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## South Africa's Role In the BRICS Vision

*Mr. van Niekerk, counsellor at the South African Embassy in Denmark, gave this presentation to the Copenhagen seminar on the BRICS, cosponsored by EIR and the Schiller Institute, on Jan. 30.*

I would like to thank Mrs. LaRouche and the Schiller Institute for giving me the opportunity to talk to you about what BRICS means for us. In the past few years, there was a lot of criticism against South Africa's inclusion in the BRICS organization. We have been proud to become the S in BRICS, and I would like to expand on that a bit as well.

South Africa's GDP is 26th largest in the world, and our stock exchange is the 18th largest. We have 17 million economically active people; a growing finance, real estate, and services sector makes up 21% of the economy. South Africa is also the powerhouse of Africa, the world's largest producer of gold, platinum, and chromium. We can feed ourselves, and we export food. We have an independent judiciary, a free press; we've held several free democratic elections, and we subscribe to a progressive Constitution.



*South Africa is very much a part of the BRICS, said Counsellor van Niekerk, "and we are already starting to deliver for Africa."*

We have a lot of challenges after the end of apartheid, and we are busy reversing some of the legacies of that system.

The S in BRICS represents not only South Africa, but the rest of the continent of Africa as well, and we hope to create opportunities for Africa in Africa.

South Africa enjoys recognition as a dedicated and committed regional and global power—in the UN, the African Union, the G77, as well as the Non-Aligned Movement. South Africa's is also the only African representative in the G20. Therefore, we have no doubts about our membership in BRICS, and we do not see it in conflict with our stated aim of ensuring a better life for all.

Dear friends, the historic and seminal moment in the post-Bretton Woods era was reached when the BRICS finance ministers signed two founding agreements, a New Development Bank and a Contingent Reserve Arrangement. South African President Jacob Zuma hailed the established of the New Development Bank as an everlasting legacy that will change the face of global economics, and the face of all the developing world, for the better.

We are still looking toward the future to prove that right.

### The BRICS Agenda

As the leaders indicated at the 4th Summit held in New Delhi, this bank is intended to strengthen cooperation among emerging economies, and developing countries, by joining and pooling BRICS savings, notably foreign reserves estimated to be about US\$4 trillion, as well as other private financing within the jurisdiction of these countries, to meet the developing needs of countries with whom we, as South Africa, share common objectives.

In the period leading up to the signing of these two important agreements, the African leadership was consulted—that's the African Union chairperson, the NEPAD (New Partnership for African Development) chairperson, as well as the AU Commission chairper-

son, who then wrote a letter to President Zuma to engage all the leaders of BRICS, in the importance and significance of this initiative for the aspirations of the African continent.

It can be recalled that when President Zuma, in response to this mandate, hosted the BRICS and African leaders' retreat, on the occasion of the 5th Summit we held, the discussion centered on infrastructure development of Africa tying in with the Silk Road project. Trade, cultural exchange, and the success of Africa are dependent on this.

South Africa hosted the 5th BRICS Summit in Durban, during 2013. The following agreements were signed during the summit, under the auspices of the BRICS interbank cooperation mechanism: the BRICS multilateral infrastructure cofinancing agreement; the BRICS multilateral cooperation and cofinancing agreement for sustainable development; as well as a new cooperation agreement on innovation—which already shows you how closely we are pulling Africa and the BRICS countries together.

The process of negotiations to launch the bank and the currency agreement was concluded in the main during the South African chairmanship, due to the unprecedented commitment from our BRICS partners to bring these projects to early fruition. Considering the various political, financial, legal, and constitutional requirements that had to be navigated to come to these agreements, this is an indication of the political role of the leadership of BRICS.

The leaders agreed, as contained in the Fortaleza Declaration, to provide initial capital of \$100 billion, of which the initial subscribed share would be \$10 billion—that is, \$2 billion per member—to be paid over a period of seven years, shared equally among the members. The first chair of the Board of Governance, who will rotate, will be from the Russian Federation; the first president of the bank will be from India; the headquarters of the bank will be in Shanghai; and the African regional center will be in South Africa.

The leaders tasked the BRICS finance ministers, in the run-up to the next summit, to operationalize the headquarters and the regional office, and we are really on track.

The impact of the decision to locate the headquarters in Shanghai, which is fast becoming the major global financial center, will assist also in providing the

bank with resources to establish and implement projects as a matter of priority.

The decision to concurrently open an African regional center also demonstrates the appreciation of the BRICS partners of the global recognition of the sound financial credentials of South Africa. Also considering the need for this bank to interface with major clients, it will be closely linked to the headquarters in Shanghai, to ensure that the work undertaken will be complementary, timely, and also executed to precision. It obviously brings the resources to closer proximity with the African clientele base, which envisages the largest number of projects to emanate from it. An important additional gain is that the regional office will pay particular attention to project-preparation implementation.

It has been mentioned in the past four or five years, that this is the Decade of Africa, and we hope this will come to fruition as well.

### **The New Development Bank and the CRA**

The New Development Bank is aimed at achieving the central desired objective, namely to ensure that funding becomes available for priority infrastructure and sustainable development projects. The question whether this central objective could be met, is now becoming a reality, so there's no question about it.

In South Africa, we also have our own infrastructure plan, which requires funding beyond the means of our own fiscus, and this bank will certainly bring complementary funding to facilitate the implementation of such projects.

The bank's leverage to achieve impact will be multiplied by the direct rand, real, ruble, rupee, and renminbi investments made by its members. Our contributions to the bank are in fact investments and not expenditures, and it's expected that the bank will function according to sound commercial terms, also with a view to obtaining desired credit ratings. And its assets will definitely grow and multiply over time, as is the case with other, similar multilateral development banks.

South Africa is also party to various other financial institutions, whether it be through the World Bank or the African Development Bank.

The Contingent Reserve Arrangement, the CRA, will be a virtual foreign exchange reserve full of \$100 billion, modelled along the lines of the Chang Mai Initiative Multilateralization. China will initially contrib-

ute \$41 billion; Brazil, India, and Russia will [each] contribute \$18 billion, and South Africa \$5 billion. It bears no immediate or direct financial implication, because it will be activated when needed.

The CRA will, of course, also provide additional and supplementary support and insurance for global financial stability, in cases such as pressures on the balance of payments. It can be recalled that at the 6th BRICS Summit, South Africa activated the provision made in the Sanya Declaration for dialogue with other countries, so we are engaging with the African countries. We see the same thing happening in Brazil, where the Brazilian leader engages countries, leaders, from Argentina, Bolivia, Chile, Colombia, Ecuador, Guyana, Uruguay, Peru, Surinam, Paraguay, and Venezuela. That happened on the 15th of July last year.

These leaders, like their African counterparts, warmly endorsed and welcomed the bank initiative, and indicated that they already have project proposals ready for implementation. They also added—and this is quite important for us—that there have been many attempts since the Second World War to launch such initiatives, but the New Development Bank is the first tangible outcome in this regard.

At the meeting of the BRICS trade ministers, among the various decisions taken to increase trade and investment within BRICS, the ministers were alerted to the potential for forging closer links between micro, small, and medium enterprises of the BRICS. There is also a mechanism in place now to establish that.

BRICS leaders also welcomed the signing of the Memorandum of Understanding and Cooperation among the BRICS eximbanks, which will improve the support environment for increasing trade opportunities amongst the BRICS nations and their neighbors. They directed the relevant authorities to explore avenues of cooperation in this regard.

In the interaction between the BRICS leaders and the BRICS Business Council, President Rousseff of Brazil paid tribute to the outgoing chairperson of the Council, Mr. Patrice Motsepe, one of our successful businessmen in South Africa, for the excellent work done by the Council under his stewardship. The leaders took note of the Council's annual report, which made substantial recommendations on scaling up business-to-business interaction, [the lack of] which we had seen as a big drawback.

## A New Economic Order

In conclusion, these initiatives demonstrate the cohesion and maturity already reached in intra-BRICS cooperation, following the first cycle of summits. We anticipate further real economic gains and major initiatives as we implement the Fortaleza Action Plan, and start our preparations for the 7th BRICS Summit, to be held in Ufa, Russia, in [July] 2015.

BRICS is just the beginning of a new international economic order. It will be gradual but steady progress. Although there are some critics of the newly established BRICS bank, the creation of the bank is significant for the future international order for three reasons, as unpacked by my colleague Mr. [Thembile] Joyini of the permanent mission to the UN, at the Schiller Institute [meeting](#) two weeks ago.

Firstly, it demonstrates the viability and dynamics of BRICS, despite all the skepticism and criticism of recent years.

Secondly, the BRICS bank demonstrates China's global leadership; and given China's huge size and quick development, there's little doubt about China's role globally.

Thirdly, the BRICS bank is significant because it is a direct challenge to the global order led by the West. Many view the new BRICS bank as a response to the failed reforms of the IMF and World Bank, as developing countries like China and India cannot increase their influence within the institutions.

However, it should be kept in mind that the BRICS bank is not challenging the IMF, or the international liberal economic order. China and India are perhaps the two greatest beneficiaries of an open economic order, and thus the BRICS bank should try to push the IMF and World Bank to be more open and transparent. Ultimately, the competition between the BRICS bank and the IMF and World Bank should be about efficiency, rather than a struggle between a liberal and an alternative economic philosophy.

In this sense, there's a strong complementary relationship between the BRICS bank, the IMF, and the World Bank. That said, the West, the IMF, and the World Bank should not view the BRICS bank as a threat to their domination of the global economic order.

In conclusion, ladies and gentlemen, I just would like to say that South Africa is part of BRICS, and we are already starting to deliver for Africa.

Thank you very much.