



ASSIGNMENT MEMORANDUM

**SUBJECT : INTERNATIONAL ECONOMICS (IE)
INTERNATIONAL ECONOMICS 3 (IE301)**

ASSIGNMENT : 2ND SEMESTER 2011

ASSIGNMENT [90]

While there is room for individual interpretation and opinion in areas of comparison and contrast between the BRIC countries and South Africa, the assignment brief gave an indication of the issues that should be researched and commented on.

Students may structure their assignments in different ways, but the attached tables and following outline are guides to how the assignment should be approached.

1. Major similarities

- 1.1 South Africa has very much the same type of natural resources as the four BRIC countries: metals and minerals, with some agricultural resource. Unlike Brazil and China, she has little hydropower resource.
- 1.2 Population urbanisation varies across the countries and South Africa's urbanisation level of 61% is about midway between Brazil's high 86% and India's low 29%.
- 1.3 Similarly, South Africa's literacy rate appears to be on a par with that of Brazil, somewhat lower than those of Russia and China, and far higher than that of India.
- 1.4 There are wide disparities in the current account balance of the countries: South Africa's is in the range of Brazil and India, but far below those of Russia and China.
- 1.5 South Africa's GDP per capita is almost the same as that of Brazil, rather lower than Russia's, and somewhat higher than China's and much higher than India's. So, in this respect, South Africa is within the range.
- 1.6 Agricultural production is reasonably diverse in South Africa and similar in variety, if not in volume, to the other countries.
- 1.7 There is some similarity in the industrial diversity between South Africa and the other countries, especially Brazil and India. However, Russia especially and China have more diverse and much larger industrial bases.

- 1.8 As a result of the similarity in natural resources, agricultural output and industrial development, there is similarity in the type of products exported by South Africa and the other countries. The individual mix of minerals and metals varies from country to country, and the range of manufactures exported in volumes is greater from Russia and China.
- 1.9 South Africa's import requirements are similar to those of the other countries, although South Africa, Brazil, India and China have a greater need of oil imports than Russia, which is a net energy exporter.
- 1.10 The trading partners of the five countries are fairly similar, although Russia shows a stronger leaning towards trade with countries in Europe, and Brazil towards trade with South American neighbours.

2. Major differences

- 2.1 The biggest differences relate to the size of South Africa in relation to the other countries: This is noticeable in land area, population and labour force, forex and gold reserves, total GDP and GDP growth. In these areas, South Africa is a minnow, compared with some global whales!
- 2.2 Regarding population, it is interesting that South Africa and India differ from the other three countries in terms of the median age. Brazil, and especially Russia and China have generally older populations.
- 2.3 On the Gini Index, South Africa stands out sorely above the other countries. While inequality of incomes is an acknowledged problem in Brazil, Brazil's Gini Index is 56.7 (10th global highest), whereas South Africa's is 65.0 (2nd global highest!).
- 2.4 South Africa's unemployment is also considerably higher than that of the other countries, as is the estimate percentage below the poverty line.
- 2.5 Regarding economic structure, China and even India are really the odd countries, with a far more even spread of activity between agriculture, industry and services. South Africa is roughly similar to Brazil and Russia, although the agricultural sector is somewhat smaller.

3. Global Competitiveness Index

- 3.1 In most aspects, South Africa's scores are in the same range as the other four countries.
- 3.2 Some areas reflect differences already noted above: namely size of market (linked to population and GDP).
- 3.3 South Africa scores very strongly in financial market development, achieving rank 9 globally.
- 3.4 South Africa scores somewhat poorly in higher education and training, along with India, and in labour efficiency, along with Brazil.
- 3.5 South Africa's scores for business sophistication and innovation are in the middle of the range.

4. Conclusions

- 4.1 On the basis of development stage, South Africa in most respects is on a par with the other four countries.

- 4.2 On the basis of size and weight in the global context, South Africa does not compare.
- 4.3 However, the other countries represent developing regions in South America, Central Europe and Asia. There is no representative of the African region and South Africa is currently the only possible credible representative in economic terms.

Learner Guide reference: Study Units 1 and 2.

PRESENTATION [10]

Global Competitiveness Index										
Indicator	Brazil		China		India		Russia		South Africa	
	Rank	Score 1-7	Rank	Score 1-7	Rank	Score 1-7	Rank	Score 1-7	Rank	Score 1-7
GCI 2010–2011	58	4.3	27	4.8	51	4.3	63	4.2	54	4.3
GCI 2009–2010 (out of 133)	56	4.2	29	4.7	49	4.3	63	4.2	45	4.3
GCI 2008–2009 (out of 134)	64	4.1	30	4.7	50	4.3	51	4.3	45	4.4
Basic requirements	86	4.3	30	5.3	81	4.3	65	4.5	79	4.4
1st pillar: Institutions	93	3.6	49	4.4	58	4	118	3.2	47	4.4
2nd pillar: Infrastructure	62	4	50	4.4	86	3.5	47	4.5	63	4
3rd pillar: Macroeconomic environment	111	4	4	6.1	73	4.5	79	4.5	43	5
4th pillar: Health and primary education	87	5.5	37	6.2	104	5.2	53	5.9	129	4.1
Efficiency enhancers	44	4.4	29	4.6	38	4.4	53	4.2	42	4.4
5th pillar: Higher education and training	58	4.3	60	4.2	85	3.9	50	4.6	75	4
6th pillar: Goods market efficiency	114	3.7	43	4.4	71	4.1	123	3.6	40	4.5
7th pillar: Labor market efficiency	96	4.1	38	4.7	92	4.2	57	4.5	97	4.1
8th pillar: Financial market development	50	4.4	57	4.3	17	4.9	125	3.2	9	5.3
9th pillar: Technological readiness	54	3.9	78	3.4	86	3.3	69	3.6	76	3.5
10th pillar: Market size	10	5.6	2	6.7	4	6.1	8	5.7	25	4.8
Innovation and sophistication factors	38	4	31	4.1	42	4	80	3.4	43	3.9
11th pillar: Business sophistication	31	4.5	41	4.3	44	4.3	101	3.5	38	4.4
12th pillar: Innovation	42	3.5	26	3.9	39	3.6	57	3.2	44	3.5

Source: World Economic Forum. [Online] Available: <http://www.weforum.org/reports>. [February 2011].

Key Country Comparative Indicators

(Note: where available, country world rankings are given in brackets after the figures)

Indicator	Brazil	Russia	India	China	South Africa
Area (sq km 000)	8 515 (5)	17 098 (1)	3 287 (7)	9 597 (4)	1 219 (25)
Major resources	Metals, minerals, oil, hydropower, timber	Metals, minerals, oil, gas, timber	Coal, other minerals and metals, arable land	Metals, minerals, oil, gas, hydropower	Metals and minerals, natural gas
Population (millions)	201 (5)	139 (9)	1 173 (2)	1 330 (1)	49 (25)
Population median age	28.9	38.5	25.9	35.2	24.7
Urbanisation %	86	73	29	43	61
Literacy rate	88.6	99.4	61	91.6	86.4
Forex and gold reserves (USD bn)	291 (5)	483 (2)	284 (6)	2 622 (1)	45 (25)
Current account balance (USD billions)	-52.73 (186)	68.85 (4)	-26.9 (181)	272.5 (1)	-16.51 (178)
GDP at purchasing power parity (USD bn)	2 194 (8)	2 229 (7)	4 046 (5)	9 872 (3)	528 (26)
GDP growth %	7.5 (15)	3.8 (88)	8.3 (7)	10.3 (5)	3.0 (124)
GDP per capita at purchasing power parity (USD)	10 900 (104)	15 900 (71)	3 400 (163)	7 400 (127)	10 700 (105)
Gini index (high score = high inequality)	56.7 (10)	42.2 (53)	36.8 (79)	41.5 (54)	65.0 (2)
Labour force (million)	103.6 (6)	75.6 (7)	478.3 (2)	819.5 (1)	17.32 (34)
Unemployment %	7	7.6	10.8	4.3	23.3
Below poverty line %	26	13.1	25	7 (est.)	50
GDP by sector:					
Agriculture	6.1%	4.2%	16.1%	9.6%	3.0%
Industry	26.4%	33.8%	28.6%	46.8%	31.2%
Services	67.5%	62.0%	55.3%	43.6%	65.8%

Indicator	Brazil	Russia	India	China	South Africa
Agricultural products	Coffee, soya, most grains, sugarcane, cocoa, citrus, beef	Grains, sugar beet, oilseed, fruit, milk, vegetables, beef	Grains, oilseeds, cotton, jute, tea, sugarcane, vegetables, dairy products, sheep, goats, poultry, fish	Most grains, potatoes, peanuts, tea, apples, cotton, oilseed, pork, fish	Grains, sugarcane, fruit and vegetables, beef, poultry, mutton, wool, dairy products
Industries	Textiles, shoes, metals, chemicals, cement, transport, lumber, machinery	Mining, metals, all types machinery, transport, incl. high-tech and defence, textiles, foodstuffs, consumer goods	Textiles, chemicals, foodstuffs, steel, transport, cement mining, machinery, software, pharmaceuticals	Mining, metals, all types machinery, incl. high-tech and defence, textiles, clothing, cement, chemicals, all types consumer goods foodstuffs.	Mining, metals, automotive, machinery, iron and steel, chemicals, foodstuffs, ship repair
Export value (USD billions)	199.7 (23)	376.7 (13)	201 (22)	1 506 (2)	76.86 (38)
Export commodities	Transport equipment, iron ore, soybeans, footwear, coffee	Petroleum, gas, metals, wood, chemicals, defence equipment, consumer goods	Petroleum products, precious stones, machinery, iron and steel, chemicals, vehicles, clothing	All types machinery, clothing, textiles, iron and steel, medical equip	Metals and minerals, machinery and automotive parts
Export partners	China, US, Argentina, Netherlands, Germany	Netherlands, Italy, Germany, China, Turkey, Ukraine	UAE, US, China	US, Hong Kong, Japan, South Korea, Germany	China, US, Japan, Germany, UK, Switzerland

Indicator	Brazil	Russia	India	China	South Africa
Import value	187.7 (22)	237.3 (19)	327 (13)	1 307 (3)	77.04 (36)
Import commodities	Machinery, transport equipment, chemicals, oil, electronics	Machinery, iron, steel and metals, plastics, meat, fruit vehicles, pharmaceuticals,	Crude oil, precious stones, machinery, fertiliser, iron and steel, chemicals	All types machinery, oil, minerals, medical equip, plastics, organic chemicals	Machinery, chemicals, oil, foodstuffs
Import partners	US, China, Argentina, Germany, Japan	Germany, China, Ukraine, Italy US	China, US, Saudi Arabia, Australia, UAE, Germany, Singapore	Japan, Hong Kong, South Korea, US, Taiwan, Germany	China, Germany, US, Saudi Arabia, Japan, Iran

Source: CIA World Fact Book. [Online] Available: <https://www.cia.gov/cia/publications/factbook/index.html>. [February 2011].