of cheerleaders.' *Financial Times*, 12 June, p. 25. It was Goldman Sachs chief economist, Jim O'Neill who coined the BRIC acronym in 2001.
- 7 Siddarth Srivastava. 2009. 'India blasts rivals' role in Sri Lanka.' *Asia Times Online*, 10 June. <http://www.atimes.com>. Accessed June 2009.
- 8 See: 'Manmohan to attend SCO, BRIC summit.' 2009. *The Hindu*, 10 June. On why India had not shown much SCO enthusiasm in the past, the Indian prime minister is referred to as having said that 'he was unwilling to sip a cup of coffee outside while others were deliberating in closed-door meetings.'
- 9 'Russia, Brazil call first BRIC summit for 2009' 2008. Reuters, 26 November.
- 10 David Oakley, *op. cit.* p. 25.
- 11 'Experts suggest annual BRIC summit and democratisation of IMF' 2009. NewKerala.com. New Delhi, 15 May. www.newkerala.com/nkfullnews-1-39244. Accessed June 2009. Includes the entire communiqué covering 43 items/recommendations.
- 12 See for example: The BRICs project first draft position paper, by Jose Cassiolato and Bengt-Ake Lundvall. <http://globelics.org>. Accessed June 2009.
- 13 *Ibid.*, p. 7.
- 14 *Ibid.*, p. 7.

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