TERNewsletter

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BRICS Trade & Economics Research Network (BRICS-TERN) has been established as a platform of non-governmental groups from Brazil, Russia, India, China and South Africa to assist the on-going cooperation between and among the BRICS countries with network-based policy research and advocacy on contemporary developmental issues

www.cuts-international.org/BRICS-TERN

A New Global Financial Architecture in the Making

Since the inaugural Summit of the Brazil, Russia, India and China (BRICS) Leaders was held in 2009, the BRICS group of countries have indeed sought to promote their agenda as "a positive force for the democratisation of international relations and for the enhancement of existing institutions of international governance."

In light of the attention that the BRICS countries have garnered over the last few months, this Summit will prove whether there is indeed a future for this country grouping. It is expected that at the July Summit the group of emerging economies will have concluded all the preparatory work for setting up the BRICS Development Bank and Contingency Reserve Arrangement (CRA).

Regarding the Bank, after the US decision to undertake quantitative easing prompted an exodus of capital from their markets, the group initially struggled to take coordinated action on most issues in the past year; however, there is hope that the leaders will finally officially launch the Bank at their meeting in Brazil, particularly after the disappointment of the lack of its launch at the last Summit in Durban.

www.postwesternworld.com

The International Monetary Fund (IMF) exists to provide short-term balance of payments financing, however such funding has proved insufficient and it is often tied to conditionality. Indeed, the BRICS New Development Bank will be able to fill this gap by building on the experience of and complementing existing regional Southern institutions.

The New Development Bank comes as a welcome contribution to the development finance architecture given that there currently exists an estimated deficit of investment of more than one trillion dollars annually beyond what is currently being financed by existing mechanisms. Given the proven link between infrastructure development and economic growth, the Bank's focus on infrastructure is indeed a positive development.

It is expected that the development bank will likely focus its lending on not only its own economies but middle-income and low-income countries from different regions as well. In addition to the BRICS Bank, at the Durban Summit in 2013, the heads of state agreed to establish a BRICS fifth CRA. The CRA is to be a coordinated central bank fund, which is set up to provide mutual liquidity in the event of a crisis. It is to serve as a stabilisation fund of US$100bn in reserves and will most likely have no ties to the IMF.

According to the BRICS group, the economies expect that the establishment of a self-managed contingent reserve arrangement will have a "positive precautionary effect, help BRICS countries forestall short-term liquidity pressures, provide mutual support and further strengthen financial stability. It would also contribute to strengthening the global financial safety net and complement existing international arrangements as an additional line of defence."

Undoubtedly, the BRICS Summit is poised to be one of the most important meetings of global leaders in 2014. The success of this meeting will mark the first concrete step towards a more balanced global financial architecture. One that is more democratic and allows for a governance structure that is more equitable and transparent. Indeed it is imperative that developing and emerging economies begin to increasingly contribute to the dialogue on global financing therefore the July Summit will reveal to what extent the BRICS countries are likely to forge a path in this direction.

Chenai Mukumba, Assistant Policy Analyst, CUTS International

INSIDE

India-Brazil to Achieve Economic Prosperity

Brazil and India should work together towards achieving economic prosperity and sharing best industry practices with each other, Deputy Consul General of Brazil Isabela Medeiros Soares said.

"Both the economies are regarded as emerging markets with untapped natural resources with great potential for development. Nations must work towards gaining potential connections and sharing industry best practices with each other," he said.

Foreign direct investment (FDI) by domestic companies in Brazil till 2013 stood at US$103.25mn from Infosys, Pidilite, RSB, Fomento, Inox, Unichem, while FDI inflows into India have been US$23mn.

AIAI President Vijay Kalantri said, "Going forward, we intend to target bilateral trade worth US$15bn by 2015. MVIRDC World Trade Centre and All India Association of Industries will aid any assistance towards the business community in achieving the trade target. *(BS, 21.05.14)*

Brazil to Boost Trade with BRICS

The location of the India-Brazil Chamber of Commerce's office says a great deal about the trade relationship between two developing countries. Based in Brazil's hilly state of Minas Gerais, the Chamber is more than 500km from most companies' headquarters in São Paulo, but only a short drive from some of the country's largest mines.

India and China largely sell manufactured goods to Brazil, using the country as a base for serving the rest of the growing Latin America market, but Brazil has done little but ship basic commodities in return.

While Chinese and Indian companies have begun to venture into Brazil, not only to exploit the country's natural resources but also its fast-growing consumer market, few Brazilian companies have made the return trip.

Given that China overtook the US to become Brazil's biggest trading partner in 2009 and is set to play an ever-bigger role in the global economy Brazilian companies have no choice but to follow in the footsteps of Embraer and Brasil Foods. *(FT, 29.04.14)*

China: Trade Hub for Cheap Goods

India has emerged as one of the top importers of small commodities from the world's biggest wholesale market here, with 3.60 lakh Indian traders in 2013 to buy products worth US$780mn, flooding the country with low priced Chinese goods.

The US edged past India in 2013 to become the highest importer from Yiwu while India retained second spot, City Vice Mayor Dong Feng Ming said. India was at the top in 2011-12.

Significantly for Yiwu which designated to be a pilot project as an international trading centre has now become China's biggest trade hubs with 5.5 million square kms housing 7.50 lakh shops. It takes one year for a person to visit all shops, Ming said.

Some Indian goods are also making waves in Yiwu's international market where China has permitted to set up 50,000 shops from over 90 countries. The most sought after Indian product was incense sticks and power from Mysore and Bangalore. *(ZN, 30.04.14)*

Africa-China to Double Two-way Trade

China and Africa are working together to double two-way trade to US$400bn by 2020. Premier Li Keqiang announced an extra US$12bn in credit to African countries during his tour to Ethiopia, including the African Union Commission, Nigeria, Angola and Kenya.

Chinese Embassy in Pretoria held a news conference mainly about Premier Li's African tour. Spokeswoman Wei Xin said more regular media events would follow, reflecting the burgeoning relationship with South Africa and mounting interest about economic and other links. The embassy estimates that the number of Chinese citizens resident in South Africa has reached about 300,000.

One of China's global mantras in international relations is that it does not interfere in the internal affairs of other countries. But Ms Wei did at least acknowledge the outcome of South Africa's polls.

(BD, 15.05.14)

Russia-China to Coordinate Foreign Policy

Russian President Vladimir Putin said, after negotiations with his Chinese counterpart Xi Jinping that the two countries had agreed to coordinate foreign policy steps more closely.

"We have common priorities both on the global and regional scale," the Russian leader said, adding that Russia and China see eye-to-eye on most issues, have lots of plans and are determined to put them into practice.

"We have agreed to coordinate our foreign policy steps more closely, including within the UN, BRICS and the Asia-Pacific Economic Cooperation," he said. When responding to Xi's invitation to attend an APEC summit in China, Putin thanked the Chinese president and said that he would be "glad to accept it".

Russia and Chine see eye-to-eye on most issues, have lots of plans and are determined to put them into practice, said Vladimir Putin. "We have no disagreements. On the contrary, we have vast plans that we are fully determined to translate into reality," Putin said at a meeting with former Chinese President Jiang Zemin. *(VoR, 20.05.14)*

South American leaders to attend 6th BRICS Summit

The Brazilian cities of Fortaleza and Brasilia will host the 6th BRICS Summit on in July, an event that will showcase the growing economic clout of the five countries. The 2014 Summit's debates will focus on the theme "BRICS inclusive growth: sustainable solutions".

The African Union attended 2013's Summit as observers even as BRICS countries try to increase bilateral trade with the continent.

Meanwhile, the invitation in 2013 to Latin American heads of states comes as the region tries to match the inspiring growth rates of above 4.3 percent of 2004-11.

Latin American countries raised a storm of protest after, according to US NSA leaks by former contractor Edward Snowden, the agency spied on an array of nations in the region, including Brazil.

The meet in Brasilia with a congregation of BRICS and South American leaders in attendance could call for an end to mass surveillance like the one carried out the US intelligence agency and gross invasions of privacy.

(BP, 11.06.14)

Russia-China Trade to Reach US$200bn

"We have a task set by the leaders of Russia and China to raise the volume of our trade and economic relations to US$200bn by 2020," Rogozin said at a meeting of Russian and Chinese vice-premiers with governors and business circles from both countries at the first Russia-China EXPO that had opened in Harbin.

Russia and China have also agreed on starting cooperation in rocket engine-building, piloted cosmonautics and the joint exploration of the far-out space, the Solar System, the Moon and Mars and the development of a long-range wide-body passenger airliner and profound modernisation of the Russian heavy Mil Mi-26 helicopter.

The Russian-Chinese EXPO is a large-scale exhibition site allowing Russia and China to demonstrate competitive products, industrial and technical developments, present their production and investment potential, develop bilateral cooperation projects and establish new contacts.

(VoR, 30.06.14)

India, China Sign Three Key MoUs

Vice President Hamid Ansari held talks with Chinese President Xi Jinping and conveyed the new Indian government's interest in furthering bilateral ties. Ansari's talks with Xi were significant as the Chinese President is due to hold his first meeting with Prime Minister Narendra Modi on the sidelines of the forthcoming BRICS summit in Brazil.

India and China signed three key MoUs, including one on industrial parks and flood data of Brahmaputra river. The MoU on industrial parks is aimed at attracting Chinese investments in India and provides an enabling framework for Chinese companies to invest in industrial parks and zones.

The MoU on flood data sharing will provide India with 15 days more of hydrological data of river Brahmaputra. The data helps India in flood forecasting. The third MoU will help the two countries establish a framework for regular interactions between administrative officials to share experiences and learn from each other's best practices. Specific programmes of cooperation will be worked out subsequently. *(www.outlookindia.com, 30.06.14)*

India-China to Focus on Economic Co-operation

The Chinese Ambassador to India Wei Wei said that following the installation of the Narendra Modi-led government in India the relations between the two countries are at an "historical starting point".

Wei Wei said that the two countries must grab this opportunities to expand economic ties that are mutually beneficial.

Wei Wei said that China will look to enhance the relations when Modi will meet Chinese President Xi Jinping during BRICS meeting in July in Brazil. He also said that countries must focus on cooperating to expand infrastructure industry and also building industry parks.

The Chinese Ambassador also said that Indian Vice-President Hamid Ansari's visit to China was being taken seriously by the country. Ansari is the first top official from India to visit the country after the NDA government took charge. *(www.theindianrepublic.com, 29.06.14)*

SA to Issue Business Visas in 4 days

South Africa will grant visas to Indian businessmen wishing to explore prospects in the country within four days of submitting an application.

"Since South Africa enjoys a cordial relationship with India, and its companies are expanding their businesses in South Africa, the decision to grant visa facilities has been taken to further cement business ties between both countries," South African High Commissioner France Morule said at a PHD Chamber of Commerce meeting.

"India's relations with South Africa have flourished over the years. The bilateral trade between India and South Africa has grown substantially from US$7.5bn in 2008-09 to US$11.15bn in 2013-14," Morule said. India's investments in South Africa are estimated at around US$6bon, and are expected to rise to US$7bn in the coming years.

India and South Africa are also engaged in various multilateral fora such as IBSA (India, Brazil, and South Africa), G-20, and BRICS and have a common approach on many global issues. *(www.indiatvnews.com, 23.05.14)*

Brazil

A Seminar on "The impact of Mega Agreements" was organised and hosted by the Centre on Global Trade and Investment (CGTI) at the School of Economics at the Getulio Vargas Foundation (FGV) on the occasion of the 5th BRICS-TERN Meeting in Rio de Janeiro, on March 17-18, 2014.

Vera Thorstensen and Lucas Ferraz prepared and presented a paper that analysed the main impacts of the mega-agreements on all the BRICS economies. The paper looks at what the impacts of the mega-agreements on the BRICS economies are and what should be done to assure their insertion into global trade flows and what the role of BRICS is in setting a new agenda for the WTO and rescuing its centrality as forum of trade negotiation.

Russia

Natalia Turdyeva presented research that CEFIR is currently undertaking on the impacts of these "meta" agreements on Russia and the countries of the Belarus-Kazakhstan-Russia Customs Union.

The paper focused on assessing possible effect on Russia of trade «meta-agreements»: Transatlantic Trade and Investment Treaty (TTIP) and Trans-Pacific Partnership (TPP). Taking into account plans to deepen economic integration between Russia, Kazakhstan and Belarus in the framework of Eurasian Customs Union and Common Economic Space there will be growth of the mutual influence of these economies. What should be the basis for the new trade liberalisation effort should it be WTO or other multilateral negotiations' platform.

India

Archana Jatkar presented a paper that addressed the impacts of these mega trade agreements on Indian goods and services and then provided some information on how the inclusion of WTO-Plus mechanisms may impact the Indian economy. The results of a scoping study undertaken by CUTS International indicated that a large number of products in India s export basket are likely to be threatened by these two mega-regional agreements however much of this impact will not be as a result of a reduction in tariffs in TPP and TTIP but due to the removal and harmonisation of non-tariff measures.

In addition to this research, under the BRICS project "Critical Dimensions of India Investments in Africa", the first Project Advisory Committee meeting was held in New Delhi on April 16, 2014. The objective of the meeting was to familiarise the advisory committee with the ongoing activities and seek their expert advice on the current challenges of the project as well as provide information on upcoming activities. After obtaining the necessary feedback the methodology for the survey component of the project was finalised. The surveys are now currently underway at the selected Indian firms in Ethiopia, Ghana, Zambia and Kenya.

China

The Shanghai WTO Affairs Consultation Centre presented their research on the Impact of Mega Agreements on China. The paper noted that the stagnancy of multilateralism has resulted in a complex scenario as "preferential tariffs raise several challenges for the multilateral trading system" and both developed and developing members are now making more effort with "deep integration at the regional/bilateral level".

China is the second largest trade economy in the WTO system yet it finds itself excluded from such multilateral trade agreements (MTAs). This paper noted that as a result, these MTAs will most likely have negative impacts on China's economic growth. With regards to the TPP, despite China's willingness to participate, China is not in a position to comply with the high standards of TPP negotiations.

South Africa

SAIIA's presentation focused on: the impact of mega-regional trade agreements on Africa Caribbean Pacific (ACP) countries; specific concerns of South Africa; possible responses of South Africa and; possible BRICS strategies including at the WTO.

The presentation noted that South Africa, much like other BRICS countries has strong trade links to the EU and the US including with preferential access under Trade Development and Cooperation Agreement and Africa Growth and Opportunity Act. The negative impact of these agreements on market access will be greater in certain sectors, notably the automotive sector.

Sources

BS: Business Standard; BP: BRICS Post; FT: Financial Times; VoR: Voice of Russia; ZN: Zee News