

# From BRIC to BRICS--Benefit analysis of South Africa's entry into BRIC

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**Abstract**—This article is based on the fact that China invites South Africa to join BRIC and to attend a summit of BRIC leaders to be held in Beijing in 2011. This article gives benefit analysis from two aspects. On one hand, South Africa has three advantages in position of economy, in factors of production and in structure of population, which will accelerate the development of BRIC. On the other, since South Africa's entry will meet the demands of China, which are market demand and resource demand, it is China rather than the other three countries that invites.

**Keywords**-BRIC; South Africa's entry; benefit analysis; factors of production; resource demand; structure of population

## 1. Introduction

BRIC (Jim O'Neill, 2001) is referring to the four countries as Brazil, Russia, India and China, whose economies will become the animate ones in the world in a few decades. China is already a major player in world trade, and India is also becoming increasingly significant in such areas as computer software and back-office processing. Although their markets are smaller than either China's or India's, both Brazil and Russia have experienced accelerating growth in recent years. As a result, there is no doubt that these countries will play important roles in the world economy.

As was claimed in December 24, 2010 by Ministry of Foreign Affairs of People's Republic of China, BRIC has officially accepted South Africa as a full member of the group. In addition, Chinese President Hu Jintao would issue an invitation letter to South African President Jacob Zuma, inviting him to attend the third BRIC leaders' meeting to be held in Beijing next year.

TABLE I. COMPARISON OF BRIC AND SOUTH AFRICA ON GDP AND GROWTH RATE

	<i>Brazil</i>	<i>Russia</i>	<i>India</i>	<i>China</i>	<i>South Africa</i>
<b>GDP</b>	1.7TD	1.8TD	1.2TD	4.2TD	0.3TD
<b>Growth Rate</b>	5.2%	6.0%	7.3%	9.0%	-1.8%

Source from Wikipedia

We can see from the data that the GDP of South Africa is about a quarter of that of India, which is the smallest of all, and is sliding in the year 2009, comparing with the huge growth of the four.

At this point it seems really unreasonable that the BRIC accepts the South Africa as a member.

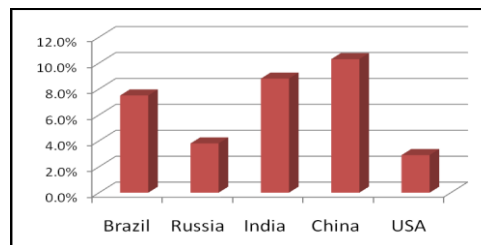
## 2. What Does South Africa Have

Surely the entry of South Africa will have a significant, beneficial impact on the existed four members, especially on the economy; in the meanwhile, South Africa absolutely will gain profits from the more connected relationships. It is safe to say that it is a win-win result.

However, acknowledged the data in Table 1, we still have doubts why South Africa was picked. The doubts will be eliminated by the three advantages South Africa has

## 2.1. Advantage in Position of Economy

The global economic crisis in 2008 makes the entire world realize the importance of the emerging markets throughout the world in the recovery of economy in the short-term and in the development of economy in the long-term. Among all the emerging markets in the world, Brazil, Russia, India and China are definitely the most irreplaceable ones. Based on the facts that the growth rates of GDP of China, Brazil and US are 10.3%, 7.5% and 2.9%, and on the prediction made by IMF that the growth rates of GDP of India and Russia are 8.8% and 3.8%, the Figure 1 clearly shows the relative relations of the country above.



Source from IMF

Figure 1. The GDP Growth Rate of BRIC and USA

Being at the southern tip of Africa, South Africa is the most prosperous and developed country in Africa. As is known to us all, the World Cup was successfully held in South Africa in the year 2010, which is the first time that such worldwide events were held in Africa. We can probably say that South Africa has always been the leader of the whole continent in economy.

As an emerging market itself, South Africa surely will play an irreplaceable role in the world economy recovery; as an economic leading country in the Africa, South Africa surely will also play an irreplaceable role in the Africa economy rise. Taking the above into consideration, we can infer that it is beneficial to take South Africa as a BRIC member.

## 2.2. Advantage in Factors of Production

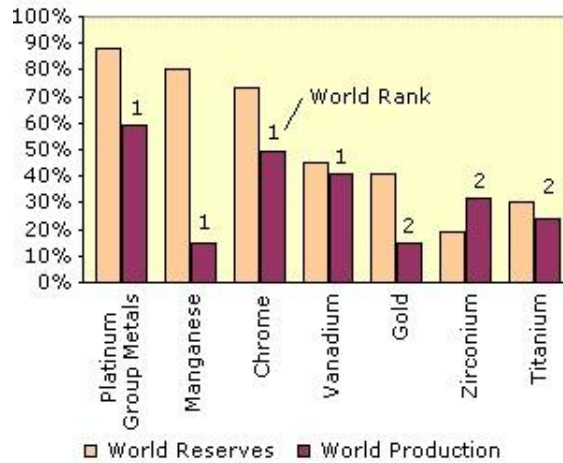
There lies the advantage in two factors of production, which cannot be ignored and can authorize South Africa a head start.

- The abundant cheap laborers.

The country South Africa has a population of 49.1 million (Statistics South Africa, 2010). According to latest data released by Statistics South Africa, increasing largely in recent years, the unemployed population, among which are perfectly fit people to a lot of jobs, in South Africa has already exceeded the quarter of the whole population. This can provide the evidence to support the conclusion that the abundant cheap laborers, if well hired, will enhance the economy hugely.

- The rich mineral resources.

South Africa, known throughout the world as a treasure trove, boasts an abundance of mineral resources, producing and owning a significant proportion of the world's minerals.



Source from web: www.southafrica.info

Figure 2. South Africa's Share of World Reserves and Production

Obviously the rich mineral resources will add fuel to the economy as well.

### 2.3. Advantage in Structure of Population

The CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa) is an acronym for favored emerging markets coined in late 2009 by Robert Ward, Global Forecasting Director for the Economist Intelligence Unit (EIU). These countries are favored for several reasons, such as a dynamic and diverse economy and a young growing population. (Wikipedia, 2010)

According to The EIU, CIVETS will have healthy yearly growth rates of 4.9% for the next twenty years; while G-7 countries are predicted to have only 1.8% yearly growth rates on average. This gives another advantage to South Africa that it will have a highly dynamic and balanced population, which will in turn create a highly dynamic and balanced economy in the decades to come.

## 3. Why Does China Invite South Africa

That, as the rotating presidency of BRIC this year, China invites South Africa to join is largely because the entry of South Africa may meet the demands of China in two respects, which are market demand and resource demand.

### 3.1. Market Demand

TABLE II. DIRECT INVESTMENT AND FROM CHINA TO SOUTH AFRICA (IN MILLION DOLLARS UNITS)

	2005	2006	2007	2008	2009	Total
<i>Africa</i>	1595	2557	4462	7804	1439	17857
<i>South Africa</i>	112	168	702	3049	42	4072
<i>Share of All</i>	7.04%	6.56%	15.74%	39.07%	2.89%	22.81%

Source from National Bureau of Statistics of China

We can conclude that China has been carrying out a mass of investment in the past five years. To add the total amount of the past five years, China has almost spent one quarter of the total investment of Africa on South Africa alone. In addition, the year 2010 witnesses that the bilateral trade between China and South Africa increases from 14.3 billion dollars to 19.7 billion dollars with a growth rate of 37.6% (Statistics South Africa, 2010&2011). What should be paid more attention is that the import from China to South Africa is 11.5 billion dollars, 58.7% of the total bilateral trade, increased by 35.8%.

All these facts make China the biggest trading partner of South Africa all around the world, with the biggest import and biggest export.

Of course China feels like taking control of the market of Africa started from taking control of the market of South Africa. As the leader of the Third World, China would make tremendous profits just being nice and welcome to the entry of South Africa.

### 3.2. Resource Demand

It is universally acknowledged that South Africa is one of richest countries in mineral resources throughout the world. With the development of trade with China, the mineral export to China is increasing extremely hugely in the last few years. We can see the data in Table III.

TABLE III. COMPARISON OF MINERAL EXPORT FROM SOUTH AFRICA TO CHINA

	2010	2009	2008	2007	2006
<i>To China</i>	5.79BD	3.69BD	2.70BD	2.40BD	1.09BD
<i>Growth Rate</i>	56.90%	36.60%	12.60%	120.40%	92.60%

Source from Statistics South Africa

On a meeting held by Ministry of Land and Resource of P.R.C in Beijing in July, 2010, the officers pointed that China were facing a severe shortage in mineral resources. The country began to find a stable supply of mineral resources not only in its own land but also in other parts of world, especially in South Africa.

With the deep connection with South Africa, China can have its demands of resources satisfied.

## 4. Summary

From BRIC to BRICS, we should see the benefits not only for the related countries but also for the whole world. That what the really goal of the entry is does not seem as important as the results of the entry, which are an enhancement of the connection between the emerging markets and an optimization of the resources in developing countries.

As the globalization today being more and more obvious, the BRICS will surely play a more essential role than ever before.

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