

SA set on better Russian trade ties

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TRADE relations, initiatives and bilateral agreements with an estimated value of R96 billion have been signed between South Africa and China since December 2015, while South African exports to Russia have grown by a disappointing 16 percent to R3.7bn since 2015.

China, Russia and South Africa are members of the Brics, a bloc of emerging economies, together with Brazil and India.

The five nations have a combined nominal gross domestic product of \$16.6 trillion, equivalent to 22 percent of the gross world product.

According to Coface, since South Africa joined the Brics in December 2010, trade relations between South Africa and China have improved and are starting to reap rewards.

Emile Petersen, an industry analyst at Coface, said in December 2015 South Africa and China signed new agreements that had an estimated value of R96bn. "These agreements were financially beneficial for South Africa's state-owned enterprises, securing large loans for industrial developments."

The worldwide leader in credit insurance said yesterday that big companies were changing their strategies and were not placing emphasis on big government tenders, but rather entering the respective markets directly.

"Example of business-to-business relationships are smartphone manufacturers Huawei and Techno entering the South African market and Naspers entering the Chinese market with a 34 percent stake in Tencent Holding, whose subsidiaries provide media, entertainment, internet and cellphone value-added services, as well as online advertising services in China."

Bilateral

In June, China announced the rand and Chinese yuan renminbi would be traded in the Chinese interbank market on a bilateral basis.

"The aim of introducing bilateral foreign exchange trading would reduce the cost of trading between the two countries," Petersen said.

Coface said South Africa's average exports to China were \$24.3bn from 2006 to 2015.

South Africa's main exporting products are commodities, minerals and resource products from the mining sector.

Petersen said China was an important trading partner when it came to manufactured goods.

"This has been an issue South Africa has been struggling with for years. South Africa exports raw materials needed to manufacture intermediary goods, their trading partners add value and sell these items back to South Africa," he said.

Deputy director-general of trade and investment at the Department of Trade and Industry, Pumla Ncapayi, yesterday urged Russian companies to increase their investments in the country. Ncapayi was delivering a keynote address at the South Africa-Russia Business Council in Pretoria.

"Russia is South Africa's key strategic trading partner within our integrated national export strategy. South African exports increased from R2.1bn in 2011 to R3.7bn in 2015 reflecting an average growth of 16 percent."

She said, while acknowledging the substantial growth in total trade between the two countries, there was greater potential for trade gains with Russia.