South Africa's way ahead: into the MIST?

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1. Introduction

Much interest and high expectations have been associated with South Africa's entry into the BRICs club of developing economies (Brazil, Russia, India and China). An examination of this club and how South Africa compares to the other members is presented in Chapter 2. South Africa has a significantly smaller economy, with a Gross Domestic Product (GDP) of about one-quarter of the Indian and Russian economies. Its population of approximately 50 million is around one-quarter and one-third of Brazil's and Russia's respectively, and well behind the population of more than a billion in both China and India. However, it does compare well in GDP per capita by both conventional and purchasing power parity (PPP) measures. South Africa's merchandise trade as a percentage of GDP, an indication of openness in an economy, is the highest in the group, but the real Achilles heel for South Africa is the very high unemployment rate. Contrary to general perceptions, the BRICs have not had uniformly spectacular GDP growth in recent years. It seems that GDP growth is clearly neither a necessary nor a sufficient condition for BRIC membership.

The aim of this chapter is to start from the concept of the BRICs at their birth and follow their progress through to 2011, and to speculate about their growth for the next few years. Has South Africa profited from the BRIC growth? Next, we introduce the latest acronym MIST, and from there seek in the mist and among possible 'dark horses' for the next BRICs. We find that the MIST countries (Mexico, Indonesia, South Korea and Turkey) are, in effect, the 'next cabs off the rank' as far as developing countries ranked by total GDP are concerned, with all four tightly grouped and ranked between fourteenth and eighteenth place on the world GDP table. All four have had consistently good GDP growth rates, and except for agricultural exports to Turkey, all four are becoming increasingly important as South African trading partners. Overall, their trade and economic performance has not been as strong as that of the BRICs, and their trading relationships with South Africa are generally not as strong as those of the BRICs, but then the Chinese data strongly influences overall BRIC data for just about every indicator. Nonetheless, combined with the BRICs the MIST effectively embraces most of the so-called South-South trade between developing

countries, and especially those outside of Africa. Given the current economic woes of the EU, South Africa's largest trading partner, and the muted current performance and future prospects for the US, it is inevitable that South-South trade will become more important for South Africa.

Fellow African countries have not been included in the analysis, which has, however, been extended to Argentina and Saudi Arabia as 'countries of interest'. It behoves South Africa to maintain an interest in these two countries as both have exhibited solid economic growth in recent years.

2. The BRICs

Jim O'Neill (2001) famously coined the term BRIC in a Goldman Sachs paper that concluded the BRICs were likely to sustain their growth rates over the next decade and as a result their share of world GDP would increase. They were the sure bet of the investment world. Therefore it behoves us to test how well the BRICs have performed since their 'inauguration' at the end of 2001. O'Neill made three predictions in 2001 relating to the economies of the BRICs that can be tested.[1] These are:

1. The BRICs would continue to see GDP growth above that of the G7 countries.

2. Following from that, on a current GDP basis, the combined BRICs economies would reach 14.2% of global GDP in 2011, up from their 2001 levels of 8.0% in 2001.

3. On a purchasing power parity GDP basis the BRICs would increase their global share from the 2001 level of 23.3% to 27% by 2011.

Table 1 shows the GPP growth rates since 2001 for the BRICS[2], the Organisation for Economic and Cooperation Development (OECD) and the world. In the lower portion of the table is shown whether the BRICS country outperformed the world. The data is clear: with only two exceptions the BRICS countries have individually and collectively grown faster than the OECD countries in every year since 2001. Secondly, the BRICS countries have increased their share of the world economy – global growth has been higher than the average growth for the OECD countries in every year since 2001. Table 2 shows the BRICS share in the world economy.

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[1] He also suggested that at the beginning of 2007 the EU would be augmented by another 13 members. This was proved to be correct when on 1 January 2007 Bulgaria and Romania joined to augment the 10 who joined in 2004.
[2] The terms BRIC and BRICS tend to become confusing. We use the former term BRIC for Brazil, Russia, India and China (and BRICs for their collective term) while BRICS refers to the original BRIC grouping plus newly-joined South Africa.

Table 1: GDP growth since 2001

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
	%										
Brazil	2.73	7.53	-0.33	5.17	6.09	3.96	3.16	5.71	1.15	2.66	1.31
Russia	4.30	4.30	-7.83	5.25	8.54	8.15	6.38	7.18	7.30	4.74	5.09
India	6.86	9.55	8.24	3.89	9.80	9.26	9.28	7.85	7.94	3.91	4.94
China	9.30	10.40	9.20	9.60	14.20	12.70	11.30	10.10	10.00	9.10	8.30
South Africa	3.12	2.89	-1.54	3.62	5.55	5.60	5.28	4.55	2.95	3.67	2.74
World	2.73	4.34	-2.25	1.33	3.94	4.00	3.46	3.99	2.73	1.99	1.69
OECD	1.49	3.20	-3.94	-0.03	2.58	2.88	2.48	3.08	1.98	1.56	1.30
Did the BRICS outperform the OECD (y = yes, n = no)											
Brazil	y	y	y	y	y	y	y	y	y	y	y
Russia	y	y	n	y	y	y	y	y	y	y	y
India	y	y	y	y	y	y	y	y	y	y	y
China	y	y	y	y	y	y	y	y	y	y	y
South Africa	y	n	y	y	y	y	y	y	y	y	y

Source: World Bank at http://data.worldbank.org/country

Table 2 emphasises just what this GDP growth translates into. China has increased its share of global GDP from 4.12% in 2001 to the 10.46% in 2011.[3] Hence, by 2009 China had more than doubled its share of world GDP from the base of 2001. O'Neill (2001) predicted that the BRICs would increase their share of GDP from 8.0% in 2001 to 14.2% by 2011. His direction was correct, but he underestimated the timing, as the BRICs passed that level in 2008, some three years early! Looking at China's recent growth, which has averaged 9.49% per year suggests that China is well on the way to doubling it again.

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[3] The time it takes to double an original base such as the size of GDP or income per capita can be approximated using the 'rule of 72': divide the rate of increase (say 6% GDP growth per year) into 72 to give an approximation of the time it takes to double the original base (in this example 12 years).

Table 2: Percentage of world GDP

GDP (%)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Brazil	3.54	3.39	2.80	2.70	2.45	2.20	1.93	1.57	1.47	1.51	1.72
Russia	2.65	2.36	2.11	2.71	2.33	2.00	1.67	1.40	1.15	1.03	0.95
India	2.64	2.67	2.35	2.00	2.22	1.92	1.83	1.71	1.64	1.57	1.53
China	10.46	9.39	8.62	7.39	6.26	5.48	4.94	4.57	4.37	4.35	4.12
South Africa	0.58	0.58	0.49	0.45	0.51	0.53	0.54	0.52	0.45	0.33	0.37
OECD	65.9	67.8	70.6	71.5	74.1	76.3	78.3	80.3	81.2	81.3	80.9
BRIC*	19.29	17.81	15.89	14.80	13.26	11.60	10.37	9.25	8.63	8.46	8.33

Source: World Bank at http://data.worldbank.org/country   *Note that BRIC excludes South Africa

O'Neill's third prediction was that the BRICs would account for some 27% of global GDP when measured by PPP by 2011. He was very close; the actual statistics from Table 3 show that it is 26.2%. Note that South Africa and Brazil have maintained a remarkably stable share of global GDP when measured in PPP over the period.

Table 3: Share of world GDP (PPP at current prices)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
						%					
Brazil	2.84	2.86	2.79	2.78	2.73	2.71	2.77	2.80	2.78	2.84	2.85
Russia	3.71	3.71	3.72	4.01	3.51	3.40	2.97	2.78	2.72	2.51	2.42
India	5.59	5.41	5.18	4.75	4.73	4.54	4.40	4.21	4.09	3.92	3.89
China	14.02	13.26	12.59	11.45	10.81	9.97	9.38	8.80	8.38	7.88	7.44
South Africa	0.69	0.69	0.70	0.71	0.71	0.71	0.71	0.70	0.71	0.71	0.70
OECD	53.6	54.8	55.9	57.5	58.9	60.4	61.6	62.8	63.8	64.9	65.4
BRIC %	26.2	25.2	24.3	23.0	21.8	20.6	19.5	18.6	18.0	17.1	16.6

Source: World Bank at http://data.worldbank.org/country

O'Neill (2001) also predicted that 'by 2011 China will actually be as big as Germany on a current GDP basis, and Brazil and India not far behind Italy'. By 2011 the World Bank data shows that China's economy was 2.05 times larger than that of Germany, while Brazil's was 13% bigger than Italy's, with India's some 16% below that. An important question constantly asked is: When will China become the world's largest economy? This is of course a poorly worded question as, for much of recorded history, China has been the world's largest economy (with only India keeping it company), yet it is instructive to look at the World Bank data. In 1990 China's economy was 6.2% of that of the US in

current GDP terms, but 15.7% in PPP. By 2000 these had increased to 13.7 and 34.6% respectively, and by 2011 China's economy was 48.5% of that of the US by conventional GDP measurement but a much closer 75.4% in PPP terms.

One measure of the extent to which South Africa has benefited from the BRICs expansion is to analyse trade data. A fundamental component of the Gross National Product (GNP) comprises exports minus imports: the larger the net exports, the larger the GNP will be. The next series of four tables presents South African trade data: firstly, total merchandise trade by exports and imports, and then agricultural trade as defined by the WTO, again for exports and imports. The data is presented in the same format; for 1996[4], 2000, 2005, 2010 and 2011, the rank for individual countries in 2011 for the respective tables, and the ratio of 2011 trade over the base year. All data is presented in percentage shares of the total. A ratio greater than 1.0 means that for the respective row the percentage share has increased. The shares are shown for the four BRIC countries, the EU (South Africa's main trading partner), Africa as an aggregate and the Tripartite Free Trade Area (TFTA), which represents the proposed TFTA of virtually the whole eastern side of Africa.

Starting with Table 4, the global merchandise exports, it is evident that the BRICs have increased their share of South African merchandise exports sixfold between 1996 and 2011. Most of this expansion is driven by increased exports to China – exports more than 17 times higher than their share in 1996. The contribution of the other three BRICs was less, with Brazil's share declining. Some of this expansion was at the expense of exports to the EU which were only 87% of their 1996 level in 2011, while exports to Africa increased slightly. The data also shows that China was the number 1 individual destination in 2011, with India in 7th place. In consequence, BRIC growth, and in particular Chinese growth, contributed to South Africa's export growth over the last decade and this, in turn, would have fed through to GNP growth.

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[4] This is the first available year from the Global Trade Atlas data for South Africa.

Table 4: Total South African merchandise exports, market shares

	Rank	1996	2000	2005	2010	2011	Ratio
		%					
EU		25.3	31.4	32.6	23.6	22.1	0.87
Africa		13.4	12.9	13.6	14.4	14.3	1.07
TFTA members		13.2	11.6	11.2	12.9	12.6	0.95
Brazil	26	1.0	0.7	0.6	0.9	0.9	0.90
Russia	45	0.2	0.1	0.1	0.4	0.3	1.50
India	7	0.9	1.4	2.3	3.8	3.5	3.89
China	1	0.7	1.1	2.7	10.0	12.1	17.29
BRICs		2.8	3.3	5.7	15.0	16.8	6.0

Source: Global Trade Atlas, 2012

Table 5 shows South African merchandise imports. Here the BRIC share has gone from 4.1% of the total in 1996 to 19.9% in 2011, again driven by China's increased market share. Has this been to South Africa's advantage? Arguably, it has led to cheaper imports from China and India, but, as Sandrey et al. (Chapter 5) show, this wider Chinese import penetration into Africa has been at the expense of the South African domestic manufacturing sector, both directly through the imports *per se* and indirectly by blocking off the African market for South African manufactured products. Note that the EU's share has declined to less than 70% of its level in 1996, while imports from Africa have increased more than threefold.

Table 5: Total South African merchandise imports, market shares

	Rank	1996	2000	2005	2010	2011	Ratio
		%					
EU		44.7	40.4	38.2	32.1	30.7	0.69
Africa		2.4	3.2	5.1	7.8	7.7	3.21
TFTA members		2.4	2.3	3.6	4.8	4.4	1.83
Brazil	15	1.0	1.1	2.4	1.7	1.7	1.70
Russia	51	0.1	0.3	0.2	0.1	0.2	2.00
India	7	0.9	0.9	2.0	3.5	4.0	4.44
China	1	2.1	3.7	9.0	14.4	14.1	6.71
BRICs		4.1	6.0	13.5	19.7	19.9	4.85

Source: Global Trade Atlas, 2012

Turning to agricultural exports, Table 6 shows that the export share to the BRICs rose from 1.3% in 2000 to 6.0% in 2011, with Russia, India and China all increasing significantly in percentage shares but off low bases. Africa (and TFTA) has maintained ground, while the EU has again declined in importance to about three-quarters of where it was. No BRIC destination ranks among the top ten for agricultural exports once the EU countries are treated individually, but further analysis shows that three African countries (Zimbabwe, Mozambique and Angola) are among the top seven. Thus, the BRICs' impressive growth rates are doing little for South African agricultural exports.

Table 6: South African agricultural exports, market shares

	Rank	1996	2000	2005	2010	2011	Ratio
		\%					
Africa		21.8	25.3	23.4	29.1	27.2	1.07
EU		36.0	40.7	42.7	34.4	31.5	0.77
TFTA members		21.7	23.5	20.1	25.9	23.5	1.00
Brazil	59	3.2	0.4	0.1	0.2	0.2	0.37
Russia	15	1.0	0.3	1.0	2.6	2.4	7.80
India	34	0.2	0.1	0.5	0.7	0.6	4.45
China	11	0.4	0.4	1.4	2.6	2.9	7.10
BRIC		4.8	1.3	3.0	6.2	6.0	4.68

Source: Global Trade Atlas, 2012

Finally, Table 7 shows the South Africa agricultural import position, where the BRIC share is up to 16.5% thanks largely to imports from second-ranked Brazil. South Africa's agricultural trading position with the BRICs is discussed in more detail in Sandrey and Fundira (2012) for agricultural exports to the BRICs directly, and in Sandrey, Vink and Jensen (2012) for South African agricultural exports to Africa and the competition from the BRICs in this market.

Table 7: South African agricultural imports, market shares

	Rank	1996	2000	2005	2010	2011	Ratio
		%				
Africa		10.5	9.9	7.9	6.4	6.1	0.61
EU		23.9	27.1	23.4	28.7	28.5	1.05
TFTA members		7.5	8.8	7.0	5.6	5.7	0.64
Brazil	2	2.2	2.3	12.4	7.3	7.8	3.41
Russia	29	0.1	0.1	0.0	0.3	0.5	6.62
India	11	2.9	2.6	4.2	3.0	3.3	1.25
China	7	1.4	2.6	3.7	6.1	4.9	1.92
BRIC		6.5	7.6	20.3	16.7	16.5	2.18

Source: Global Trade Atlas, 2012

The investment position is examined in detail in Chapter 4 and summarised here. South Africa has somewhat less of a call on funds held offshore (assets) than others have on their funds held in South Africa for each of the three years from 2008 to 2010 examined. Based on 2010 data, Europe was the main destination for assets (59.8%) and the main source for liabilities (63.3%), followed by the Americas for both. Both Africa and Asia are more important as an investment destination than an investment source. Changes over the period show that Asia had the biggest increase in assets by percentage, but Europe continued to show the largest increase by value. For liabilities, Europe showed the largest increase but in percentage terms Europe, the Americas and Asia were similar. In 2010 most of the total South African **assets** (43%) were held in portfolio assets abroad, followed almost equally by direct assets and other. By region, most of the 2010 portfolio is held in Europe (77%) while in Africa, Asia, the Middle East and Oceania it is predominantly direct investment. The comparable picture for **liabilities** (investments held in South Africa by others) shows that overall more were held in portfolio assets than direct assets for each year. European and Asian money in South Africa is held more in direct assets (54% and 69% respectively), while the American money (85%) is concentrated in portfolio investments.

China was the fourth most significant destination for South African assets held abroad, with most of these assets direct investments associated with banks. A similar position was found for Chinese investments in South Africa (ranked at number nine in 2010), where the majority are direct investments associated with banks. South African investments in Brazil are predominantly portfolio investments associated with banks, while in India they are more associated with 'other' and banks.

In summary, Jim O'Neill's predictions in 2001 proved to be remarkably accurate, and his only blemish was to underestimate the growth of the BRICs over the next ten years as China in particular witnessed a remarkable and possibly unparalleled period of sustained growth. In turn, this BRIC expansion has fuelled South African merchandise exports to China in particular, and while South Africa's total merchandise imports from the BRICs similarly increased, it is not clear what contribution this made to South Africa's overall economic position. On the one hand it contributed to cheaper domestic goods for the country, but on the other hand it severely threatened South Africa's domestic manufacturing capacity. Agricultural exports to the BRICs are of limited trade weight overall, while imports from Brazil in particular are important. Finally, the investment relationship between South Africa and China is becoming more important but not to the same extent as the merchandise trading ties have become.

3. Into the MIST

3.1 Economic size and GDP growth

The BRICs have now become the BRICS, with South Africa joining the group of economies that are each the largest in their respective parts of the world in terms of GDP.[5] In a January 2011 message to his clients O'Neill repackaged the MIST grouping of Mexico, Indonesia, South Korea and Turkey as the next tier of large emerging economies to take over from the BRICs as future growth stars. Inclusion or exclusion from these groupings matters: Standard & Poor have a CIVETS 60 Index for the ten largest stocks in each of these markets (Moore 2012), yet there is a sense that countries are being included or excluded based on their 'fit' with the acronym. Furthermore, choosing the four MIST countries is not all that clever, because they are the next four biggest developing economies globally (Table 8). Between these four and South Africa at rank 27th the only other two developing countries are Saudi Arabia and Argentina, both discussed later. Below South Africa there is a longer list of developing countries (and Greece as a 'newly emerging undeveloping' country) which will no doubt provide fertile ground for more acronyms. Of most interest to South Africa is probably the United Arab Emirates (UAE) and Chile, which are not discussed further in this chapter. Note that

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[5] The race to find the next catchy acronym went from BRICs to the 'Next-11' (also coined by Jim O'Neill, in 2005) and then the MIKT as a subset of the Next-11 and consisting of Mexico, Indonesia, (South) Korea and Turkey. Robert Ward from the Economist Intelligence Unit coined CIVETS as a rival group – Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa (Moore 2012).

there are no African countries to accompany South Africa on the list of forty, although Nigeria (42), Egypt (43) and Algeria (48) are in the top fifty.

Table 8: GDP rankings of countries at 2011, US $ million

Rank	Economy	GDP ($m)	Rank	Economy	GDP ($m)
1	United States	15,094,000	21	Sweden	538,131
2	China	7,318,499	22	Poland	514,496
3	Japan	5,867,154	23	Belgium	511,533
4	Germany	3,570,556	24	Norway	485,803
5	France	2,773,032	25	Argentina	445,989
6	Brazil	2,476,652	26	Austria	418,484
7	United Kingdom	2,431,589	27	South Africa	408,237
8	Italy	2,194,750	28	UAE	360,245
9	Russia	1,857,770	29	Thailand	345,649
10	India	1,847,982	30	Denmark	332,677
11	Canada	1,736,051	31	Colombia	331,655
12	Spain	1,490,810	32	Iran	331,015
13	Australia	1,371,764	33	Venezuela	316,482
14	Mexico	1,155,316	34	Greece	298,734
15	South Korea	1,116,247	35	Malaysia	278,671
16	Indonesia	846,832	36	Finland	266,071
17	Netherlands	836,257	37	Chile	248,585
18	Turkey	773,091	38	Hong Kong	243,666
19	Switzerland	635,650	39	Israel	242,929
20	Saudi Arabia	576,824	40	Singapore	239,700

Source: World Bank at http://data.worldbank.org/country

Table 9 compares the economic growth rates of the MIST countries to those of South Africa, the OECD countries and the world economy as a whole. Indonesia and Korea have been above the world average every year, while Mexico has struggled more than any BRIC or MIST with some rather wild swings in growth rates over the period shown.

Table 9: GDP growth since 2001

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
	%										
Mexico	3.94	5.52	-6.24	1.19	3.26	5.15	3.21	4.05	1.35	0.83	-0.16
Indonesia	6.46	6.20	4.63	6.01	6.35	5.50	5.69	5.03	4.78	4.50	3.64
South Korea	3.63	6.32	0.32	2.30	5.11	5.18	3.96	4.62	2.80	7.15	3.97
Turkey	8.49	9.16	-4.83	0.66	4.67	6.89	8.40	9.36	5.27	6.16	-5.70
South Africa	3.12	2.89	-1.54	3.62	5.55	5.60	5.28	4.55	2.95	3.67	2.74
World	2.73	4.34	-2.25	1.33	3.94	4.00	3.46	3.99	2.73	1.99	1.69
OECD	1.49	3.20	-3.94	-0.03	2.58	2.88	2.48	3.08	1.98	1.56	1.30
Did the MIST outperform the world (y = Yes, n = No)											
Mexico	y	y	n	n	n	y	n	y	n	n	n
Indonesia	y	y	y	y	y	y	y	y	y	y	y
South Korea	y	y	y	y	y	y	y	y	y	y	y
Turkey	y	y	n	n	y	y	y	y	y	y	n
South Africa	y		y	y	y	y	y	y	y	y	y

Source: World Bank at http://data.worldbank.org/country

As a result, Mexico's contribution to the world economy slipped from almost 2% in 2001 to 1.65% in 2011 (Table 10). Indonesia and Turkey have almost doubled their contribution, while South Korea maintained its position. As a group, the MIST countries' contribution has increased from 3.59% of world GDP in 2001 to 4.16% in 2011.

Table 10: MISTs' share of world GDP at current prices, 2001-2011

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
	%										
Mexico	1.65	1.64	1.52	1.79	1.86	1.92	1.86	1.80	1.86	1.94	1.94
Indonesia	1.21	1.12	0.93	0.83	0.77	0.74	0.63	0.61	0.62	0.59	0.50
South Korea	1.59	1.61	1.44	1.52	1.88	1.92	1.85	1.71	1.71	1.72	1.57
Turkey	1.10	1.16	1.06	1.19	1.16	1.07	1.06	0.93	0.81	0.70	0.61
South Africa	0.58	0.58	0.49	0.45	0.51	0.53	0.54	0.52	0.45	0.33	0.37
BRIC	19.3	17.8	15.9	14.8	13.3	11.6	10.4	9.2	8.6	8.5	8.3
MIST	4.16	4.06	3.68	4.03	4.20	4.15	4.00	3.59	3.44	3.29	3.59

Source: World Bank at http://data.worldbank.org/country

When this contribution is measured by the alternative PPP measure of GDP (Table 11), the aggregate share increases by a lesser rate; from 4.77% in 2001 to 5.18% in 2011. Thus, while becoming wealthier in nominal terms these MIST countries are not becoming wealthier in their relative purchasing power as they, in effect, become victims of their own success as the relative standard of living and associated costs rise.

Table 11: MISTs' share of world GDP, 2001-2011 by PPP at current prices

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
	%										
Mexico	2.16	2.16	2.15	2.27	2.26	2.31	2.27	2.24	2.25	2.05	2.07
Indonesia	1.39	1.35	1.34	1.27	1.24	1.23	1.23	1.22	1.22	1.20	1.18
South Korea	1.86	1.86	1.84	1.82	1.87	1.87	1.92	1.96	1.96	2.01	1.93
Turkey	1.59	1.49	1.44	1.49	1.44	1.43	1.37	1.30	1.19	1.23	1.26
/South /Africa	0.69	0.69	0.70	0.71	0.71	0.71	0.71	0.70	0.71	0.71	0.70
BRICs	26.2	25.2	24.3	23.0	21.8	20.6	19.5	18.6	18.0	17.1	16.6
MIST	5.18	5.02	4.91	4.92	4.89	4.89	4.87	4.81	4.68	4.69	4.77

Source: World Bank at http://data.worldbank.org/country

Finally, Table 12 shows World Bank estimates made in November 2012 of future growth rates for these economies to 2014. Economic growth is expected to stabilise in Mexico and Indonesia, while it is accelerating in South Korea and Turkey. All four of these countries are expected to experience higher growth than South Africa, but none are expected to grow faster than 5% per year. Nevertheless, given the continuing global recession, the bet on MIST is still in play.

Table 12: World Bank GDP forecasts, % annual change

GDP growth	2010	2011	2012e	2013f	2014f
Mexico	5.5	3.9	3.5	4.0	3.9
Indonesia	6.2	6.5	6.0	6.5	6.3
South Korea	6.3	3.6	3.5	4.0	4.5
Turkey	9.2	8.5	2.9	4.0	5.0
South Africa	2.9	3.1	2.7	3.4	3.5

Source: World Bank World Bank at http://data.worldbank.org/country

3.2 South Africa's trading relationships with MIST

The data in Table 13 shows South African merchandise exports to the MIST countries, both individually and collectively, and with the BRICs as a reference point for comparison. During 2011 South Korea was ranked South Africa's number 12 destination with the other three tightly grouped between 29th and 32nd place. All have been increasing their market share (final column).

Table 13: Market share for South African merchandise exports, 1996-2011

	Rank	1996	2000	2005	2010	2011	Ratio
		%					
Mexico	29	0.3	0.5	0.3	0.4	0.7	1.46
Indonesia	30	0.6	0.4	0.5	0.7	0.7	1.76
Korea	12	2.5	2.0	1.6	2.2	2.5	1.24
Turkey	32	0.5	0.3	0.4	0.5	0.6	1.79
BRIC		2.8	3.3	5.7	15.0	16.8	5.05
MIST		3.9	3.2	2.8	3.7	4.4	1.39

Source: Global Trade Atlas, 2012

Table 14 looks at MIST exports of all merchandise into South Africa. South Korea falls just outside the top ten exporters to South Africa, and all four countries are capturing an increasing share of the South African market, albeit at modest rates of growth.

Table 14: The share of the South African market for merchandise imports 1996-2011

	Rank	1996	2000	2005	2010	2011	Ratio
		%					
Mexico	36	0.1	0.2	0.3	0.6	0.6	2.49
Indonesia	28	0.4	0.8	0.6	0.8	1.0	1.25
South Korea	13	1.6	1.9	2.6	2.2	2.2	1.20
Turkey	37	0.2	0.2	0.6	0.3	0.6	2.75
BRIC		4.1	6.0	13.5	19.7	19.9	3.31
MIST		2.3	3.1	4.2	3.9	4.4	1.41

Source: Global Trade Atlas, 2012

Tables 15 and 16 repeat this exercise for agricultural exports and imports respectively. Mexico was the fourth largest global destination for South African agricultural exports during 2011, with a massive leap from 0.0% in 2010 to 5.3% in 2011. As shown later, this was the direct result of maize exports to Mexico. South Korea is also among the top ten destinations, while both Indonesia and Turkey are in the 50th position, way down the list for export destinations and growing only slowly.

Table 15: Market share for South African agricultural exports, 1996-2011

	Rank	1996	2000	2005	2010	2011	Ratio
		%					
Mexico	4	1.5	0.0	0.0	0.0	5.3	383
Indonesia	50	0.8	0.1	1.5	1.0	0.3	3.88
South Korea	9	2.1	1.9	1.1	1.6	3.2	1.68
Turkey	51	0.7	0.4	0.4	0.2	0.3	0.62
BRIC		4.8	1.3	3.0	6.2	6.0	4.68
MIST		5.2	2.4	3.1	2.8	9.1	3.77

Source: Global Trade Atlas, 2012

Indonesia ranks in the top ten for agricultural imports, but only just, while all countries have been marginally increasing their import share into South Africa, although again from a low base for some. In the final analysis, Mexico, Korea and Turkey contributed a combined markets share of just 0.7%, and on that basis they are far from having an important agricultural trading relationship with South Africa.

Table 16: The share of the South African market for merchandise imports 1996-2011

	Rank	1996	2000	2005	2010	2011	Ratio
Mexico	39	0.2	0.2	0.2	0.2	0.2	1.03
Indonesia	10	1.4	2.7	2.3	4.0	4.0	1.47
Korea	41	0.2	0.1	0.0	0.1	0.2	1.32
Turkey	33	0.3	0.3	0.7	0.4	0.3	1.05
BRIC		6.5	7.6	20.3	16.7	16.5	2.18
MIST		2.0	3.4	3.2	4.7	4.7	1.40

Source: Global Trade Atlas, 2012

3.3 Bilateral trading relationships: South Africa and MIST

The next four tables show total merchandise trade and agricultural trade between South Africa and each of the MIST countries individually. Note that for total merchandise trade an aggregated HS 2 chapter definition is used while for agricultural trade the disaggregated HS 6 lines are shown. Table 17 starts with Mexico, where white maize exports in 2011 (and 2012) dominate South Africa's exports due to the Mexican drought in those years. This is an opportunistic trade for South Africa, and its long-term sustainability depends on the occurrence of weather events in North America. The generic HS chapters of machinery and vehicles and their parts dominate imports with miniscule agricultural imports.

Table 17: South Africa's trade with Mexico, 2010-2011

Imports ($m)				Exports ($m)		
All merchandise						
	2010	**2011**			**2010**	**2011**
Total	466	601		Total	299	654
Electrical machinery	192	281		Cereals	0	381
Machinery	77	90		Machinery	32	74
Vehicles & parts	99	88		Iron & steel	68	64
Agricultural products						
Total	12	14		Total	2	383
Cordials	7	6		Maize	0	346
Food preparations	1	3		Maize seed	0	35
Liqueurs	2	2		Liqueurs	0	1

Source: Global Trade Atlas, 2012

Indonesia is an important source of palm oil and palm kernel oil for animal feed products for South Africa, as is evident from Table 18. Wood pulp makes up some 41% of the total merchandise exports to Indonesia over the last two years. Agricultural exports of fruit are minor.

Table 18: South Africa's trade with Indonesia, 2010-2011

Imports ($m)				Exports ($m)		
All merchandise						
	2010	**2011**			**2010**	**2011**
Total	673	957	Total		542	646
Vegetable oils	163	214	Wood pulp		273	268
Rubber	96	123	Iron & steel		56	142
Vehicles	56	74	Ores		51	66
Agricultural products						
Total	195	254	Total		63	25
Palm oil	145	178	Grapes		2	6
Palm kernel oil	13	26	Pears		3	6
Coffee	7	11	Cocoa preparations		5	5

Source: Global Trade Atlas, 2012

Table 19 confirms that South African maize exports to South Korea are important, giving South Africa an agricultural trade surplus with South Korea. This is largely surplus white maize, grown to higher quality standards for human consumption than which is used for animal feed in several Asian countries. This is a new challenge for South Africa: this country can no longer export surplus white maize into Africa, nor is this surplus being bought by the World Food Programme because many African countries are becoming self-sufficient – and even surplus producers – in maize production. Vehicles are a significant general merchandise import, and this category has grown strongly over the years.

Table 19: South Africa's trade with South Korea, 2010-2011

Imports ($m)				Exports ($m)		
All merchandise						
	2010	**2011**			**2010**	**2011**
Total	1,745	2,250		Total	974	1,802
Vehicles	673	947		Ores	102	230
Machinery	272	334		Iron & steel	219	476
Electrical machinery	314	298		Mineral fuel	41	168
Agricultural products						
Total	6	12		Total	102	228
Coffee extracts	5	11		Maize	85	210
Non-alcoholic beverages	0	0		Ethyl alcohol	4	4
Food preparations	0	0		Oranges	1	1

Source: Global Trade Atlas, 2012

Finally, Table 20 shows trade with Turkey. While agricultural trade is subdued both mineral fuels and machinery seem to constitute intra-industry trade as they appear at the aggregate level for both imports from Turkey and exports to Turkey in total merchandise trade. However, it is not possible to draw any definitive conclusions at this level of aggregation of the data. Agricultural trade in either direction is modest.

Table 22: South Africa's trade with Turkey, 2010-2011

Imports ($m)				Exports ($m)		
All merchandise						
	2010	**2011**			**2010**	**2011**
Total	280	562		Total	401	563
Machinery	50	117		Mineral fuel	174	285
Mineral fuel	1	114		Iron & steel	65	64
Vehicle & parts	48	56		Machinery	51	59
Agricultural products						
Total	19	19		Total	16	20
Nuts	3	3		Fish meal	9	11
Pasta	1	2		Sheep skins	1	4
Hazelnuts	3	1		Sheep skin, wool on	3	1

Source: Global Trade Atlas, 2012

A summary of the agricultural products that (a) South Africa is exporting to the world but not necessarily to any MIST country and (b) the MIST countries are importing from the world but not necessarily from South Africa is shown in Table 21. Note that these commodities are Food and Agricultural Organization (FAO) definitions and not the HS codes from the Global Trade Atlas above, with the result that they may not directly correlate with the data in the previous four tables. Maize, South Africa's fourth largest export, and food preparations not elsewhere specified (a rather generic and mixed definition of high value-added products such as tomato sauce and chutney), South Africa's seventh largest export, are imported by all four MISTs. Perhaps more telling is that of South Africa's top twenty exports, some thirteen are not imported by any of the MIST countries. Agricultural export potential and future opportunities for South Africa may be limited in these countries.

Table 21: South African agricultural exports and MIST imports, 2011

South African exports, 2011	$ million	MIST imports, not necessarily from South Africa			
Wine	781.4				
Oranges	598.7				
Grapes	419.5				
Maize	304.9	Mexico	Indonesia	Korea	Turkey
Apples	248.8		Indonesia		
Fruit preparations n.e.s.*	224.8				
Food preparations n.e.s.	221.1	Mexico	Indonesia	Korea	Turkey
Wool, greasy	168.7				
Pears	159.7				
Sugar, refined	130.8	Mexico	Indonesia		
Sugar, raw	116.9		Indonesia	Korea	
Lemons and limes	109.3				
Cigarettes	100.8				
Nuts, other	98.7				
Sunflower oil	98.1				Turkey
Grapefruit	94.4				
Beverages & distilled alcohol	90.7			Korea	
Tangerines etc.	90.4		Indonesia		
Chocolate pralines n.e.s.	88.3	Mexico			
Tobacco n.e.s.	85.4				

Source: FAOSTAT (2012)   *n.e.s = not elsewhere specified

3.4 BRICs into the MIST

3.4.1 Trade between the BRICs and the MIST countries

The trading relationship between each of the BRIC and the MIST countries shows the importance or otherwise of this trading relationship. Recall that this combination effectively includes the nine largest developing countries in the world; thus, a large part of South-South trade is covered in this way. In this regard, Table 22 looks at Brazilian exports to and imports from the MIST countries in recent years. Korea and Mexico are solid trading partners, as the data ranks Korea as number five import source in 2011, while Mexico, a fellow American country, ranks 11th as an import source and 17th as an export destination.

Table 22: Brazil's trade with MIST

Rank	Partner	2006	2010	2011	Share (%)
		Brazilian exports ($m)			
	World	137,470	201,915	256,040	100.0
17	Mexico	4,440	3,715	3,960	1.55
34	Indonesia	481	1,663	1,718	0.67
11	Korea	1,962	3,760	4,694	1.83
40	Turkey	590	1,034	1,460	0.57
		Brazilian imports ($m)			
	World	91,396	181,649	226,243	100.0
11	Mexico	1,310	3,858	5,130	2.27
27	Indonesia	650	1,518	1,920	0.85
5	Korea	3,106	8,422	10,097	4.46
37	Turkey	146	657	917	0.41

Source: Global Trade Atlas, 2012

Both Korea and Turkey are important partners for Russia, as shown in Table 23 where they alternate in their rankings between export destinations and import sources.

Table 23: Russia's trade with MIST

Rank	Partner	2006	2010	2011	Share (%)
		Russian exports ($m)			
	World	226,524	348,528	378,688	
60	Mexico	245	291	569	0.15
58	Indonesia	187	616	586	0.15
13	Korea	2,305	10,150	10,464	2.76
4	Turkey	9,134	19,365	24,946	6.59
		Russian imports ($m)			
	World	128,151	211,439	278,690	
44	Mexico	185	470	813	0.29
35	Indonesia	419	1,012	1,438	0.52
8	Korea	6,771	7,062	11,386	4.09
12	Turkey	2,621	4,700	6,124	2.20

Source: Global Trade Atlas, 2012

For India, both Indonesia and Korea are major bilateral trading partners, while the bilateral trade with both Turkey and Mexico is of less importance (Table 24).

Table 24: India's trade with MIST

Rank	Partner	2006	2010	2011	Share (%)
		Indian exports ($m)			
	World	121,259	222,922	307,086	
40	Mexico	522	767	1,339	0.44
11	Indonesia	1,875	4,572	6,860	2.23
17	Korea	2,326	3,641	4,825	1.57
23	Turkey	1,162	2,326	3,623	1.18
		Indian imports ($m)			
	World	172,876	350,783	465,076	
35	Mexico	530	990	2,185	0.47
9	Indonesia	3,603	9,719	13,995	3.01
12	Korea	4,747	9,938	12,437	2.67
49	Turkey	190	796	887	0.19

Source: Global Trade Atlas, 2012

Korea is an important trading partner for China; ranking number 4 as an export destination and number 2 as an import source. The other three MISTs are of more importance as export destinations than import sources for China (Table 25).

Table 25: China's trade with MIST

Rank	Partner	2006	2010	2011	Share (%)
	Chinese exports				
	World	969,324	1,578,444	1,899,281	
22	Mexico	8,824	17,874	23,981	1.26
16	Indonesia	9,453	21,973	29,257	1.54
4	Korea	44,558	68,811	82,925	4.37
25	Turkey	7,307	11,960	15,619	0.82
	Chinese imports				
	World	791,794	1,393,909	1,741,430	
35	Mexico	2,606	6,809	9,362	0.54
14	Indonesia	9,610	20,760	31,323	1.80
2	Korea	89,818	138,024	161,673	9.28
57	Turkey	765	3,153	3,128	0.18

Source: Global Trade Atlas, 2012

In summary, the MIST countries are important trading partners for the BRIC countries in some instances, with most BRICs being strongly linked to Korea in particular. This analysis, however, only looks at the BRIC perspective, and were we to look at the 'mirror' MIST data we would undoubtedly find that China would present them with a much larger import source. Nevertheless, the reason why South-South trade is relatively small lies in the fact that the largest of the developing countries hardly trade with each other.

3.4.2 Global trade patterns

The following two tables show the percentage shares of global merchandise trade for the BRIC and MIST countries. The right-hand column shows the difference in global share of exports between 2000 (the birth of BRICs) and 2011, expressed in percentage points. For example, by 2011South Africa had increased its share of world exports by 0.07 of a percentage point from the 2000 base. All countries have increased their global shares except Mexico, which declined by 0.66 of a percentage point. As always, China is especially prominent with an increase of 6.54 percentage points. In 1980,

South Africa had the second-highest share of global exports of the countries shown in table 26 (behind Saudi Arabia). However China and Brazil had already overtaken South Africa by 1985 (and similarly India had also overtaken South Africa by 1995) as sanctions and boycotts against South African produce resulted in a sharp decline in South Africa's share until 2000, from when it recovered somewhat. In general, the overall BRIC performance was better than that of MIST, but, of course, China biases any such comparison and a closer examination shows that both Korea and Turkey have done well even though their aggregate performance is only one of increasing global share by 0.11 percentage points. Further down the table Saudi Arabia has also done well (oil), while Argentina is struggling to keep up.

Table 26: Global merchandise export shares

	1980	1985	1990	1995	2000	2005	2009	2011	Increase over 2000
	%								
Brazil	0.99	1.31	0.91	0.90	0.85	1.13	1.22	1.40	0.55
Russia	1.00	1.00	1.00	1.57	1.64	2.32	2.42	2.86	1.22
India	0.42	0.47	0.52	0.59	0.66	0.95	1.31	1.67	1.01
China	0.89	1.40	1.80	2.88	3.86	7.26	9.58	10.40	6.54
South Africa	1.25	0.83	0.68	0.54	0.46	0.49	0.49	0.53	0.07
Mexico	0.89	1.37	1.18	1.54	2.58	2.04	1.83	1.91	-0.66
Indonesia	1.08	0.95	0.74	0.88	1.01	0.83	0.95	1.10	0.09
Korea	0.86	1.55	1.89	2.42	2.67	2.71	2.90	3.04	0.37
Turkey	0.14	0.41	0.38	0.42	0.43	0.70	0.81	0.74	0.31
Argentina	0.39	0.43	0.36	0.41	0.41	0.38	0.44	0.46	0.05
Saudi Arabia	5.36	1.41	1.29	0.97	1.20	1.72	1.53	2.00	0.80
BRICS	4.56	5.01	4.91	6.48	7.47	12.15	15.03	16.86	8.17
MIST	2.97	4.28	4.19	5.26	6.69	6.28	6.50	6.79	0.11

Source: WTO data, Available at

http://www.wto.org/english/res_e/statis_e/its2012_e/its12_merch_trade

Table 27 shows a similar pattern for global merchandise imports, with China powering the BRICS to an overall increase of 9.57 percentage points in just eleven years (and an increase of 10.85 percentage points since 1980). Perhaps no single data illustrates the rise of China more emphatically than the 6.54 and 6.11 percentage point increase in China's global export and import share respectively shown in these two tables. Again, Mexico's share has declined but all others have increased, South Africa has recovered partly from the apartheid disaster, and the BRIC increase is substantially more than that of MIST thanks largely but not exclusively to China.

Table 27: Global merchandise import shares

Imports	1980	1985	1990	1995	2000	2005	2009	2011	Increase over 2000
					%				
Brazil	1.20	0.71	0.63	1.02	0.88	0.71	1.05	1.28	0.41
Russia	1.00	1.00	1.00	1.15	0.66	1.16	1.51	1.76	1.09
India	0.72	0.79	0.66	0.66	0.77	1.32	2.02	2.51	1.74
China	0.96	2.10	1.50	2.50	3.35	6.08	7.90	9.46	6.11
South Africa	0.94	0.56	0.52	0.58	0.44	0.57	0.58	0.66	0.22
Mexico	1.07	0.95	1.23	1.41	2.67	2.10	1.90	1.96	-0.71
Indonesia	0.52	0.51	0.62	0.77	0.65	0.70	0.74	0.96	0.31
Korea	1.07	1.55	1.97	2.56	2.39	2.41	2.54	2.84	0.46
Turkey	0.38	0.56	0.63	0.68	0.81	1.08	1.11	1.31	0.50
Argentina	0.51	0.19	0.11	0.38	0.37	0.26	0.30	0.40	0.03
Saudi Arabia	1.45	1.17	0.68	0.53	0.45	0.55	0.75	0.71	0.26
BRICS	4.82	5.16	4.31	5.91	6.1	9.84	13.06	15.67	9.57
MIST	3.04	3.57	4.44	5.41	6.51	6.28	6.28	7.07	0.55

Source: WTO data, Available at http://www.wto.org/english/res_e/statis_e/its2012_e/its12_merch_trade

Agriculture is important to the MIST countries, and Table 28 shows some general indicators of the role of agriculture in the economy. Korea has limited arable land, while the other three are potentially land-rich. Agriculture's importance as measured by the contribution to GDP, and employment is high in both Indonesia and Turkey, while for both Mexico and Korea, even though these two latter indicators are lower, the rural population is still high as a percentage of the total. Livestock production in particular is increasing strongly in most cases, while overall food production is stagnating in Korea but increasing in Indonesia in particular. All four economies are relatively open as measured by merchandise trade as a percentage of GDP. Indonesia's agriculture is still

characterised by small farmers, as attested by the low value added per worker, while South Korea's economy has already industrialised. By comparison, South Africa's value added per worker in agriculture is R3951, a bit higher than that in Mexico and Turkey.

Table 28: The role of agriculture in MIST

	Mexico	Indonesia	Korea	Turkey
Agricultural land (km^2)	1,028,330	526,000	18,540	389,110
Arable land as share of total land (%)	12.9	13.0	16.4	27.7
Agriculture as share of GDP (%)	3.9	15.3	2.6	9.6
Agricultural growth (% p.a.)	3.3	2.9	-4.3	2.4
Agricultural employment as share of total (%)	13.5	38.3	6.6	22.9
Exports as share of GDP (%)	30.3	24.6	52.4	21.2
Imports as share of GDP (%)	31.7	22.9	49.6	26.8
Food production index (2004/06=100)	105.3	121.8	100.5	110.3
Livestock index (2004/06=100)	108.6	119.3	116	118.2
Food exports as a share of total exports (%)	6.1	16.4	1.1	10.6
Food imports as a share of total imports (%)	6.5	8.5	4.5	4
Rural population (%)	21.9	49.3	16.8	28.6
Agricultural value added per worker ($, 2010)	3,302	730	19,807	3,770

Source: World Bank World Bank at http://data.worldbank.org/country

3.4.3 The Foreign Direct Investment position with South Africa

Table 29 shows that South Korea has a significant Foreign Direct Investment (FDI) presence in South Africa. The South African Reserve Bank data shows South Korea as having investments in South Africa of R1.8 billion in 2010, while South African interests had a call on R337 million in South Korea in the same year period. Turkey has minor investments in South Africa, and for a period at the turn of the millennium South Africa had a relatively large call on funds in Indonesia. Mexico was not listed in the South African Reserve Bank data as having any FDI presence.

Table 29: MIST FDI investment position with South Africa, 1997-2010

	South African FDI liabilities (Rm)				South African FDI assets (Rm)		
	Indonesia	Turkey	Korea		Indonesia	Turkey	Korea
1999	307		191		2,446		
2000		1	690		2,448		
2005		18	895		27	1	34
2010		129	1,814		80	10	337

Source: South African Reserve Bank

4. Other contenders

Two contenders for elevation to some sort of club that would be of interest to South Africa are Argentina and Saudi Arabia.. Saudi Arabia is of interest because it is oil rich and has the potential to become an increasingly important export destination for specialist South African products such as fresh fruit and because, just as South Africa offers a gateway into Africa, Saudi Arabia offers a gateway into the Middle Eastern oil states. Argentina is of interest as the single largest source of South Africa's agricultural imports, and because of its proximity to Brazil.

Table 30 shows some selected economic indicators for Argentina and Saudi Arabia. Both are medium-sized countries as measured by population and, combined with their reasonable GDP per capita, this gives them significant economic power. Furthermore, given that a generally presumed qualification for becoming a BRIC is a decent growth rate, the annual percentage growth rates for Argentina and Saudi Arabia since the birth of BRIC in 2001 are also shown. Since 2003 both countries have outperformed the OECD (a weak test), and since 2009 the world (the strong test).

Table 30: Selected macroeconomic indicators for Argentina and Saudi Arabia, 2001-2011

		2011	2009	2007	2005	2003	2001
		\$m					
GDP (\$bn)	Argentina	446.0	307.1	260.8	183.2	129.6	268.7
	Saudi Arabia	576.8	376.7	384.9	315.6	214.6	183.0
GDP per capita (current \$)	Argentina	10,941	7,665	6,624	4,736	3,410	7,203
	Saudi Arabia	20,540	14,051	15,091	13,127	9,607	8,849
GDP per capita (PPP \$)	Argentina	17,674	14,563	13,325	10,833	8,721	8,829
	Saudi Arabia	24,434	22,045	21,502	20,406	18,610	17,967
Population (million)	Argentina	40.76	40.06	39.37	38.68	38.00	37.30
	Saudi Arabia	28.08	26.81	25.50	24.04	22.33	20.68
Population growth (% p.a.)	Argentina	0.9	0.9	0.9	0.9	0.9	1.0
	Saudi Arabia	2.3	2.4	2.8	3.5	4.0	3.1
Unemployment rate	Argentina		8.6	8.5	10.6	16.1	18.3
	Saudi Arabia		5.4	5.6			4.6
Growth in GDP (% p.a.)	Argentina	8.9	0.9	8.7	9.2	8.8	-4.4
	Saudi Arabia	6.8	0.1	2.0	5.6	7.7	0.5
	World	2.73	-2.25	3.94	3.46	2.73	1.69
	OECD	1.49	-3.94	2.58	2.48	1.98	1.30
Did Argentina and Saudi Arabia outperform the world (y = yes, n = no)	Argentina	y	y	y	y	y	n
	Saudi Arabia	y	y	n	y	y	n

Source: World Bank World Bank at http://data.worldbank.org/country

Table 31 shows that mineral fuels dominate the South African imports from Saudi Arabia, while fruit and nuts are the top export items in a trade that is significantly in favour of Saudi Arabia.

Table 31: South Africa's trade with Saudi Arabia

South African imports ($m)				South African exports ($m)		
All merchandise						
	2010	**2011**			**2010**	**2011**
Total	3,234	4,441		Total	368	375
Mineral fuel	2,767	3,824		Fruit and nuts	79	106
Organic chemicals	169	250		Ores	41	86
Fertilisers	107	133		Iron & steel	53	40
Agricultural products						
Total	2	1		Total	161	125
Nuts	0	0		Lemons	48	54
Pasta	0	0		Cigarettes	13	33
Hazelnuts	0	0		Sheep skins	13	12

Source: Global Trade Atlas, 2012

Table 32 shows the bilateral trading relationship between South Africa and Argentina: once again the trade is heavily in favour of Argentina with the large imports of animal feeds with a limited offset of South African exports.

Table 32: South Africa's trade with Argentina

South African imports ($m)				South African exports ($m)		
All merchandise						
	2010	**2011**			**2010**	**2011**
Total	922	1,116		Total	110	183
Animal feeds	361	385		Fertilisers	2	41
Cereals	13	224		Ores	10	36
Vehicle parts	56	213		Mineral fuel	31	21
Agricultural products						
Total	589	781		Total	7	7
Soybean oilcake	340	360		Vegetable saps	1	2
Wheat	9	211		Liqueurs	1	2
Sunflower oil	76	45		Pineapple juice	1	1

Source: Global Trade Atlas, 2012

To put Argentinean and Saudi Arabian agriculture in perspective with MIST, Table 33 shows the global rankings as firstly agricultural exporters among the top twenty and then a similar profile for imports. As exporters Indonesia, Argentina and Mexico all had an important global share in 2011, with Indonesia and Argentina ranked in 6th and 8th place respectively. Similarly, South Korea and Mexico are among the top ten importers with Saudi Arabia in 11th place. All three, along with Turkey, have an import share of at least 1%.

Table 33: Leading traders of agricultural products, $ billion and % changes

Rank		Value ($m)	Share (%)			Annual change (%)			
		Exporters							
	Exporters	**2011**	**1990**	**2000**	**2011**	**2005-11**	**2009**	**2010**	**2011**
6	Indonesia	48	1.0	1.4	2.9	23	-23	42	34
8	Argentina	45	1.8	2.2	2.7	15	-25	23	31
14	Mexico	23	0.8	1.7	1.4	11	-3	13	22
		Importers							
7	South Korea	35	2.2	2.2	2.0	13	-20	26	30
8	Mexico	29	1.2	1.8	1.7	10	-22	16	24
11	Saudi Arabia	22	0.8	1.0	1.3	16	-14	60	27
14	Turkey	18	0.6	0.7	1.0	18	-26	34	36

Source: WTO data. [Online]. Available:
http://www.wto.org/english/res_e/statis_e/its2012_e/its12_merch_trade

Table 34 shows the same general agricultural indicators for Saudi Arabia and Argentina as were presented for the MIST countries. Both countries are relatively arid (in South Africa, for example, arable land makes up 15% of total agricultural land), but both countries have a relatively high agricultural value added per worker, with agriculture making up only a small share of total employment. As a percentage of GDP agriculture is more important in Argentina. Food exports are over 50% of total exports for Argentina, while, conversely, they are more important in Saudi Arabia's imports.

Table 34: Some general agricultural indicators

	Saudi Arabia	Argentina
Agricultural land (km^2)	1,734,350	1,405,000
Arable land as share of total land (%)	1.5	11.3
Agriculture as share of GDP (%)	2.5	10
Agricultural growth (% p.a.)	1.1	28
Agricultural employment as share of total (%)	4.1	1.2
Exports as share of GDP (%)	58.1	21.7
Imports as share of GDP (%)	38.6	18.4
Food production index (2004/06=100)	105.9	115.4
Livestock index (2004/06=100)	110.8	113.6
Food exports as a share of total exports (%)	1.2	51.2
Food imports as a share of total imports (%)	15.7	2.6
Rural population (%)	17.9	7.7
Agricultural value added per worker ($, 2010)	20,233	12,957

Source: World Bank World Bank. [Online]. Available: http://data.worldbank.org/country

Table 35 describes production, imports and exports for Saudi Arabian agriculture. There are several lines of potential interest for South Africa in the import column.

Table 35: Saudi Arabian agricultural production and trade data

Production		Imports		Exports	
$m					
Chicken	822	Barley	1,917	Cheese	309
Dates	551	Rice	1,310	Pastry	193
Milk	521	Chicken	1,231	Fruit juice	187
Wheat	202	Food preparations	908	Sugar	182
Tomatoes	181	Sugar	691	Non-alcoholic beverages	147
Eggs	160	Cigarettes	669	Buttermilk	113
Mutton	128	Maize	471	Milk	103
Fruit	126	Wheat	400	Maize oil	87
Beef	108	Infant food	368	Sugar	81
Vegetables	95	Palm oil	358	Dates	78
Grapes	93	Milk powder	350	Macaroni	75
Camel meat	77	Chocolate	311	Food preparations	62
Cucumbers	76	Beef	292	Milk powder	61
Potatoes	75	Pastry	281	Eggs	60
Citrus	61	Cheese	262	Cream	54
Sorghum	42	Mutton	251	Waters	51
Melons	36	Cheese	224	Vegetables	50
Okra	36	Cake soybeans	214	Orange juice	49
Watermelons	35	Tea	211	Frozen potato	45
Camel milk	33	Sugar	208	Yoghurt	43

Source: FAOSTAT (2012)

The global rankings of production in Argentina (Table 36) reflect its role as a heavyweight on the agricultural scene, with several products ranked by the FAO among the top ten during 2010. These include a number-three global ranking for soybeans, sunflower seeds, and lemons and limes; and a number-four ranking for beef, maize and pears. As an exporter Argentina ranks as the number one exporter of soybean cake in the world and number two in soybeans, with both of these exports in the FAO's top twenty commodity by country export table. Table 40 gives more details.

Table 36: Argentinean agricultural production and trade data

Production		Imports		Exports	
$m					
Soybeans	14,172	Bananas	114	Cake soybean	8,195
Beef	7,095	Rubber	114	Soybeans	4,986
Milk	3,277	Pork	105	Soybean oil	4,136
Maize	2,768	Food preparations	103	Maize	3,145
Chicken	2,275	Coffee	73	Beef	1,041
Wheat	2,270	Cocoa	59	Wheat	902
Grapes	1,496	Cocoa butter	54	Wine	737
Sugar	821	Feed supplements	45	Sunflower oil	539
Sunflower	611	Chocolate pralines, n.e.s.	38	Milk powder	460
Apples	444	Cocoa paste	36	Chicken	379
Lemons	441	Tobacco	35	Pears	337
Pork	432	Coffee	33	Groundnuts	292
Eggs	419	Beverages, distilled	33	Tobacco	292
Barley	347	Confectionery	30	Flour of wheat	290
Rice	336	Fruit preparations	26	Beans	260
Cotton lint	329	Maize	25	Rice	234
Potatoes	327	Cotton	25	Malt	228
Pears	288	Wine	23	Sorghum	225
Sorghum	282	Oil, essential	21	Lemons	204
Groundnuts	268	chicken	18	Groundnuts	203

Source: FAOSTAT (2012)

Finally, in Table 37 the FDI position between Saudi Arabia and Argentina on the one hand and South Africa on the other is shown. These investments are very modest in the case of Argentina, but in Saudi Arabia's case they have been important in the past.

Table 37: South Africa's FDI position with Saudi Arabia and Argentina

	South African FDI liabilities (Rm)		South African FDI assets (Rm)	
	Rm			
	Saudi Arabia	Argentina	Saudi Arabia	Argentina
1999	54	2	54	
2000	62	3	62	
2005	-546	32	-546	26
2010	-1,031	12	-1,031	42

Source: South African Reserve Bank

In summary, both Argentina and Saudi Arabia must be 'countries of interest' to South Africa. Both are strongly growing middle-income countries, and both should be of special interest to the agricultural sector, Argentina as a major source of South African agricultural imports and Saudi Arabia as a latent export destination.

5. A cautionary note

While we can say with a reasonable degree of confidence that we know recent growth pathways, the future is of course uncertain. At the heart of this paper are growth rates from the developing world, and while China in particular has had a spectacular and probably unique growth period that stretches back some 40 years, there has been much more variation in almost all of the other countries examined. The enthusiasm for BRIC and MIST is predicated upon the continuation of their growth pathways being above that of the developed world. Sharma (2012) strongly makes this point when he argues that few countries can sustain unusually fast growth, and now that the boom years are over the international order will change less than expected. At the heart of this debate is the thesis on what Sharma calls 'the rise of the rest' and how quickly developing countries will converge on the developed world. His contention is that few countries have managed this feat over the last fifty years and therefore there is the likelihood that, similarly, few will manage it in the near or medium future. The top tier will look very similar in the future, as few economies are likely to break into this exalted group.

While there is speculation over when China will regains its position of the number one world economy, population rather than GDP per capita is the driver here. It is one thing to overtake the US as an economy with a population of well over one billion. It is quite another to pass on a GDP per

capita basis. One can indulge in endless speculation over GDP growth, and from there analyse the implications of this growth. For example, we can take the World Bank 2014 growth forecasts from Table 4 for the US and China and extrapolate these into a spread sheet using current 2012 GDP per capita data. From this exercise we find that from the situation at 2012 when Chinese per capita was 11.2% of that of the US, in twenty years' time it would be 35.2% of the comparable US figure. This would be an improvement and a remarkable performance, but still little more than one-third of the US wealth per capita. Continuing the extrapolation, in thirty years' time it would be 55.2%, and thanks to the power of compounding somewhere around 2054 they would equate! But, drop the Chinese rate by 1% annually and by 2054 the Chinese level is 'only' 70.7% of the US level. Yet another 1% less and it is still below half at 2054, while increasing the US rate by 1% and maintaining Chinese growth, the figure would be 69.5% rather than being equal. The salient point is that extrapolating a small 'tweak' to the growth rate makes an enormous difference to convergence.

But how much does this matter? The developing world, in many instances, is becoming richer, and this will change consumption patterns and therefore future trade opportunities. But just how much richer they are likely to become is another matter altogether. As Sharma (2012) cautions, there are just too many factors at play that are likely to dampen speculative conjecture.

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