BRICS

JOHANNESBURG SOUTH AFRICA 2018

Deloitte.

10TH BRICS SUMMIT

A Review of South Africa's Trade and Investment Relationship with BRIC

Foreword - Deloitte

BRICS has become the global ranking standard for the first tier of emerging markets. What began as a loose grouping of sizeable developing countries with robust long-term growth trajectories is now increasingly becoming a geo-economic grouping of states seeking common economic interests. Its loose alliance is becoming more coherent in the face of current global trade tensions and anti-globalisation sentiments.

BRICS is an emerging bloc that seeks to represent the interests of the developing world. We will hear at the Johannesburg Summit the need for a restructuring of the global economic architecture, one that takes into greater cognisance the needs of the developing world. This is especially true when considering the potential disruption in global trade resulting from rising protectionist sentiments. The opening of the global economy and the promotion of liberalised trade have underpinned emerging economies' growth. Many emerging countries stand to lose a lot if globalisation is reversed.

The BRICS are becoming more institutionalised. The alliance is both "deepening" as well as "widening" hence the inclusion of other emerging countries that have been invited to attend the Johannesburg Summit. As a common interest centred around the management of trade and investment flows emerges, the BRICS will increasingly serve as a counterweight to established traditional interests.

The world is indeed rapidly changing, creating both arising challenges and new opportunities for developing countries and the broader Africa region alike. How these are managed and grasped will shape our respective economic futures. Good political governance and management must always apply, and this will determine a country's economic success.

In support of the Department of Trade & Industry, Deloitte is proud to be the Knowledge Partner of the BRICS Business Forum at this 10th BRICS Summit in Johannesburg. We look forward to supporting BRICS companies and governments in their endeavours to expand their relationships with each other into the future.

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Public Sector Industry Leader
Deloitte Africa

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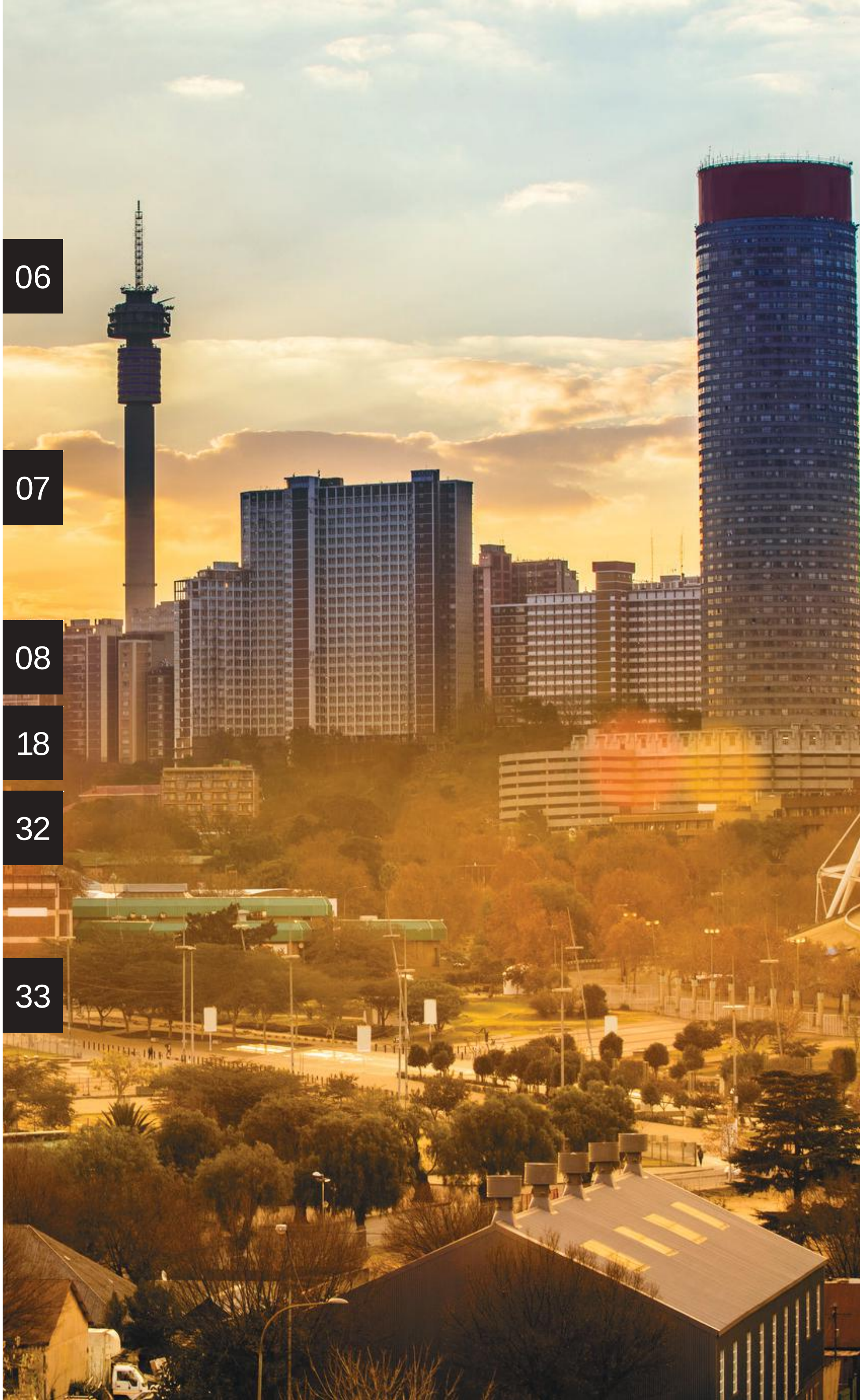


Key Highlights of South Africa’s Trade and Investment Relationship with BRIC Since 2001

- **Formation of the New Development Bank (NDB)**: In late March 2013, during the 5th BRICS summit in Durban, South Africa, the BRICS member countries agreed to create a global financial institution which they intended to rival the western-dominated IMF and World Bank. After the summit, the BRICS stated that they planned to finalise the arrangements for this New Development Bank by 2014. Then in 2014 at the BRICS 6th summit in Fortaleza, Brazil, the member states signed the long-anticipated document to create the US$100bn NDB (formerly known as the “BRICS Development Bank”) and a reserve currency pool (the BRICS Contingent Reserve Arrangement) worth over another US$100bn. The member states also signed documents on cooperation between BRICS export credit agencies and an agreement of cooperation on innovation. Finally the 7th BRICS summit in July 2015 marked the entry into force of the Agreement on the New Development Bank and in 2016 the bank opened its Headquarters in Shanghai.

- **Formation of the BRICS Contingent Reserve Arrangement (CRA)**: The CRA was established in 2015 by the BRICS countries as a framework for providing protection against global liquidity pressures. The legal basis was formed by the Treaty for the Establishment of a BRICS Contingent Reserve Arrangement, signed at Fortaleza, Brazil on 15 July 2014. With its inaugural meetings of the BRICS CRA Governing Council and Standing Committee, held on September 4, 2014, in Ankara, Turkey it entered into force upon ratification by all BRICS states, announced at the 7th BRICS summit in July 2015. Once the CRA was established, South Africa contributed US$5bn, China US$40bn and India, Brazil and Russia US$18bn each.

- **South Africa receives 1st BRICS Development Bank loan**: In the 1st year of operation (2016), the NDB Board of Directors approved seven projects in all member states of the bank involving financial assistance of over US$1.5bn. Out of this South Africa received US$180m as a sovereign guaranteed project loan to ESKOM for a renewable energy transmission project. On completion the project is expected to increase ESKOM’s capacity by 670 MW avoiding 1.3m tonnes in CO_2 emissions per year.

- **South Africa launches BRICS first regional office**: In 2017 the NDB, committed US$1.5bn over 18 months towards South Africa’s development projects as it launched the groups first regional office in Sandton, Johannesburg. The regional office is known as the Africa Regional Centre and it is expected to be the face of the NDB on the continent and aid with identifying key infrastructure projects for the country.

- **South Africa receives 2nd BRICS Development Bank loan**: In May 2018 Finance Minister Nhlanhla Nene was elected as chairperson of the board of governors of the New Development Bank (NDB). Upon his election the board approved a US$200m loan to the South African government. The loan was approved to finance the Durban container terminal berth reconstruction project. The reconstruction project is aimed at helping the transport parastatal Transnet to enhance capacity of its port in Durban.

Key Agreements Supporting Trade and Investment Between South Africa and BRIC

Counterparty	Agreements	Main Objective/Terms
Brazil	IBSA MERCOSUR Preferential Trade Agreement (PTA)	The IBSA Dialogue Forum aims to promote South-South cooperation and increasing the trade opportunities between India, South Africa and Brazil, as well as facilitate trilateral exchange of information, technologies and skills to complement each others strengths. It also aims to explore avenues to promote cooperation in broad range of areas, which include agriculture, climate change, culture, defence, education, energy, health, information society, science and technology, social development, trade and investment, tourism and transport. Tariff reductions on about 1 000 product lines on each side of the border.
Russia	Generalised System of Preferences (GSP)	Specified industrial and agricultural products from South Africa qualify for preferential market access.
India	IBSA India-SACU	(See details under Brazil) SACU and India are in the process of exchanging tariff requests but once ratified the agreement will entail tariff reductions on selected goods
China	MOU with People's Republic of China and to support SA and Comprehensive Strategic Partnership Agreement (CSPA)	The Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the People's Republic of China and the CSPA serves to promote bilateral trade and economic co-operation between the two countries. The MOU and CSPA China aim to promote industrialisation and value-added South African exports to China and increased inward investment in projects for beneficiation.
BRICS	New Development Bank	The bank aims to contribute to development plans established nationally through projects that are socially, environmentally and economically sustainable. Taking this into account, the main objectives of the NDB can be summarised as follows: • Promote infrastructure and sustainable development projects with a significant development impact in member countries. • Establish an extensive network of global partnerships with other multilateral development institutions and national development banks. • Build a balanced project portfolio giving proper respect to their geographic location, financing requirements and other factors.

Trade Developments

Trade Developments Between BRICS and the Rest of the World

- Over the last 15 years, BRICS has emerged as a key player in global trade. Between 2001 and 2015, BRICS contribution to global exports and imports increased from 8% to 18% and 7% to 15%, respectively.

- BRICS overall trade with the world increased more than sixfold during the period under review, peaking at US$6.5tr in 2014. Throughout these sixteen years, the group recorded a trade surplus with the rest of the world, which peaked at about US$640bn in 2015.

- While BRICS trade with the rest of the world showed a strong upwards trend between 2001 and 2016, the group's trade suffered two small setbacks following the global financial crisis in 2008 and the drop in commodity prices in 2014. China's global trade dominance cushioned BRICS overall exposure to these two major economic shocks.

Source: UNCTAD, 2018

Figure 1. BRICS Share of Global Trade

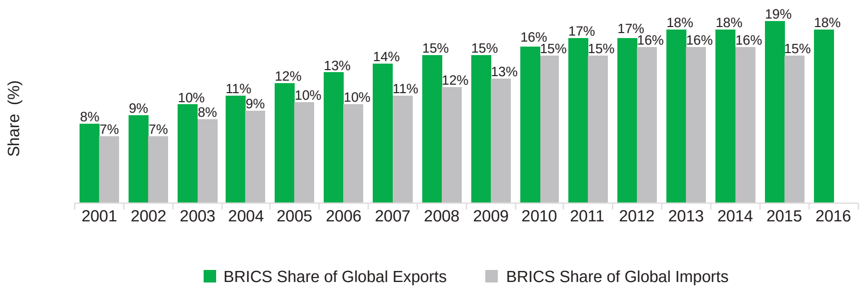
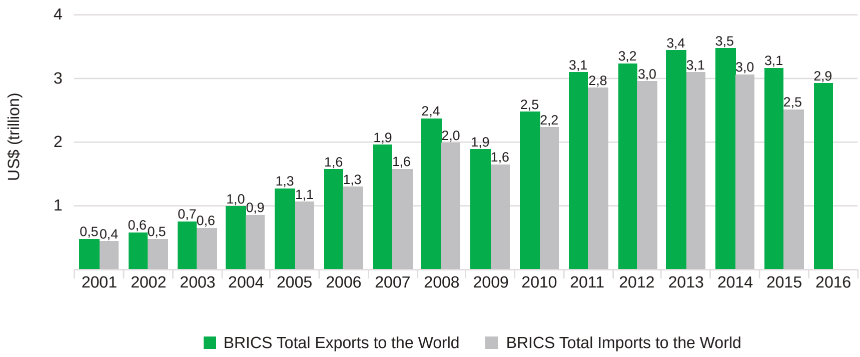


Figure 2. Total BRICS Trade with the Rest of World



Trade Developments Between BRICS and the Rest of the World

- Between 2001 and 2016, BRICS total trade with the rest of the world grew 4.5-fold. South Africa, which marginally outperformed Brazil but trailed Russia, tripled its overall trade. Trade of these three commodity-exporters grew slower than the group's average.

- South Africa, Brazil and Russia's below-average trade growth can be attributed to overdependence on commodity exports, keeping their largely undiversified exports highly vulnerable to external shocks.

- Throughout the years, South Africa's contribution to the group's total trade has been continually the smallest in terms of both exports and imports.

- China has been consistently the largest contributor to the group's total. The Asian powerhouse contributed on average 60% to exports and 53% to imports of BRICS throughout the review period. The growth of its overall contribution also increased more rapidly compared to that of the rest of the group.

Source: UNCTAD, 2018

Figure 3. Member State Share of Total BRICS Exports to the World

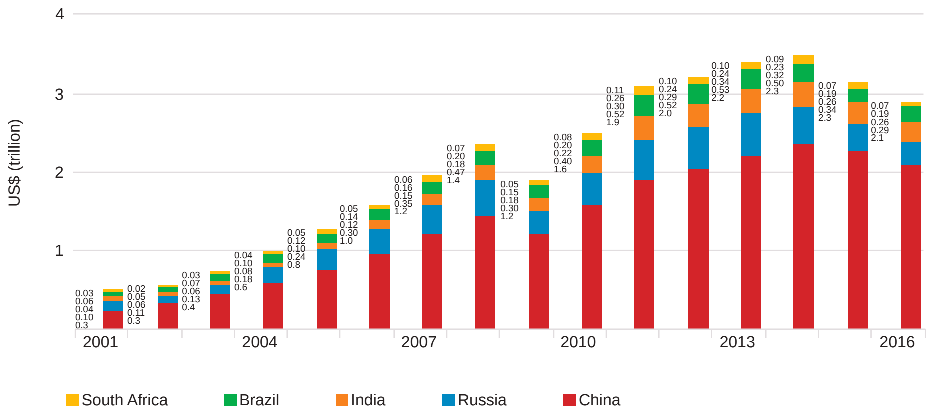
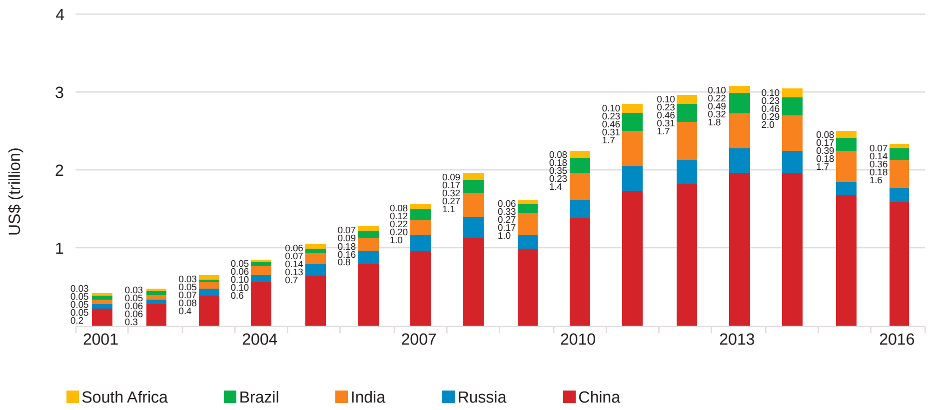


Figure 4. Member State Share of Total BRICS Imports from the World



Trade Developments Between South Africa and BRIC

- Since the turn of the century, South Africa recorded a trade deficit with the rest of BRICS. Its trade deficit increased eight-fold between 2001 and 2016, with the largest deficit recorded at US$10.5bn in 2015.

- South African's annual exports to BRICS peaked at about US$17bn in 2011 and thereafter fell to US$10.6bn. The drop in exports may be attributed to the sharp decline in metal prices, rising production costs in South Africa's mining sector and the lacklustre performance of the global economy.

- During the commodity price downswing, the South African rand weakened, leading to a decline in imports. The country's imports from the rest of BRICS fell from its peak of US$23bn in 2013 to about US$18bn in 2016.

- Despite initiatives to reduce the dominance of commodities in its BRICS export basket, South Africa's raw material exports increased from about 34% to 70% of total exports to the group between 2001 and 2016. At the same time, South Africa's exports of manufactured products dropped from about 41% to 24%, while the country continues to import mostly manufactured products from the rest of BRICS. The current imbalance suggests that there is room for a readjustment of South Africa's trade profile with its BRICS peers.

Figure 5. Total Trade between South Africa and BRIC

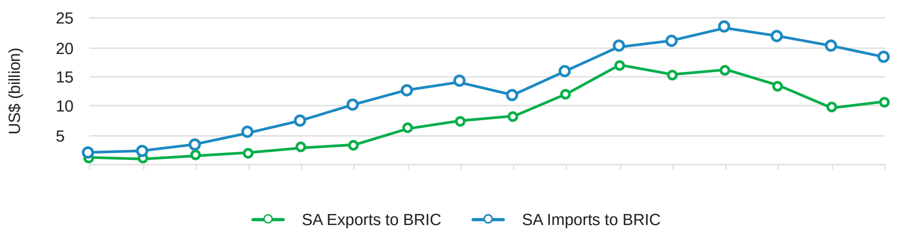


Figure 6. SA Export Composition with BRICS*

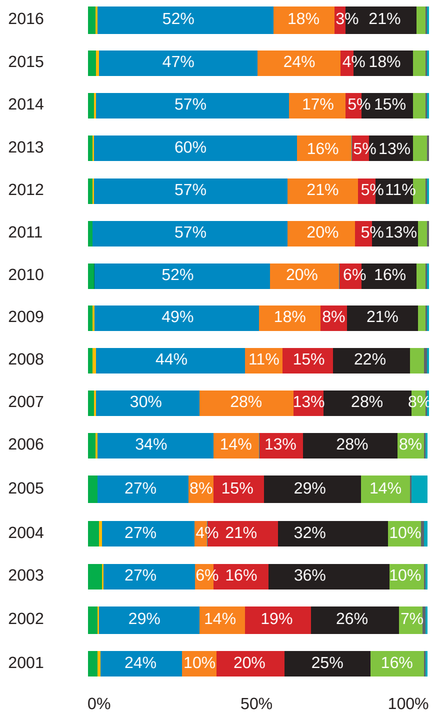
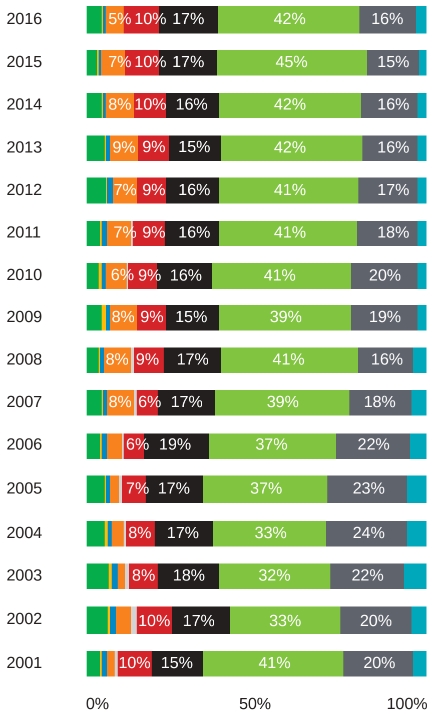


Figure 7. SA Imports Composition with BRICS*



Food and live animals
Beverages and tobacco
Crude materials and inedibles except fuels
Mineral fuels, lubricants and related materials
Animal and vegetable oils, fats and waxes
Other chemicals and related products
Manufactured goods
Machinery and transport equipment
Miscellaneous manufactured articles
Other commodities

Source: UNCTAD, 2018 , *Products are classified using Standard International Trade Classification (SITC) level 1

Trade Developments Between South Africa and BRIC

- In the 15 years leading to 2016, South Africa maintained a trade deficit with Brazil and China while enjoying short periods of trade surplus with India and Russia.

- China has been South Africa's largest partner among the BRICS countries, accounting for between 40%-75% of annual exports and 50%-75% of annual imports. Since the early 2000s, India's total export revealed rapid growth. Aligned to its overall export growth, India overtook Brazil as South Africa's second largest trade partner in 2004. Given their commodity-heavy export profiles, there has been little trade between Russia and South Africa since the turn of the century.

- China has been responsible for the bulk of South Africa's trade deficit with the group. In 2015, when South Africa's deficit with the group peaked, China accounted for 83% of South Africa's US$10.6bn BRICS trade deficit. In contrast to China, India's trade with South Africa has been largely balanced since the turn of the century.

Source: UNCTAD, 2018, *Products are classified using Standard International Trade Classification (SITC) level 1

Figure 8. SA Exports and Imports with Brazil

Figure 9. Exports and Imports with Russia

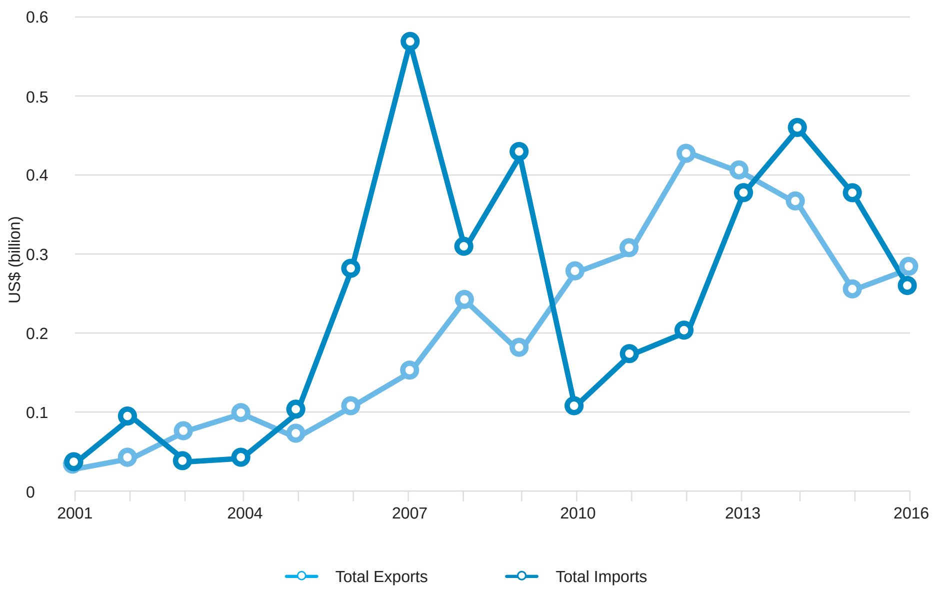


Figure 10. Exports and Imports with India

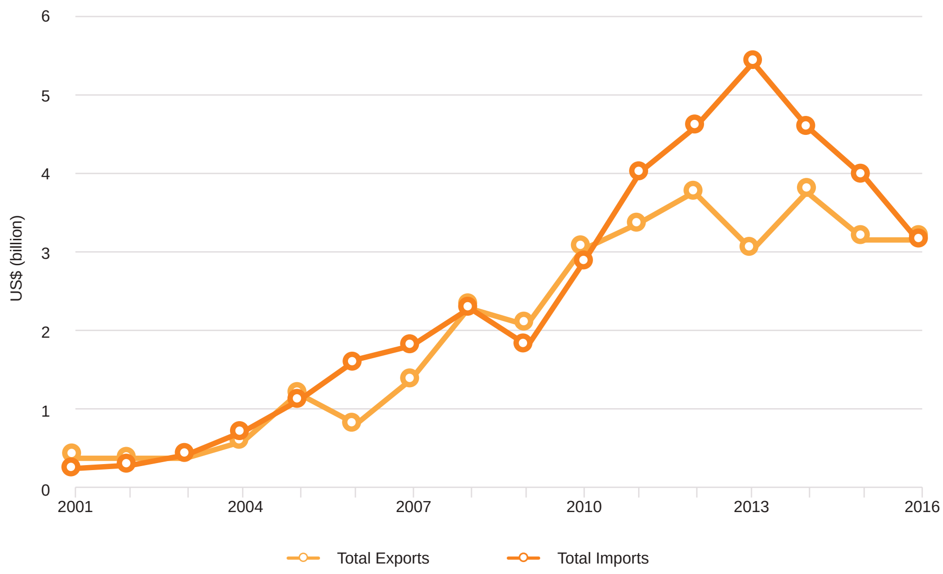
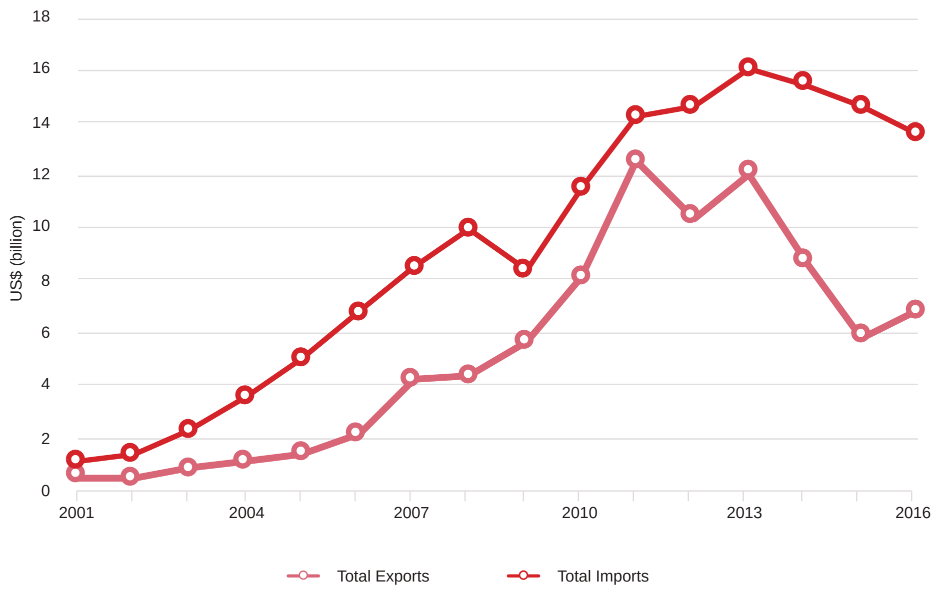


Figure 11. SA Exports and Imports with China



Trade Developments Between South Africa and BRIC

- South Africa's export profile with the rest of BRICS reveals its low export diversification and strong reliance on primary goods.

- In particular, the composition of South Africa's exports to India changed notably during the period under review. Prior to 2007, chemicals and manufactured goods accounted for the lion's share of South Africa's exports to India. Thereafter, crude materials and mineral fuels became the dominant exports. Similarly, South Africa's commodity exports as a share of total exports to China have seen a significant increase since the turn of the century.

- South Africa's imports from BRICS tend to be more diversified and skewed towards manufactured goods. This holds especially true for its imports from China and India. In 2016, manufactured goods accounted for 87% and 45% of South Africa's imports from China and India respectively.

- The composition of South Africa's imports from Russia showed strong fluctuation during the period under review. In particular, four major spikes in mineral fuel imports were notable in 2002, 2007, 2008 and 2009. During the recent oil price downswing between 2014 and 2016, food and live animals as well as manufactured goods have shown notable spikes.

Source: UNCTAD, 2018, *Products are classified using Standard International Trade Classification (SITC) level 1

Figure 12. SA Trade Composition with Brazil

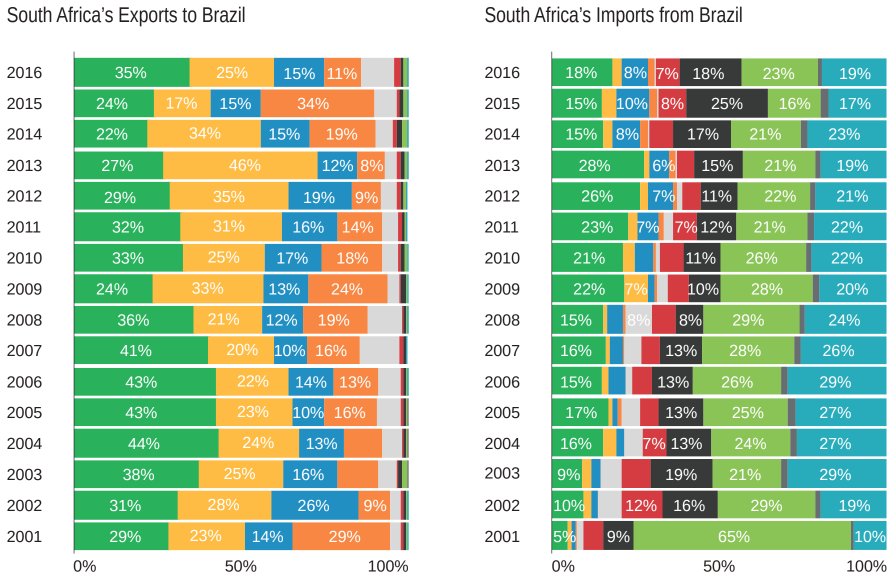


Figure 13. SA Trade Composition with Russia

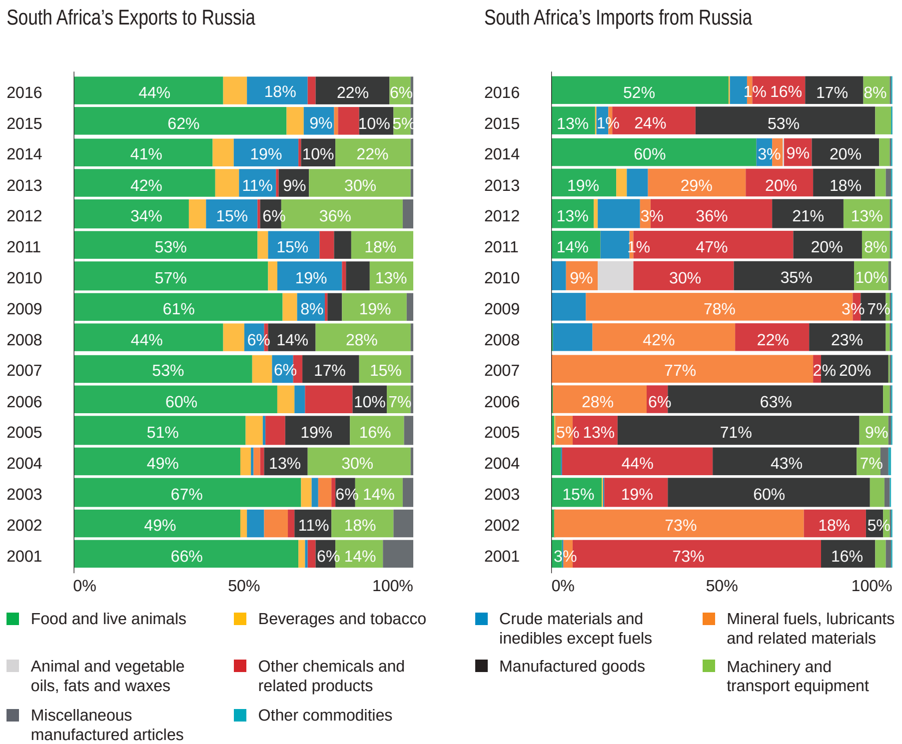


Figure 14. SA Trade Composition with India

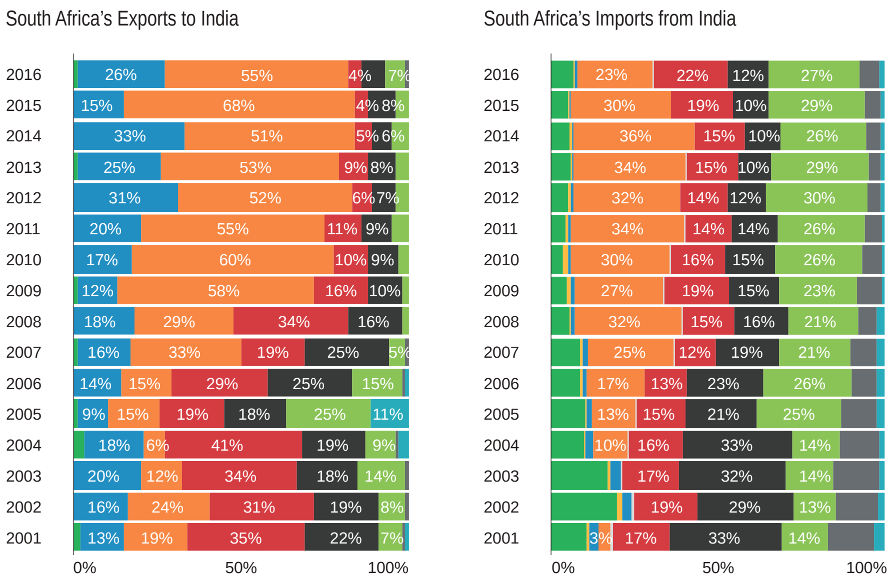
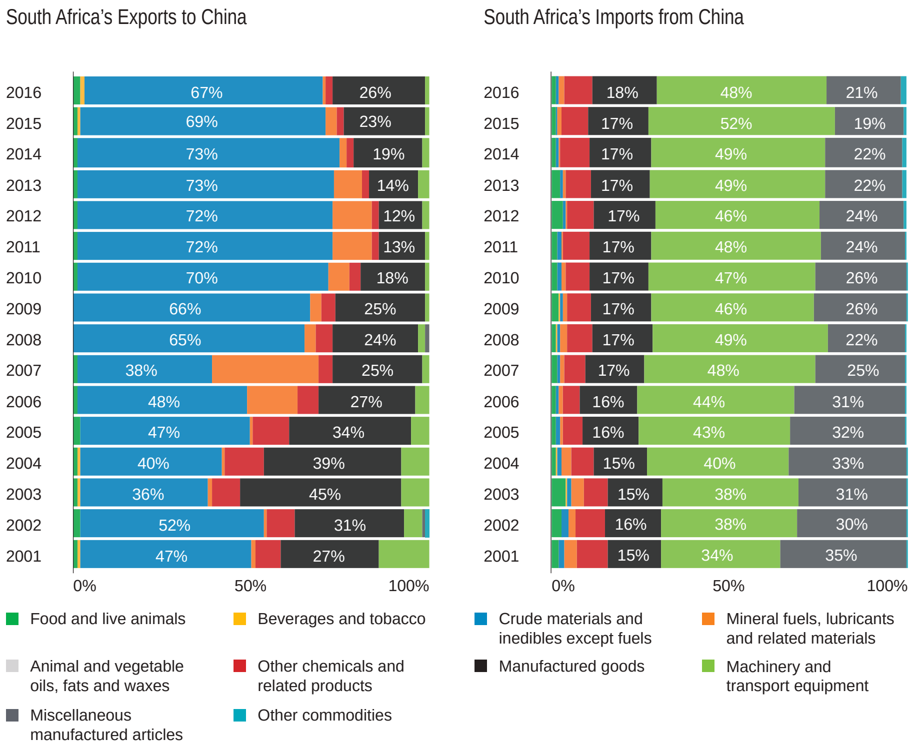


Figure 15. SA Trade Composition with China



Trade Developments Between BRICS and the Rest of the World

- Reflecting the dominance of commodity exports to the rest of BRICS, South Africa's single most exported product to Brazil was iron and steel. In 2016, iron and steel accounted for 26% of South Africa's total exports to Brazil. In 2016, transport equipment accounted for 10% of South Africa's imports from Brazil, making it the single largest import from the Latin American country.

- While vegetables and fruits were South Africa's most important exports to Russia, accounting for almost half of all exports in 2016, cereals accounted for more than half of South African imports from Russia.

- In 2016, coal accounted for more than 50% of India's import from South Africa. South Africa's imports from India are more diverse with petroleum products accounting for 23% of total imports from India, followed by road vehicles, which contributed 18% to South Africa's imports from the subcontinent in 2016.

- South Africa's top exports to China included metalliferous ores, and iron and steel, accounting for close to 60% of total exports to China. Imports were dominated by manufactured products. Telecommunication and sound recording apparatus made up about one quarter of South African imports from China.

- The key exports to each BRICS country reveal the concentration of South Africa's exports on primary goods. The persistent export concentration on primary products suggests that current trade agreements with BRICS countries to promote South Africa's export diversification have still not taken effect.

Source: UNCTAD, 2018, *Products are classified using Standard International Trade Classification (SITC) level 1

Figure 16. SA's Top Traded Goods with Brazil 2016

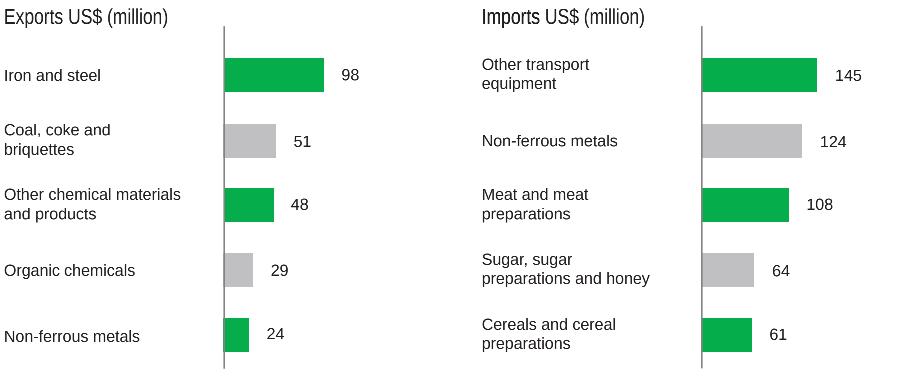


Figure 17. SA's Top Traded Goods with Russia 2016

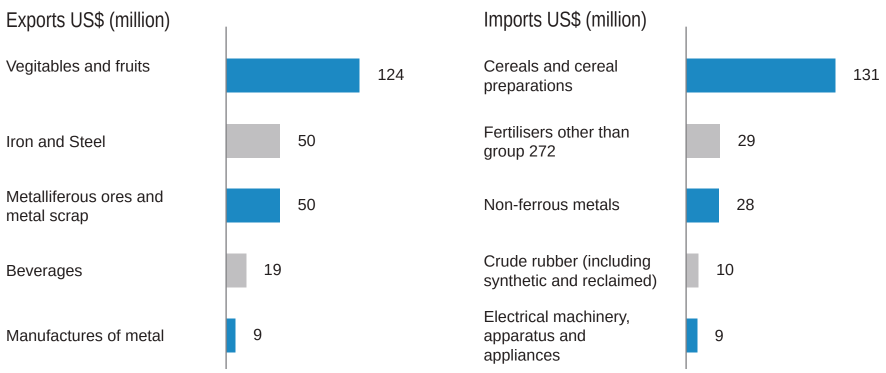


Figure 18. SA's Top Traded Goods with India 2016

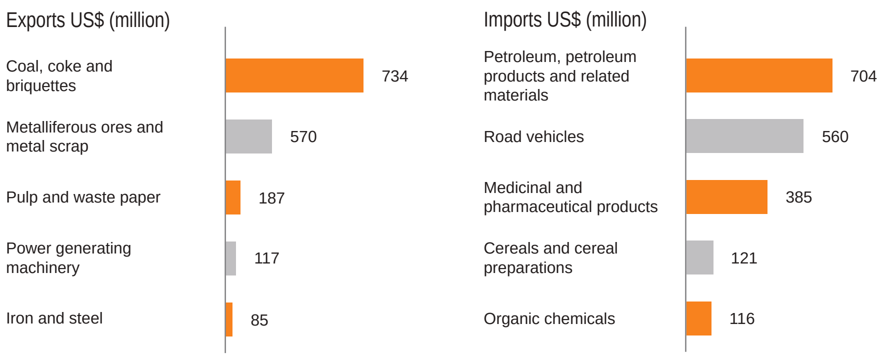
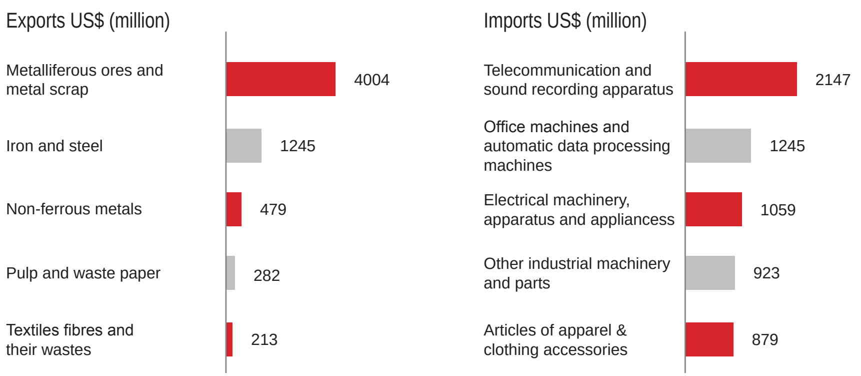


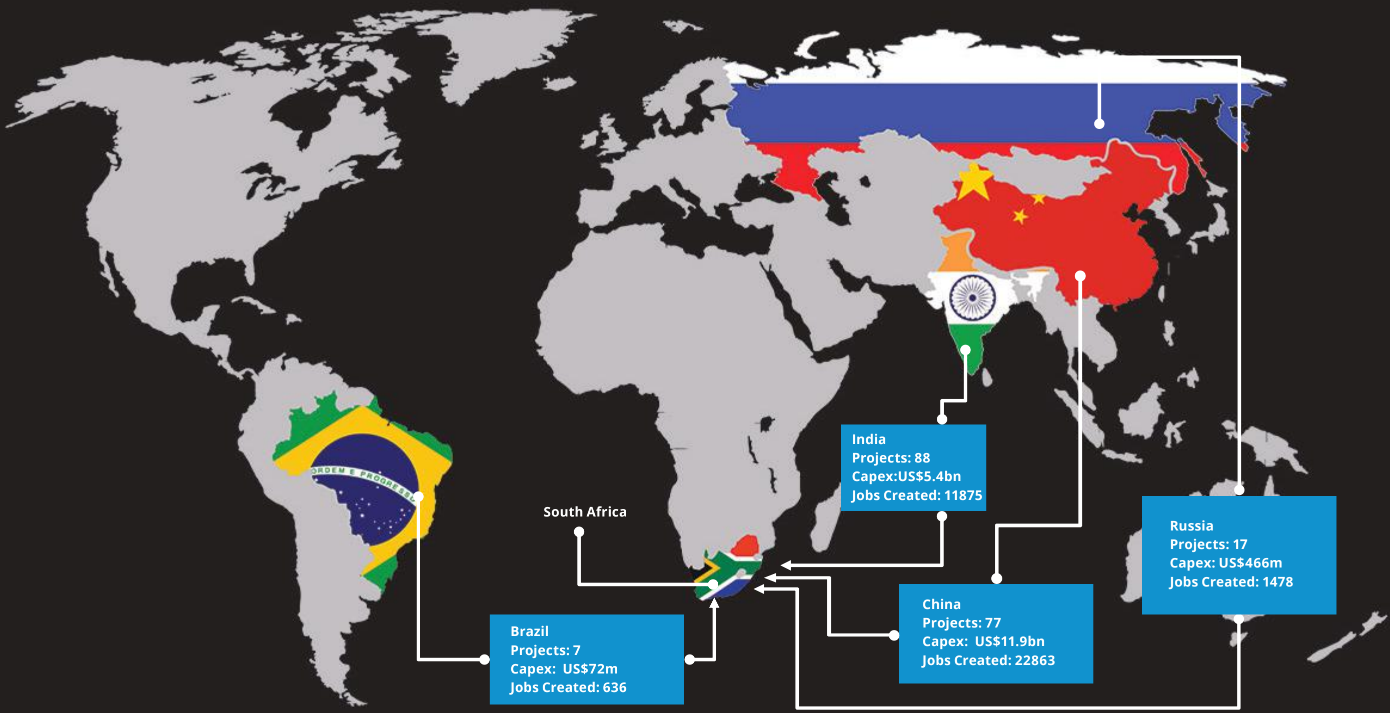
Figure 19. SA's Top Traded Goods with China 2016



Investment Developments

A Snapshot of Total Investment into South Africa from BRIC 2003-2017

Between 2003 and 2017 BRIC together officially invested a total of **US$17.8bn** in **189 projects** and created **36852 jobs** in South Africa



	Brazil	Russia	India	China
Average size of investment (US$m)	10.3	27.4	61.2	154.5
Average number of jobs created per project	91	87	135	301

South Africa's Net Foreign Investment Position with BRIC

- South Africa's net foreign investment* position with BRICS moved from a net negative position of US$261m to a net positive position of US$71bn between 2001 and 2016. This reveals a stronger growth in investment into BRICS from South Africa than vice versa.

- Since 2005, South Africa has been a net investor into BRICS with a record US$82bn in foreign investments held in BRICS in 2016, while BRICS only held about US$11bn in foreign investment in South Africa.

- Between 2001 and 2003, India was the largest recipient of South African investments among the BRICS countries. Thereafter, China surpassed India holding over 70% of South Africa's investments in BRICS to date.

- Between 2004 and 2007, Russia accounted for the largest share of overall BRICS investment in South Africa. However, for the remaining years, China was the most important source of investments for South Africa among the BRICS countries.

Source: South African Reserve Bank, 2018,

* Total foreign investment includes: Direct investment, Portfolio investment, Financial derivatives, Other investment and Reserve Assets

Figure 20. Total Foreign Investment

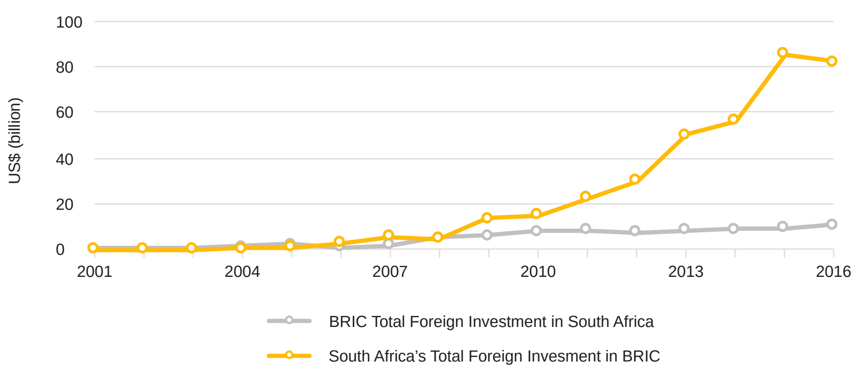


Figure 21. Member State Share of Total BRIC Foreign Investment from South Africa

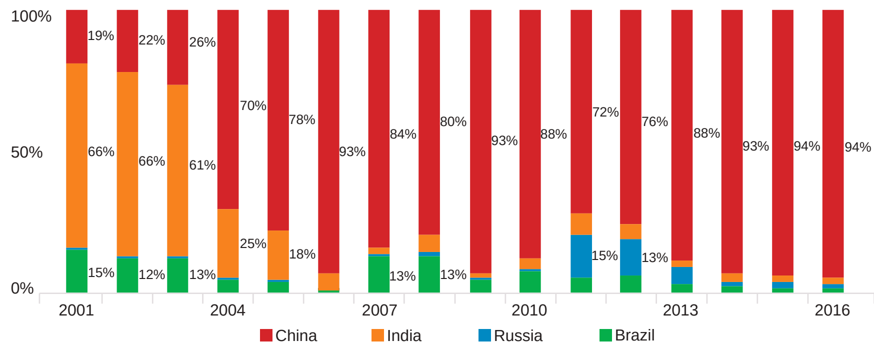
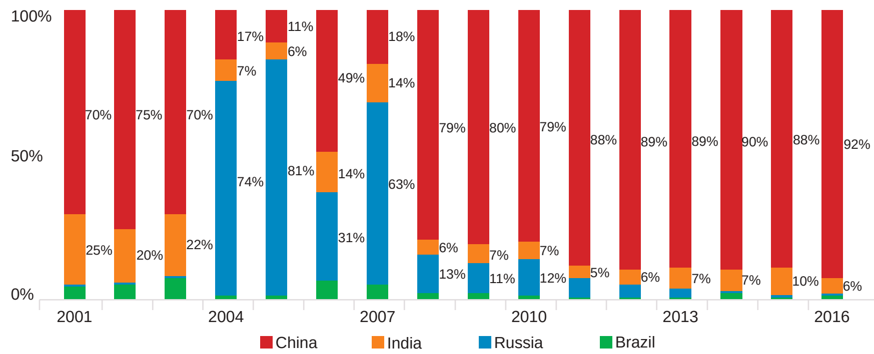


Figure 22. Member State Share of Total BRIC Foreign Investments to South Africa



South Africa's Net Foreign Investment Position with BRIC

- Since South Africa's inclusion into BRICS in 2010, its outbound investment into the other BRICS members surged significantly. This trend was in particular pronounced for its investments into China and India.

- The sudden surge in South Africa's outbound investments into BRICS can be attributed to various factors including an increased foreign expansion by South African firms and a considerable relaxation of exchange controls by monetary authorities in 2011 that allowed South African companies to invest much larger sums abroad. In addition, the depreciation of the rand versus the US dollar since 2011, combined with rising stock prices of foreign-listed subsidiaries of some South African firms, has also played a significant role in the rise in the value of South African foreign investment in the BRICS countries.

Source: South African Reserve Bank, 2018

Figure 23. Total Foreign Investment - Brazil vs South Africa

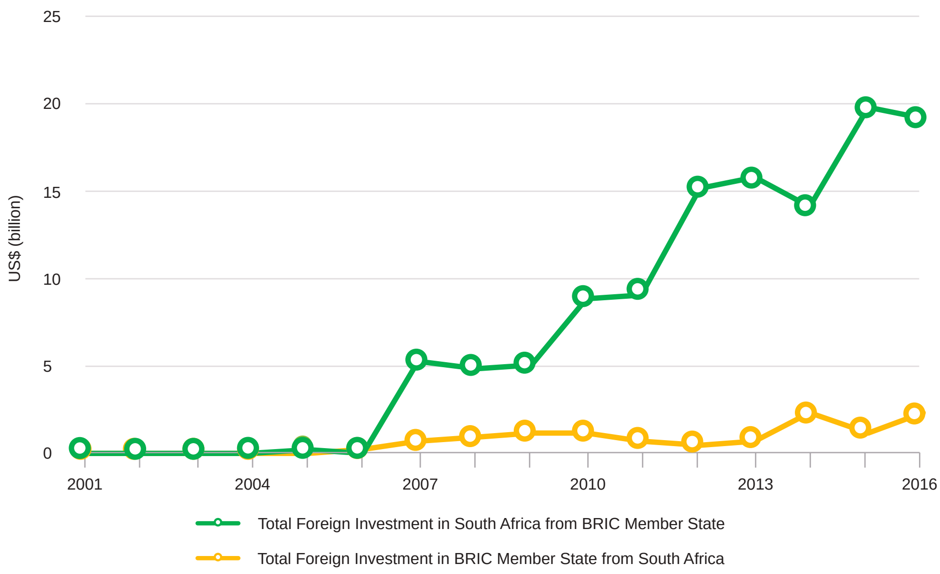


Figure 24. Total Foreign Investment - Russia vs South Africa

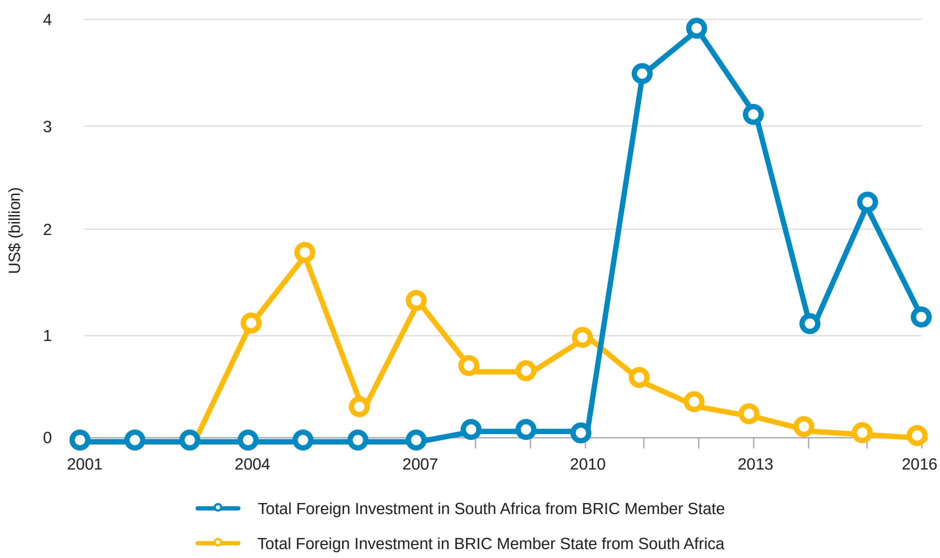


Figure 25. Total Foreign Investment - India vs South Africa

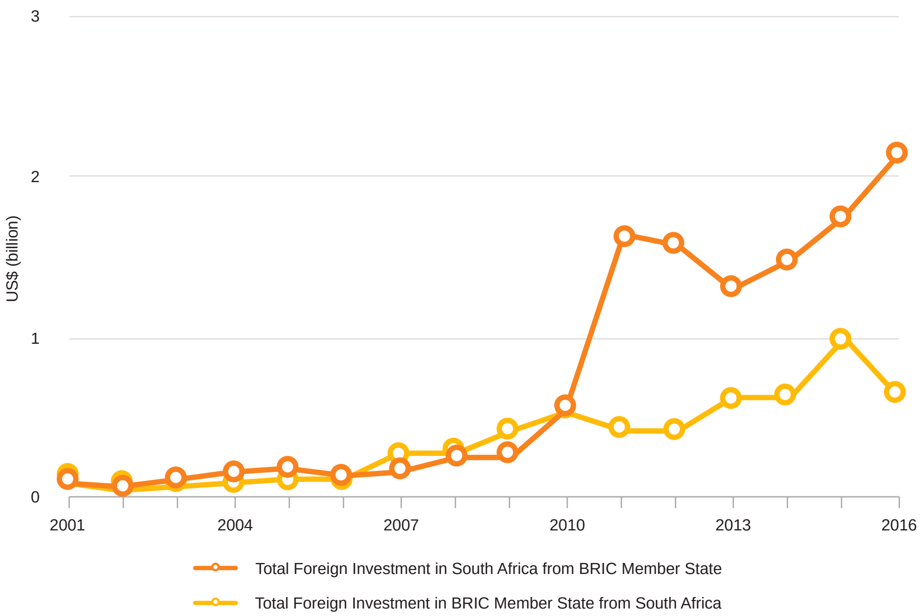
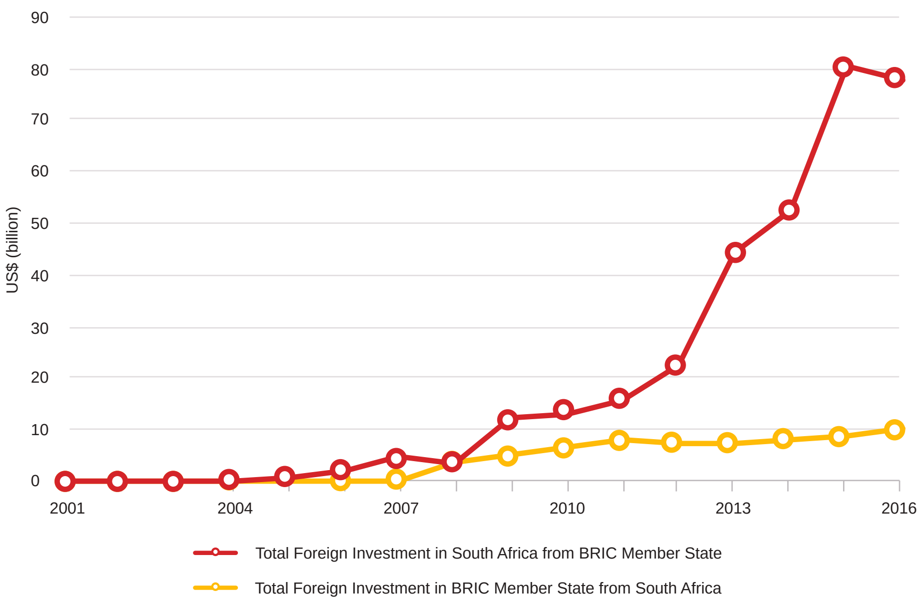


Figure 26. Total Foreign Investment - China vs South Africa



Total FDI into South Africa from BRIC

- Between 2003 and 2017, South Africa received on average US$1.2bn in FDI* flows per year from its fellow BRICS partners. While annual inflows remained below US$1bn for most years, inflows exceeded US$2bn in 2008, 2014 and 2016. Record inflows of U$7.9bn were recorded in 2014 because of a single US$6.4bn investment from China (for more detail see FDI by business activity section).

- Despite the value of investments remaining relatively stable, there has been notable growth in the number of jobs created by FDI projects from BRICS as a group. Between 2003 and 2016, the number of jobs created by investments from BRIC grew at a compounded annual growth rate of 10% from 882 to 3 566 jobs per annum. The number of FDI projects from BRICS also increased between 2003 and 2015. However, in the last two years, the number of projects dropped sharply back to the level of the early 2000s.

Source: fDi Markets, 2018, *FDI = Foreign Direct Investment

Figure 27. Total Inward FDI Capital Investment from BRIC

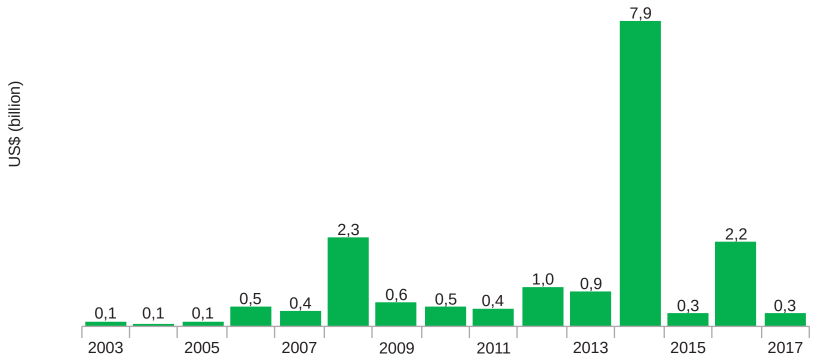


Figure 28. Total Jobs Created by Inward FDI from BRIC

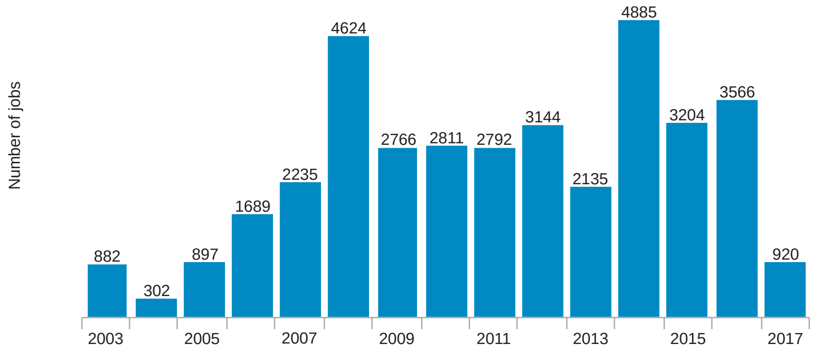
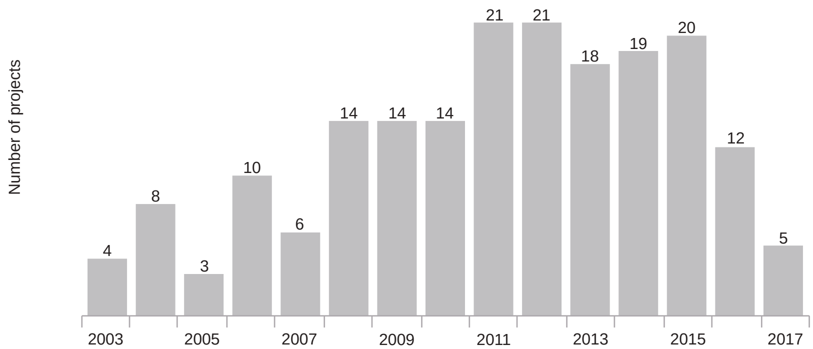


Figure 29. Total Number of Inward FDI Projects from BRIC



Total FDI into South Africa from BRIC

- Over the period under review, China and India have been the dominant sources of FDI for South Africa. They accounted for the bulk of capital investment, number of projects and job creation, while Brazil and Russia's contribution has been marginal in comparison.

- In the early-2000s, India dominated capital investment into South Africa among the BRICS countries. However, after 2006 China began to emerge as the key source of FDI, contributing 99% of the record US$7.9bn investment in 2014. The trend is similar in terms of job creation and number of projects. Since 2003, the number of jobs created and number of projects realised by Indian FDI has declined while China's share has risen. China's emergence as a key source of FDI for South Africa coincides with its extensive global uptick in outward investment since 2005.

Source: fDi Markets, 2018

Figure 30. BRIC Member State FDI Share in South Africa by Total Capital Invested

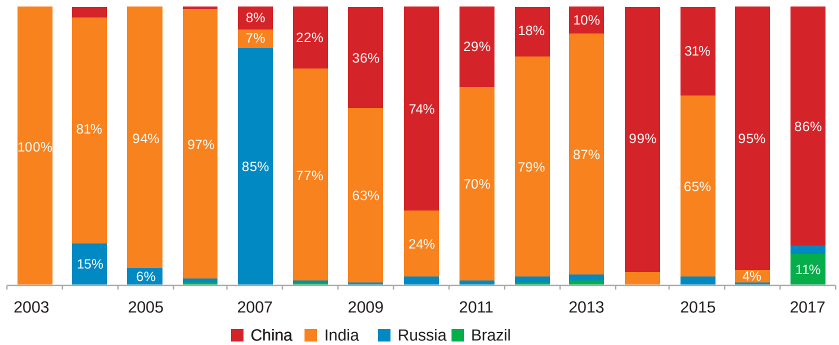


Figure 31. BRIC Member State FDI Share in South Africa by Number of Jobs Created

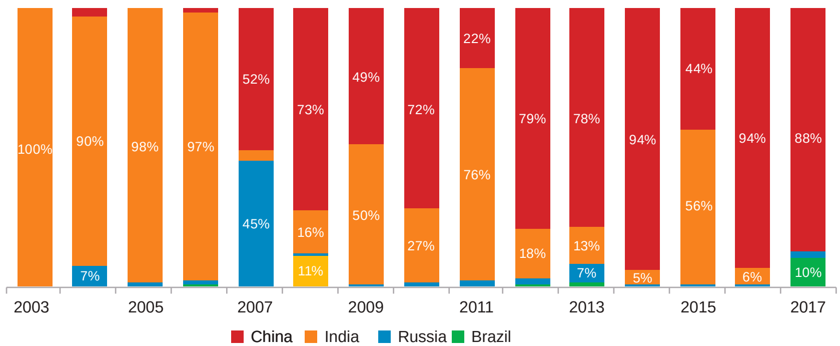
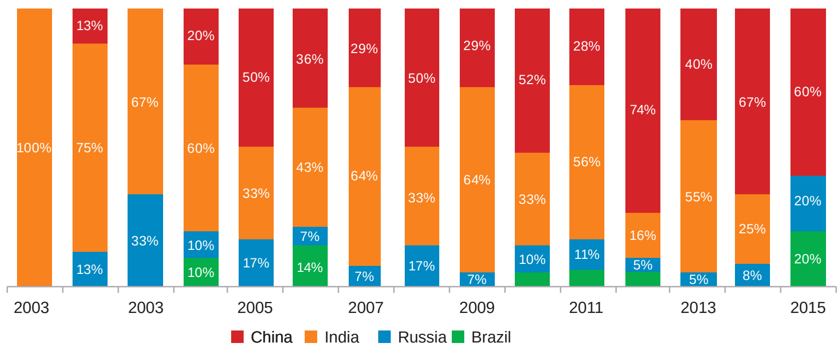


Figure 32. BRIC Member State FDI Share in South Africa by Number of Projects



FDI into South Africa from BRIC Pre- and Post South Africa Joining BRICs

- FDI inflows from BRICS increased rapidly since South Africa joined the group in 2010. In the seven years since South Africa joined the group, its fellow BRICS partners invested three-times more capital in the country compared to the seven years prior to 2011. A once-off US$6.4bn investment in 2014 skews the inward FDI reading in favour of China.

- China's FDI was the main driver of job creation since South Africa joined BRICS, while the number of jobs created by all the other member states decreased between 2011 and 2017.

- While all member states increased their number of FDI projects to South Africa since accession to BRICS, China showed the strongest growth in the number of FDI projects. This reaffirms China's position as the key source of investment to South Africa among the BRICS countries.

Source: fDi Markets, 2018

Figure 33. Capital Investment from BRIC

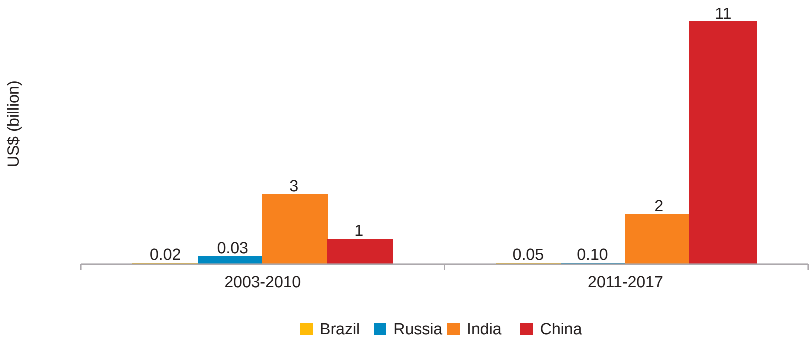


Figure 34. Total Jobs Created by BRIC Inward FDI

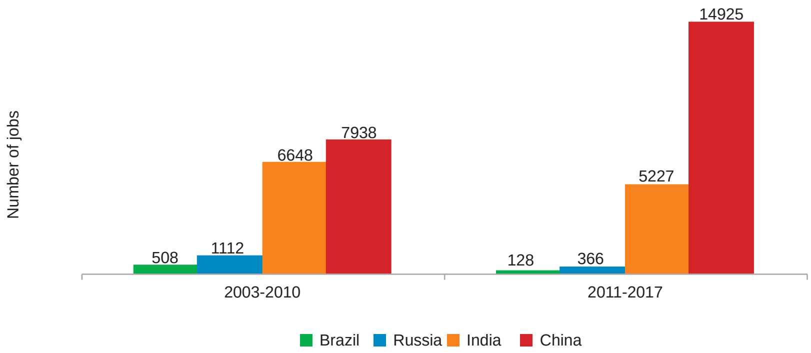
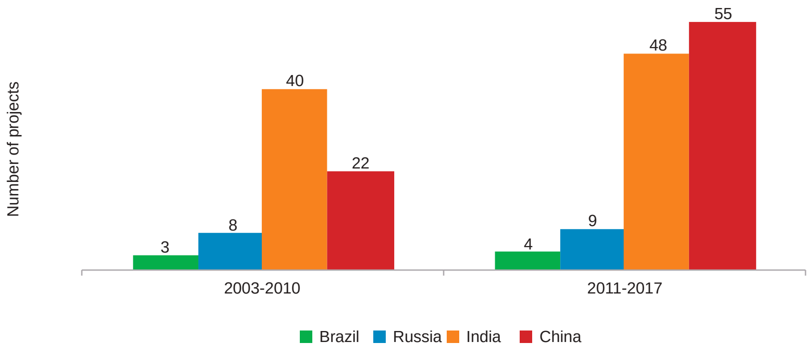


Figure 35. Total Number of Inward FDI Projects



Total FDI into South Africa from BRIC by Province 2003-2017

- Among the various provinces in South Africa, Gauteng, the engine room of its economy, was the key destination for BRICS FDI between 2003 and 2017. During this period, the province accounted for 56% of total capital investment, 40% of FDI projects and 31% of total job creation.

- In contrast to the other BRICS members, India invested the bulk of its investments outside of Gauteng. The key destination of Indian investment was KwaZulu-Natal. The province also benefitted the most from job creation stemming from Indian investments.

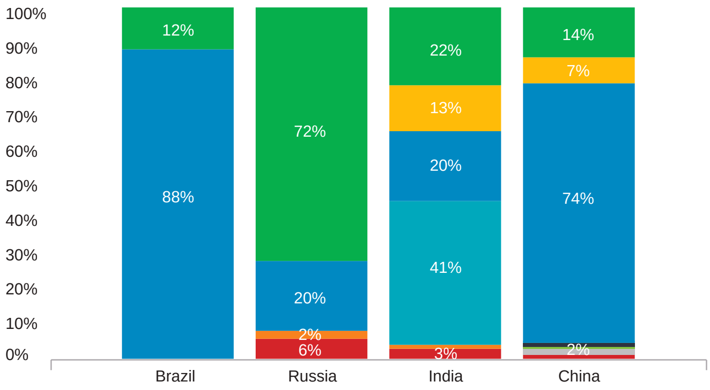
- While China was the most important investor in Gauteng in terms of capital investment and job creation, India was responsible for the largest number of investment projects. In addition, Chinese investments also had the largest provincial footprint with projects in all provinces except the Free State.

Source: fDi Markets, 2018

56%

of **capital investment** from BRICs between **2003 and 2017** was invested in **Gauteng**

Figure 36. Share of FDI Capital Investment by Province 2003-17



Country	Number of Projects	Jobs Created	Capex (US$m)	Province
Brazil	4	609	63	Not Specified
	3	27	9	Gauteng
Russia	3	1042	337	Not Specified
	9	321	92	Gauteng
	1	21	11	Mpumalanga
	4	94	27	Western Cape
India	26	3778	1209	Not Specified
	3	159	706	Eastern Cape
	36	4478	1054	Gauteng
	15	3061	2213	KwaZulu-Natal
	1	21	50	Mpumalanga
	7	378	154	Western Cape
China	21	9659	1705	Not Specified
	4	3286	879	Eastern Cape
	27	6679	8781	Gauteng
	1	100	10	KwaZulu-Natal
	1	227	119	Limpopo
	1	27	5	Mpumalanga
	1	106	34	North West
	5	1134	193	Northern Cape
	16	1645	174	Western Cape

Total FDI into South Africa by Sector 2003-2017

- Compared to China and India, Brazil and Russia were less active investors in South Africa. Russia invested US$466m in 17 capital investment projects. This is more than twice the number of projects and more than 6-times the value of Brazil. Close to 70% of Russian capital investments were directed towards South Africa's metals sector and had the largest impact in terms of job creation in this sector.

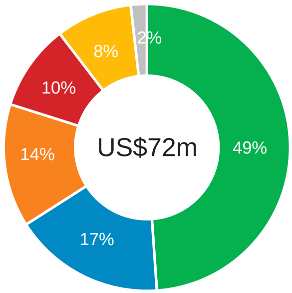
- India channelled US$5.4bn into 88 capital projects. Almost half of these investments were directed to the fossil fuels.

- Compared to India, China invested in a smaller number of projects, but on average invested twice the amount of capital per project. More than half of China's capital investment was directed towards the real estate sector.

- Brazilian, Chinese and Indian investment in the automotive sector had the largest impact on job creation.

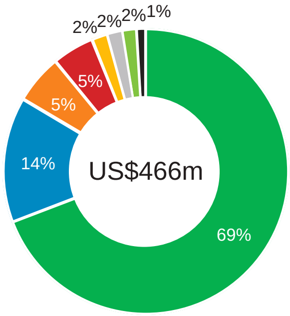
Source: fDi Markets, 2018

Figure 37. Share of Total Capital Investment from Brazil by Sector 2003-17



Country	Number of Projects	Jobs Created	Capex (US$m)	Sector
Brazil	1	94	35	Aerospace
	2	24	12	Financial Services
	1	400	10	Automotive OEM
	1	94	7	Automotive Components
	1	14	6	Chemicals
	1	10	1	Software & IT services
	7	636	72	Total

Figure 38. Share of Total Capital Investment from Russia by Sector 2003-17



Country	Number of Projects	Jobs Created	Capex (US$m)	Sector
Russia	2	1021	323	Metals
	6	132	67	Financial Services
	2	156	26	Aerospace
	1	54	22	Coal, Oil and Natural Gas
	2	30	8	Transportation
	2	19	8	Software & IT services
	1	16	8	Communications
	1	50	5	Business Services
	17	1478	466	Total

Figure 39. Share of Total Capital Investment from India by Sector 2003-17

Country	Number of Projects	Jobs Created	Capex (US$m)	Sector
India	6	554	2324	Coal, Oil and Natural Gas
	3	160	851	Alternative/Renewable energy
	8	2774	406	Automotive OEM
	2	1673	373	Metals
	3	718	369	Hotels & Tourism
	19	1722	272	Software & IT services
	3	392	166	Biotechnology
	4	735	165	Rubber
	14	294	154	Financial Services
	1	473	55	Plastics
	4	747	53	Consumer Products
	21	1633	198	Other
	88	11875	5386	Total

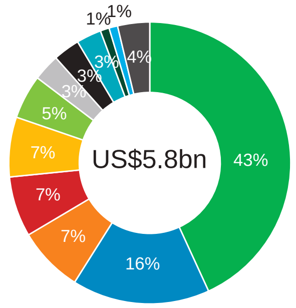
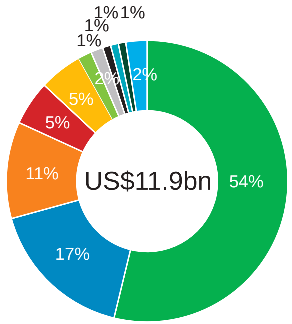


Figure 40. Share of Total Capital Investment from China by Sector 2003-17

Country	Number of Projects	Jobs Created	Capex (US$m)	Sector
China	1	N	6400	Real Estate
	2	3010	2015	Transportation
	9	7043	1322	Automotive OEM
	10	4707	609	Metals
	2	1127	591	Building & Construction Materials
	1	41	186	Alternative/Renewable energy
	9	1171	167	Communications
	13	908	111	Electronic Components
	5	2160	107	Consumer Electronics
	3	318	101	Food & Tobacco
	22	2378	289	Other
	77	22863	11900	Total



FDI into South Africa by Business Activity 2003-2017

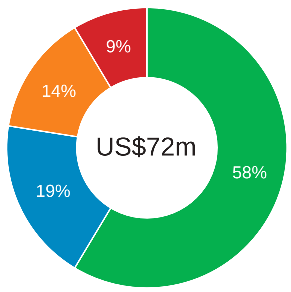
- Brazilian and Russian investments were concentrated on a small number of business activities. More than half of Brazil's capital was invested in education and training in the aerospace and automotive components sector. Among Brazilian projects, manufacturing projects within the automotive sector created the most jobs (400). More than two-thirds of Russia's investments went into extraction activities.

- Close to half of investments from India were concentrated in manufacturing of vehicles and components, consumer products, rubber and industrial machinery and one-quarter in electricity generation including a coal-fired power station and renewable energy projects. Among Indian projects, manufacturing projects created the most jobs (6341).

- A US$6.4bn construction project in the real estate sector in Johannesburg in 2014 was China's single largest business activity. The capital investment accounted for more than half of China's investment in South Africa. Besides this construction project, manufacturing activities in the metals, electronic components and automotive sectors attracted one quarter of capital investments. These manufacturing investments created over 17 000 jobs. In addition, China also invested a substantial amount in logistics, distribution and transportation.

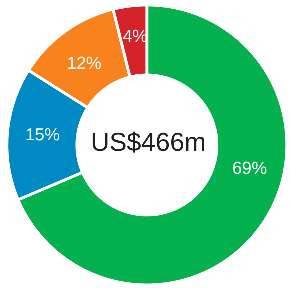
Source: fDi Markets, 2018

Figure 41. Share of Total Capital Investment from Brazil by Business Activity



Country	Number of Projects	Jobs Created	Capex (US$m)	Sector
Brazil	2	188	42	Education & Training
	3	34	14	Business Services
	1	400	10	Manufacturing
	1	14	6	Sales, Marketing & Support
	7	636	72	Total

Figure 42. Share of Total Capital Investment from Russia by Business Activity



Country	Number of Projects	Jobs Created	Capex (US$m)	Sector
Russia	1	1012	320	Extraction
	7	182	72	Business Services
	8	142	57	Sales, Marketing & Support
	1	142	18	Maintenance & Servicing
	17	1478	466	Total

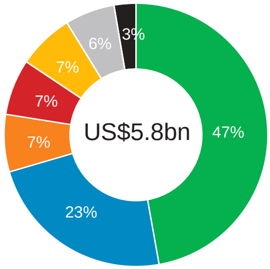
FDI into South Africa by Business Activity 2003-2017

- In general, all BRICS members, apart from Russia, channelled a considerable share of their FDI into the secondary sector. In contrast, Russian investments were largely directed to the extractive sector.

- Unlike trade, BRICS investments in South Africa have been more aligned with sectors and activities earmarked under South Africa's industrialisation programme. However, despite the focus of these investments in the industrial sector, they have not yet translated into greater manufacturing exports from South Africa to its fellow BRICS countries. This suggests that these investments are largely market seeking in South Africa and the region and are not necessarily aimed at improving South Africa's manufacturing export competitiveness.

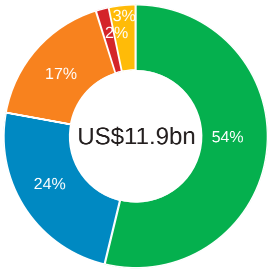
Source: fDi Markets, 2018

Figure 43. Share of Total Capital Investment from India by Business Activity



Country	Number of Projects	Jobs Created	Capex (US$m)	Sector
India	20	6341	2542	Manufacturing
	3	254	1253	Electricity
	22	1573	379	Business Services
	2	1033	370	Extraction
	3	718	369	Construction
	26	440	329	Sales, Marketing & Support
	12	1516	144	Other
	88	11875	5386	Total

Figure 44. Share of Total Capital Investment from China by Business Activity



Country	Number of Projects	Jobs Created	Capex (US$m)	Business Activity
China	1		6400	Construction
	32	17678	2867	Manufacturing
	5	3240	2051	Logistics, Distribution & Transportation
	1	41	186	Electricity
	38	1904	395.2	Other
	77	22863	11900	Total

Key Takeouts on South Africa's Trade and Investment Relations with BRIC Since 2001

Over the past 15 years, Brazil and Russia's trade with South Africa has remained marginal compared to that of India and China. This is largely because the economies of Brazil, Russia and South Africa are commodity-based. The three countries have very similar trade profiles and have limited room for trade among each other.

In contrast to these three commodity exporters, China and India are much more industrialised with high demand for imported raw materials. Their demand for commodities and a more diversified export basket present more opportunities for trade with South Africa. South Africa largely serves as a source of raw materials for their industrial sector and a market for their manufacturing output. Trade between BRICS and South Africa has been driven by demand for commodity exports from South Africa to BRICS and high local demand for manufactured imports.

As seen with trade, China and India's investment into South Africa also outstripped that of Brazil and Russia. As commodity-based economies, Brazil and Russia faced economic headwinds due to low diversification and strong downswings in global commodity markets in recent years. These headwinds affected the ability of the two countries to invest abroad. China and India's economies were less exposed to commodity price fluctuations and hence have a more favourable fiscal position allowing them to invest globally. In addition, both country's governments have adopted an arguably supportive approach to international expansions.

				
Trade Balance 2016	-US$1.02bn	US$25m	US$46m	-US$6.7bn
Key Exports to South Africa 2016	• Food and live animals • Manufactured products and machinery	• Food and live animals • Manufactured products	• Manufactured products and machinery • Mineral fuels	• Manufactured products and machinery
Key Imports from South Africa 2016	• Food and live animals • Beverages and tobacco	• Food and live animals	• Mineral fuels • Raw materials except fuels	• Raw materials except fuels
Total FDI in South Africa 2003-2017	US$72mn	US$466m	US$5.4bn	US$11.9bn
Total Foreign Investment in South Africa 2016	US$163mn	US$40m	US$621m	US$9.7bn
Total Foreign investment from South Africa 2016	US$1.3bn	US$1.1bn	US$2.1bn	US$77.6bn
Key Sectors Attracting FDI in South Africa 2003-2017	• Aerospace • Financial services • Automotive OEM	• Metals • Financial services • Aerospace	• Coal, oil and natural gas • Alternative energy • Automotive OEM	• Real estate • Transportation • Automotive OEM

Doing Business in BRICS
Key Factors to Consider

Doing Business in Brazil

Key Country Indicators

GDP 2017
US$2.06 trillion

Population
207 million

Inflation 2017
2.95%

Doing Business Ranking 2018
125/190

Key Government Departments for Foreign Investors

Ministry of Industry, Foreign Trade and Services
Address: Esplanada dos Ministérios - Bloco J - Térreo - Sala T 05 – CEP 70.053-900 - BRASÍLIA/DF
E-mail: ouvidoria@mdic.gov.br
Tel: +55 61 2027 7666

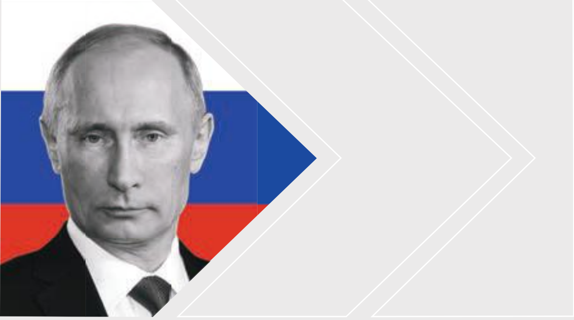
Brazilian Trade and Investment Promotion Agency
Address: 02 11 Edificio Apex-Brazil, Sector Bancario Norte, Brasilia – DF 70040-020, Brazil
E-mail: apexbrasil@apexbrasil.com.br
Telephone: +55 61 3426-0202

Main Taxes	Terms
Import Duty	10% to 35% - Import duty is waived on machinery and equipment that are unavailable locally
Industrialised Product (IPI) Tax	• 0% to 15% - Federal tax levied on domestic and imported manufactured products. Levied by determining how essential a product may be for the Brazilian end-user. Brazilian exports are exempt from the IPI tax
Merchandise and Service Circulation Tax (ICMS)	• 7% to 18% - Value-added tax applicable to both imports and domestic products. Varies among states, and businesses in some sectors of the economy, such as mining, electricity, liquid fuels and natural gas can be awarded exemption from ICMS tax on a case-by-case basis
Tax on Financial Transactions (IOF)	1.1% to 6% - Federal tax levied on credit, exchange, insurance and securities transactions executed through financial institutions. Includes intercompany loans and gold transactions
Income Tax	15% to 22.5% - Capital tax gains on non-residents 15% - Payments of interest on shareholders' equity to a non-Brazilian resident

Foreign Investment Benefits	Incentives
Federal Incentives	Special tax regimes are offered to the Information Technology (IT) sector, exporters, and research and development.
Manaus Free Trade Zone	• Free import and export trade area • Federal taxes incentives (such as import duty and corporate income tax reductions) • State taxes incentives (state value added tax reduction) • Subsidised land to investors
Sudam & Sudene Zones (located in North and Northeast Brazil)	• Corporate income tax reductions • Corporate income tax reinvestment • Incentivised accelerated depreciation of fixed assets
Special Tax Regimes	Special tax regimes are offered to various sectors

Key Sectors for Investment

01. Infrastructure development
02. Agriculture
03. Agri-food industry
04. IT (hardware and software)
05. Energy
06. Franchises
07. Pharmaceuticals
08. Mining
09. Pollution control equipment
10. Aeronautical industry
11. Telecommunications
12. Tourism



Doing Business in Russia

Key Country Indicators

GDP 2017
US$1.58 trillion

Population
142 million

Inflation 2017
3.69%

Doing Business Ranking 2018
35/190

Key Government Departments for Foreign Investors

Ministry for Economic Development (SEZ)
Galkina Vasilisa – head of the division of SEZ
E-mail: galkinave@economy.gov.ru
Tel: +7 495 690 5838

Ministry of Industry and Trade
Address: 7 Kitaigorodsky Proyezd, Moscow
E-mail: uspenskaya@minprom.gov.ru
Tel: +7 495 710 5500/+7 495 632 8927

Russian Investment Agency
Address: Bolshaya Yakimanka, 1, Moscow, 119180
E-mail: info@investment-in-russia.com
Telephone: +7 495 970 85 65

Main Taxes	Terms
Profits Tax	12.5% to 20% - Levied on net profits
Import Duties VAT	5% to 30% - Depends on value of an item
Social Welfare Taxes	30% - Levied on employees annual salary and paid entirely by the business
Withholding on Dividends, Interest, and Royalties	• Foreign legal entities without a business presence in Russia: 10% on freight services provided in Russia. • Income tax on most Russian-sourced income including interest, royalty, income from leasing, and rental operations: 20% • Dividends: 15%.
Income Taxes	• 13% - Personal income tax rate for Russian residents • 30% - Personal income tax rate for non-residents
Import Excise Tariff	20% to 570% - Applied to product categories including, luxury goods, alcohol, tobacco, and petroleum products

Foreign Investment Benefits	Incentives	
Reduced social security contributions	• Software and high-tech companies: 14% • Companies engaged in special innovation projects: 14% • Companies that are members of the Skolkovo project: 20%	• Property tax: 0% for 10 years
Technology innovative special economic zones	Reduced profit tax rate: 0% for 5 years, Federal budget Regional budget 0.13%-5% Regional budget	• Land tax: 0% for 5 years
Tourism and recreational special economic zones	Reduced profit tax rate: 0% for 5 years, Federal budget 0.13%-5% Regional budget	• Transport tax: 0% for 10 years
Industrial production special economic zones	Reduced profit tax rate: 2% Federal budget 0.13%-5% Regional budget	
Port zones	Reduced profit tax rate: 2%, Federal budget 0.13%-5% Regional budget	

Key Sectors for Investment

01. Infrastructure development
02. Agriculture and food industry
03. Medical equipment
04. Pharmaceuticals
05. Metals and Mining
06. Hotels and Entertainment
07. Transport and logistics
08. Innovations and technology
09. Automotive industry
10. Real estate
11. Oil and gas

Doing Business in India

Key Country Indicators

GDP 2017
US$2.6 trillion

Population
1.2 billion

Inflation 2017
2.49%

Doing Business Ranking 2018
100/190

Key Government Departments for Foreign Investors

Ministry of Commerce and Industry
Address: Udyog Bhawan, New Delhi 110 107, India
Email: wio-commerce@nic.in
Tel: +91 11 2306 2261

The Associated Chambers of Commerce & Industry of India
Address: ASSOCHAM Corporate Office, 5, Sardar, Chanakyapuri, New Delhi – 110021
E-mail: assocham@nic.in
Tel: +91 4655 0555 (Hunting Line)

Invest India:
Address: Federation House, Tansen Marg, New Delhi, 110001
E-mail: bhaskar.chaturvedi@investindia.gov.in
Telephone: +91-11-23048155

Main Taxes	Terms
Income Tax	• 0% to 30%
Capital Gains Tax	• Payable whenever a sizable amount of money is received • Tax on short-term gains is calculated based on the income bracket • 20% Tax on long-term gains
Corporate Tax	• 0% to 34% - Domestic companies • 41% to 43% - Foreign companies
Dividend Tax	15% - Applicable on the gross or net income received from investments
Entry Tax	5.5% to 10%. - All items entering the state ordered via e-commerce
Customs Duty	0% to 150% - The average rate is approximately 12%
Stamp Duty	6% to 12% - Varies by province

Foreign Investment Benefits	Incentives
Special Economic Zones (SEEPZ, Kandla, Cochin, Madras, Visakhapatnam, Falta)	• Exemption from import duty, VAT and other taxes • 10-year tax holiday for the first 20 years • 10% FDI allowed through the Automatic route for all manufacturing activities • Simplification of procedures and self-certification in the labour acts • Speedy approvals, clearances and customs procedures and dispute resolution
Noida Export Processing Zone	• 100% foreign direct investment (FDI) are allowed for all the manufacturing activities • Income tax holidays • Exemption from import duty, VAT and other taxes • Procedural efficiency for fast dispute resolution, clearances, Approvals, and customs procedures • Abundant supply of trained manpower
Automatic route	FDI is allowed without needing prior approval from Government or the Reserve Bank of India. Certain activities such as enjoying the automatic route benefit, namely; telecom services, banking, satellites (establishment and operation), defence, mining, among others

Key Sectors for Investment

01. Airport and ground handling
02. Computer and peripherals
03. Education services
04. Electric power and transmission equipment
05. Food processing
06. Machine tools
07. Medical equipment
08. Mining and mineral processing equipment
09. Oil and gas field machinery
10. Pollution control equipment
11. Safety and security
12. Telecommunications equipment
13. Textile machinery
14. Water and sustainable energies

Doing Business in China

Key Country Indicators

GDP 2017
US$12.2 trillion

Population
1.4 billion

Inflation 2017
1.59%

Doing Business Ranking 2018
78/190

Key Government Departments for Foreign Investors

China Council for the Promotion of International Trade (CCPIT)
Address: 1 Fuxingmenwai Street, Beijing 100860, China Chairman: Jiang Zengwei
Tel: +86 10 8807 5650

State Administration for Industry and Commerce
Address: 8 Sanlihe Donglu, Xichengqu, Beijing, 100820, P. R. China
Email: dfa@saic.gov.cn
Tel: +86 10 6801 0463/3447

China International Investment Promotion Agency
Address: 3rd Floor, Building F, Fu Hua Mansion, No.8, Chaoyangmen North Avenue, Dongcheng District, Beijing, China 100027
E-mail: service@fdi.gov.cn
Telephone: +86-10-64239227

Main Taxes	Terms
Enterprise Income Tax	• 25% - Levied on foreign entities with business operations in China • 20% - Levied on foreign enterprises with no operations in China but receive dividends, interest, or other income in China
Value-Added Tax	2% to 17%
Business Tax	3% to 20%
Stamp Duty	0.05% to 1%
Import and Export Tariff	9.8% - Except for several important resource commodities, China imposes no export tariff on other commodities
Consumption Tax	3% to 45%
Deed Tax	3% to 5%

Foreign Investment Benefits	Incentives
Encouraged Foreign Investments	A reduced 15% enterprise income tax (EIT) rate for firms within the scope prescribed by the Catalogue of Encouraged Industries
China (Shanghai) Pilot Free Trade Zone	It provides convenient investment and trading procedures, full convertibility of currencies, effective and efficient goods supervision, and investor-friendly regulatory environment
Special Economic Zones (SEZ): Shenzhen, Zhuhai, Xiamen, Shantou, Hainan Island, Kashgar	Provides preferential policies in funding and taxes. Newly established high-tech enterprises retain their first income from operations and enjoy a 3-year tax reduction or exemption
State-level New Area:	Government provides support concerning policy and funding
Preferential Tax Policies:	Reduced tax of 15% to 20% and a 50% deduction on research and development for enterprises engaged in industries of high and new technology, environmental protection, safety among others

Key Sectors for Investment

01. Chemical industry
02. Insurance and banking
03. High technology
04. Renewable energy
05. Environmental safety
06. Green economy

Doing Business in South Africa

Key Country Indicators

GDP 2017
US$349 billion

Population
54 million

Inflation 2017
5.19%

Doing Business Ranking 2018
82/190

Key Government Departments for Foreign Investors

Department of Trade and Industry
Postal Address: the dti, Private Bag X84, Pretoria, Gauteng, 0001
Physical Address: the dti, 77 Meintjies Street, Sunnyside, Pretoria, Gauteng, 0002
E-mail: contactus@thedti.gov.za
Tel: +27 (0) 12 394 9500

Companies and International Property Commission (CIPC)
Postal Address: PO Box 429, Pretoria, 0001
Physical Address: the dti Campus, Block F, 77 Meintjies Street, Sunnyside, Pretoria
E-mail: info@cipc.co.za
Tel: +27 (0)12-394-9500

Taxes	Rates
Income tax	• 18% to 45% - Individual tax • 28% - Companies • 45% - Trusts • 0% to 28% - Small business corporations • 20% - Dividend tax • 18% to 22.4% - Capital gains tax
Transfer duty	0% to 13%
Turnover tax for micro businesses	0% to 3%
Royalties	15%
Imports and export tariffs	0% to 30%

Foreign Investment Benefits	Incentives
Special Economic Zones (Musina/ Makhado, OR Tambo, Maliti–A-Phofung, Dube Trade Port)	• Preferential 15% Corporate Tax for qualifying entities • Building Allowance: 10% per annum for qualifying buildings and fixed structures • Employment Incentives for low salary workers • Import duty rebates for production-related and exported products, and VAT exemptions under specific conditions for supplies procured in South Africa • Enhanced 12i Tax Incentive for greenfield and brownfield investments
The Tshiame Food Processing Park	Provides logistical services, warehousing, cold storage and manufacturing facilities
Industrial Development Zones	• VAT exemptions under special conditions for supplies procured in SA • Duty suspensions on imported inputs • Dedicated SARS officials to provide customs and VAT support • Industrial infrastructure linked to an international port of entry
Business process services (BPS) grant	The BPS grant pays up to R124 000 per job created by a Business Process Outsourcing operation located in South Africa

Key Sectors for Investment

01. Agro-processing
02. Business process outsourcing and it-enabled services
03. Machinery and equipment
04. Electro-technical
05. Textile, clothing and leather
06. Consumer goods
07. Boatbuilding
08. Pulp, paper and furniture
09. Automotive and components
10. Green economy industries
11. Advanced manufacturing
12. Bio-manufacturing
13. Tourism
14. Chemicals, plastic fabrication and pharmaceuticals
15. Creative and design industry
16. Infrastructure development
17. Oil and gas

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Designed and produced by Creative Services at Deloitte, Johannesburg.
(815046/Jar)