

INTERVIEW WITH TSHEPO KGADIMA

After the Summit: The Future of BRICS

South African businessman Tshepo Kgadima was interviewed for EIR by David Cherry on July 28, 2018. Kgadima is an independent political and economic analyst based in Johannesburg, South Africa. He is a former investment banker and a company director with more than 20 years' experience. He is also president and CEO of LontohCoal Limited, director of Elgacol Limited, and chairman of the Indian Ocean Rim Business Forum.



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Leaders of the five BRICS nations at the 10th BRICS Summit in Johannesburg, South Africa, July 27, 2018.

EIR: The Tenth BRICS Summit, held in Johannesburg, South Africa, ended yesterday, July 27. The BRICS association of Brazil, Russia, India, China and South Africa, is a leading institution—the leading institution, I think—in the formation of a new world, a world based on what I call the pastoral principle, under which each acts for the benefit of the other, as opposed to the principle of geopolitics, of each seeking to gain advantage over the other. The BRICS is a seed crystal for this anticipated outcome. Mr. Kgadima, what are some of the issues in the economic sphere that BRICS is dealing with?

Tshepo Kgadima: We have to bear in mind that when the idea of BRICS was born, to show that there can be a “new world,” as you call it, in the area of geo-economics, only four nations with large economies were initially thought of—China, being the most populous in the world; India, another of the most populous; Russia; and Brazil. South Africa followed a little more than two years later, and there has been debate as to whether South Africa, in terms of its economic make-up, does fit into the BRIC nation format.

However, on the economic front, these are countries that for the next decade and more are going to continue to be *the* leading story, in terms of global economic growth, because, by and large, they still have a much younger population, and a very large population. Those are the things that you need, in terms of the working population—that it is young—but also the numbers of people where you can be able to then grow those economies sustainably over a long time to come, and effectively sustain global economic growth.

But, South Africa, in terms of how does it fit into the BRIC nations, to make a BRICS—I think a fact that has not been fully appreciated, is its positioning: that South Africa has the benefit of both the Atlantic Ocean and the Indian Ocean. That’s exceedingly strategic, because a great deal of the world’s trade traverses the maritime waters of South Africa, making it the most important gateway to world trade.

When you look at the BRICS nations, Brazil is a very large economy in South America, doing trade with

the East, and South Africa is very key in facilitating that trade, both from the East to West, and West to the East. So it makes sense that South Africa could be included—even though it is a smaller economy—in this new league of nations, as you correctly put it, that is premised on ensuring that the principle of equality, whereby all nations can use their unique positions, their unique strengths to be able to assist the others where they are weak, and therefore not one over the other.

BRICS: Finding Each Other

The question is: Is that being achieved? I think it's going to take some years before that august goal is achieved, in that sovereign nations, by their very nature—the way they process such foreign policy initiatives—must include an ingredient of time due to domestic politics and constitutionalism. So, for these nations to really find each other to achieve their stated goal to be a new league of nations, I think we have to look at the next decade.

From the last decade, there have been some achievements, but maybe the next decade is going to be the one, really, which will prove how this group of nations will come together, and what influence they will have on particularly the western nations within the G7, as well as the role that, effectively, the G7 nations have, in terms of the Bretton Woods institutions, particularly the IMF, as well as the World Bank.

So I think it's a “wait and see.” There are still some challenges ahead, though. I don't think it's going to be smooth sailing for this new league of nations called the BRICS to be able to achieve full implementation. The domestic politics in each of the BRICS countries, I think, may bring in a factor of slowing down the rate at which they might wish to move.

On the economic front, the BRICS league of nations brings in a different *flavor*, in that more than 29 percent of the world's GDP is produced by the BRICS nations. More than 40 percent of the world's population is within the BRICS. That itself is something that,



Indian Ocean Rim Business Forum
Tshepo Kgadima chairs the 23rd Meeting of the Indian Ocean Rim Association's Business Forum in Durban, South Africa, October 14, 2017.

from an economic standpoint, creates unique opportunities which these countries can leverage.

However, as much as they embrace and espouse the principle of equality and acting for the benefit of the other, I think that for some time the BRICS nations are going to need a form of husbandry, and that can only be led by the economically stronger nations. So, effectively, I see that China, India, and Russia will have to play a much more assertive role in bringing together Brazil and the smaller-economy nation of South Africa, ensuring that

those goals can be achieved.

Trade among the BRICS nations has grown tremendously since its inception. But that intra-BRICS trade must not be skewed as currently is the case; we find that South Africa and Brazil have got larger trade deficits, particularly with China.

EIR: Are those trade deficits because of non-tariff barriers?

Kgadima: Yes, they are.

Increased trade with India is going to be, I think, the next big thing that will happen. But I think the question for South Africa will be: As the gateway into the rest of the continent, will South Africa—even though economically the smallest of the BRICS nations—make good use of its geostrategic position, including its position within the African continent of over a billion people? Will South Africa bring that value into the BRICS nations? South Africa—having, of course, a much more advanced economic infrastructure than any other of the countries on the continent—what role will it play?

It may take some time to get an answer to that question, because *politically* in South Africa, there doesn't seem to be any *geostrategic* thought as to what role South Africa can play within BRICS, beyond having played a role in the formation of the New Development Bank (NDB) and obtained the first branch office here in

Johannesburg. The NDB has a targeted capitalization of \$200 billion; I understand that so far its capital is more than \$50 billion, and it is planning to raise another \$50 billion in loans.

So, when you look at that, for example, will South Africa then be able to play a much bigger role, both within the African Union (AU), within the Southern African Development Community (SADC), and to reach out, for example, to the East African Community (EAC) and the Economic Community of West African States (ECOWAS)? Will South Africa be able to play that role? Right now, I don't find that level of thought process within government, within the state, to say, "Well, this is the role that we want to play, to ensure that, indeed, we can build a new league of nations."

EIR: But what about the BRICS Plus feature of the summit, which included bringing in the heads of state that are currently chairing such organizations as the EAC, ECOWAS, SADC, AU, and others?

Kgadima: This is often nothing more than a goodwill gesture, perhaps aimed at winning friendship of the invited countries for their support in other multilateral organizations such as the UN, AU, and ASEAN.

This lack of strategic thought is delaying fruition of the goal that the leaders have set. South Africa is also a member of the Indian Ocean Rim Association—again, there is India. South Africa is a part of the Forum for China-Africa Cooperation (FOCAC). There we see that China and India have been—beyond the BRICS association—seeking to establish themselves in one form or another within the African continent. South Africa has that burden of finding out what it's going to do.

Brazil and South Africa both have a trade deficit with China, but they have a much larger trade surplus with the United States. The influence of North America, particularly the United States, also bears down on Brazil because of its location. There are a lot of pressures that still have to be thought of in more depth.

The U.S.-China Trade Frictions and BRICS

We do have to think about whether the U.S.-China trade frictions will hurt growth. Because if China slows down, we all know that it's going to have a ripple effect

on the other BRICS nations. Those are some of the issues on the economic front that I think the heads of state summit should have addressed, and that they need to address.

For South Africa and Brazil, I see no reason why the two heads of state could not initiate discussions with the United States to ensure that not only do they not become part of the collateral damage, but that the trade friction between China and the United States does not affect Chinese investment in their countries, as well as in Russia. And the leaders of South Africa and Brazil perhaps need to bring the BRICS nations as a whole to engage with the United States, to ensure that trade can continue between the United States and these two other BRICS nations, regardless of who might be invested there.

The identity of the investor, whether Russian or Chinese, should not matter, because, particularly in the case of South Africa, trade between the United States and South Africa is not at the level where India, Russia, and China are doing trade with the United States.

EIR: I think you have actually made a case for the *resolution* of the trade frictions altogether, before there is a trade war. Trade wars are not only "lose-lose" engagements, they are "lose-lose-lose" in nature, taking into account, as you have, the third parties. It would be to President Trump's credit to meet with his friend, Xi Jinping, to work out "a deal," as he would say. Even trade, determined as a function of one's overall economy, need not be a zero-sum game.

Your thoughts in conclusion, Mr. Kgadima?

Kgadima: South Africa must embark on macro-economic policy reforms that can propel its economic growth trajectory to the 4-6% levels in order to address its crisis of high unemployment-poverty-inequality. That being the case, South Africa should therefore also take decisive measures to address its gargantuan sovereign debt burden amounting to \$186 billion, in order to avoid an economic and financial crisis similar to what was witnessed in Greece in recent times. This is key for meaningful BRICS membership.

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