

A joint report of the South Africa-Russia Business Council on the occasion of the State Visit by President JG Zuma to the Russian Federation on 05 August 2010

A business forum was held on 05 August in Moscow, attended by over 250 business leaders from South Africa and the Russian Federation. The opening plenary session listened to testimonies of a South African company that has successfully invested in Russia and two Russian companies that have invested in South Africa respectively.

The Business Forum notes that South Africa and Russia are both well endowed with Minerals Resources. South Africa is home to over 75% of the world Platinum Group Metal resources, over 80% of chrome, vanadium and related minerals . South Africa also has significant resources of coal, gold, diamonds, alumina silicates, vermiculite, uranium and other minerals of strategic nature. Russia on the other hand is a world leader in minerals such as nickel and other mineral of strategic nature. The total in situ mineral resource endowment of Russia is estimated at 99 years and that of South Africa at 142 years.

The Forum further notes that South Africa has an advanced financial services and banking sector rated amongst the best in the world and with potential for expanded investments in Russia. Similarly Russia has advanced technology in minerals processing, metallurgy and mineral beneficiation offering potential for technology sharing and exchange between our two countries. The Forum further noted the steady increase of companies from SA that are already invested in Russia and vice versa since the signing of the Cape Town MOU and the launch of the SA-Russia Business Council in 2006.

This growth is evidenced by amongst other things electricity usage and fuel demand. Russia on the other hand plays a significant role in the supply of energy both for domestic and export market. Due to this and other global challenges such as environmental issues, research on other alternative sources of energy has become an imperative.

The Business Forum further noted a number of barriers raised by delegates that could hinder the smooth flow of bilateral trade and investments between our two countries such as:

- Culture and language.
- Inability to share information optimally.
- Perceptions about each other.

- Legal requirements of doing business.
- Red-tape in both countries.
- Recognition of academic qualifications obtained from each of the two countries,

Thus the Forum called upon the co-chairs of the Business Council to lead in a process that seeks to address these issues through the use of the Council as an institution recognised and supported by both governments.

Recognizing the energy needs in South Africa and the current expansion programme to produce electricity, the Forum identified opportunities for Russian companies and investors to invest in IPP's and to participate in the funding of current capacity expansion projects.

The Business Forum commits to a new partnership between Russian and SA companies in both mineral exploration and mining in South Africa as well as in Sub-Saharan Africa.

It was further agreed that the two countries can play a leadership role through research and development in the areas of gas and clean energy building on the work currently done by institutions such as the CEF in SA and other Russian companies that are piloting in new technologies. The Forum identified possibilities for partnering in the areas of research for alternative sources of energy and clean coal carbon emission initiatives in order to drive home efficiency and clean energy. In a similar way, the usage of South African crude storage capacity and collaboration in the Gas to Liquids (GTL) technology for use in Russia to beneficiate the huge gas reserves were identified for further discussions and prioritization.

Both countries can learn from some of the most successful collaboration initiatives that are currently in place such as the collaboration in the assembly of a solar heated water plant in the Nelson Mandela Bay Metropolitan by the CEF (Pty) Ltd and International Science Bridge (ISB). This project has created huge component manufacturing opportunity in South Africa. Collaboration also exists in the manufacturing, maintenance of the equipment and the beneficiation of the so called orange cake (Uranium). To this effect, the Forum is encouraged by the manufacturing of equipment in SA by a partnership which involves the Rare Metals Industries and the IDC and believes such initiatives should be replicated elsewhere.

The Forum identified the need for development funding or export credit facility for equipment and products from Russia and urges Development Funding Institutions (DFI) and commercial banks to partner in addressing this gap.

It was further resolved that the Business Council should promote the sharing of complementary skills, knowledge and expertise.

Recognizing the participation of young entrepreneurs at the Forum and the need for creating a future generation of young professionals who understands both countries and the richness of our diverse cultures and languages, the Forum resolved to

encourage for student exchange programmes including mechanisms for the mutual recognition of academic and professional qualifications.

In conclusion, the Business Council has committed to meet more frequently, to encourage bilateral trade missions and exhibitions as well as to identify new joint projects. The Chamber of Commerce for the Russian Federation has offered to develop and maintain an information portal listing available opportunities from both countries. South Africa has agreed to host a Russian exhibition aimed at showcasing Russian products and technologies. The Business Council wishes to thank His Excellency President Zuma for the opportunity to meet during his first official state visit to the Russian Federation.