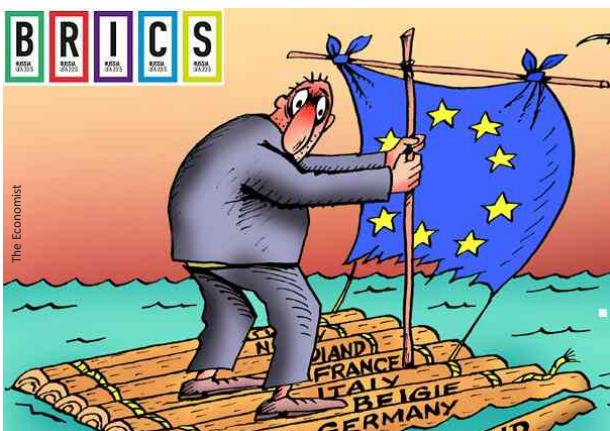




BRICS Trade & Economics Research Network (BRICS-TERN) has been established as a platform of non-governmental groups from Brazil, Russia, India, China and South Africa to assist the on-going cooperation between and among the BRICS countries with network-based policy research and advocacy on contemporary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

[www.cuts-international.org/BRICS-TERN](http://www.cuts-international.org/BRICS-TERN)



## Brexit and the Revenge of the BRICS

**A**re they celebrating Brexit in Moscow and Beijing? Perhaps not too loudly – no one wants to be seen as cheering a potential Lehman-like moment. But as the reality of Britain's self-inflicted wound settles in, and the global economy has not tanked yet, leaders of the major emerging economies have a reason to smile: just as we were all watching to see which of the BRICS' governments would collapse first, the UK just jumped off the cliff. Who looks unstable now?

Markets tend to be driven by narratives. Despite all the financial analysis, humans like a story, and here is the story about global capital movement that we have all been following for almost two decades.

The old economies of Western Europe and the US were losing momentum by the turn of the millennium and the developing markets were the place to find growth, particularly the largest of them, the so called BRICS. Thus began the financial Odyssey-like tale of Capital Searching for a Home.

The global financial crisis drove the plot forward, as China seemed to recover early, giving rise to much talk of China's Century, along with signs of growth in the surging oil fuelled Russia and Brazil. But these story lines were lost, as the US steadily recovered and the BRICS encountered challenges: China a possible debt bubble, Brazil and Russia, falling oil prices among other drama, South Africa's ongoing political turmoil and India's stubborn resistance to inbound capital despite so much that was positive.

The story line of Capital Searching for a Home had swung hard West, driving a flood of cross-border investment into the United States and Europe, particularly the UK, with a special lust for London, everyone's second city. At the very least, Brexit hits the pause button on this last bit. Foreign capital will likely now wait to see how it all settles over the next two years—a lifetime in investment terms—before returning. At worst, who knows.

The immediate beneficiary of this will be the US. New York had already become the 'new London' before Brexit. But while jobs in The City may go to Dublin and Frankfurt, cross-border investment will more likely come to America for the safety and stability it had sought in London. This will be further driven by concerns about what the EU will be like sans the UK, or so the story line will go.

The US is perfectly capable of wasting this moment with its own Trexit – the election of a wall-building, Muslim excluding, trade-deal breaking President, but that doesn't seem likely at this exact moment.

Meanwhile, Capital Searching for a Home is the story that never ends, and while Brazil is fighting off Zika and Putin continues to frighten investors with his aggressive military moves, China just made the first loan from its brand new Infrastructure Investment Bank, challenging the World Bank to a power duel that will likely last for decades—the opening of another narrative.

Brexit means many things, and its full impact will not be known for years, but as for the story of Capital Searching for a Home, and the financial implications for the market players who will act on the basis of that narrative, this may be the turning point in a story that begins to lead back to the BRICS, or at least to some of them.

(*Forbes*, 27.06.16)

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## Trade and Cooperation

### Brazil-China Strengthen Trade-Investment Ties

Brazil's newly-installed interim government is expected to strengthen trade and investment ties with China, among many other measures to get its economy back on track.

After former Vice President Michel Temer was sworn in as acting President of the South American country, the new government said it would launch a slew of new initiatives to restore economic growth.

Local economists and lawmakers all voiced belief that in striving for that goal, China has a pivotal supporting role to play.

"Brazil and China enjoy a long friendship with robust development (and) our Foreign Affairs Ministry has a very good relationship with its Chinese counterpart, so from that perspective I think the new government will only improve ties, not make them worse," said Brazilian Senator Cristovam Buarque.

Bilateral trade between China and Brazil stood at US\$86.67bn in 2014, making China Brazil's largest export destination and source of imports.

([www.china.org.cn](http://www.china.org.cn), 16.05.16)

### Russia-India to Step Up Economic Cooperation

Russia and India need to step up economic cooperation, Russian President Vladimir Putin said, emphasising that the current trade turnover between the two countries has not reached its potential maximum.

"As for our [India-Russia] relations, they have very deep roots, and we highly value this. We have very trusting relations... but we definitely need to transform the positive historical and political build up into specific areas of cooperation," Putin said.

Putin also proposed to create a large partnership between the Eurasian Economic Union and countries including India, Iran, Pakistan, as well as members of the Commonwealth of Independent States.

(<http://in.rbth.com>, 20.06.16)

### Big Boost for SA-China Trade Relations

Chinese central bank announced a decision that was expected to enhance trade relations and reduce the cost of trading between South Africa and China. The People's Bank of China announced that the rand and Chinese Renminbi (yuan) could be traded in the Chinese interbank market on a bilateral basis, a development the South African Reserve Bank has welcomed.

The introduction of the bilateral foreign-exchange trading cross would reduce the cost of trading between the two countries and promote further trade and investment, the Reserve Bank said.

"It will also boost greater cooperation and strengthen the economic and financial relationship between China and South Africa," the Bank said. China is one of South Africa's largest trading partners, with South Africa exporting mainly mining minerals to that country.

(*BD*, 17.06.16)

### First BRICS Trade Fair on the Anvil

The first BRICS Trade Fair will be held in New Delhi on October 12-14, 2016. The initiator of this event is Prime Minister of India, Narendra Modi. This initiative was supported by the business councils of all BRICS countries. On the Russian side, arranging the participation of Russian companies at the exhibition will be the Chamber of Commerce of the Russian Federation.

Natalia Strigunova, Deputy Director of the Department of Asia, Africa and Latin America of the Ministry of Economic Development of Russia, said "We are discussing the economic agenda of the BRICS, in preparation for the next meeting of the Ministers of Economy and Trade of the BRICS countries, which will be held in October, on the eve of the BRICS Summit in Goa."

The total population of the BRICS countries is 2.83 billion people (42 per cent of the world population). In 2016, the chairmanship of the BRICS transferred to India.

(<http://in.rbth.com>, 13.04.16)

## China-Russia-India's Big Role in Global Affairs

Chinese Foreign Minister Wang Yi suggested that China, Russia and India expand cooperation so that the three-party mechanism will play a bigger role in global affairs. Wang, who visited Moscow attending the 14<sup>th</sup> trilateral meeting of foreign ministers, made the remarks when he had a meeting with his Russian and Indian counterparts.

The ever-changing global and regional circumstances have underlined the need for closer communication among the three countries and more contributions from them to the settlement of complicated hot-button issues, said Wang.

As the world's major emerging markets, Wang said, China, Russia and India established the cooperative mechanism not only out of the trend of multi-polarity, but also the need for common progress, which is helpful to create a more positive environment for the development of developing countries.

The minister also said to put into full play their potential, the three nations should make more efforts to reform their economic structure, encourage innovation and transform industrial patterns, which will further promote their cooperation in all areas, from politics to economy and trade, and then to security and culture.

(*Xinhuanet*, 18.04.16)



## China, Russia Ink Array of Deals

China and Russia have signed over 30 agreements in economy and trade, infrastructure, technology and innovation, finance, energy and agriculture. Russian President Vladimir Putin met his Chinese counterpart Xi Jinping in Beijing where they took stock of ties.

Xi has vowed to increase political support to Moscow. As both nations are the world's major economies and emerging markets, Xi said they should deepen "pragmatic cooperation and alignment of interests, and push forward the dovetailing of the Belt and Road Initiative and the EEU for broader regional economic cooperation".

An 'official start' was announced for talks on a trade and economic cooperation agreement between the Chinese Silk Road project and the Russian Eurasian Union project. The central banks of China and Russia signed a memorandum of understanding on setting up a Yuan clearing mechanism in Russia, the People's Bank of China said.



(BP, 26.06.16)

### India-Russia to Enhance Bilateral Partnership

India and Russia discussed ways to enhance cooperation in the civil nuclear energy and hydrocarbon sector as Prime Minister Narendra Modi and Russian President Vladimir Putin vowed to take forward the special and privileged bilateral partnership.

Modi and Putin, during a meeting on the sidelines of the Shanghai Cooperation Organisation (SCO) summit, discussed a range of bilateral and multilateral issues of mutual concern.

"The two leaders discussed cooperation in civil nuclear energy, partnership in the gas and petrochemicals sector. They also discussed furthering cooperation in the space sector. Matters relating to trade and investment also came up," Vikas Swarup, External Affairs Ministry spokesperson said.

He said President Putin welcomed India signing the Memorandum of Obligations of SCO that has kick-started the process of India's accession as into the powerful grouping as a 'full member'.

India will have to sign around 30 other documents in the course of the year to complete the process for membership. Pakistan is also being inducted into the SCO as a full member.

(Mint, 24.06.16)

### China's Growing Influence in South Atlantic

The South Atlantic, where five Portuguese-speaking countries are located, has been a privileged area for key companies China in their efforts at globalisation and Angola and Brazil are among the top five destinations for Chinese investment in the last decade, according to a recent study.

In "China's Risk Map in the South Atlantic," from the US-German Marshall Fund, researcher Jonas Parello-Plesner estimates, based on data from the American Enterprise Institute that Chinese investment in Brazil totalled around US\$34bn between 2005 and 2014, by far the highest level of all countries in the region.

With US\$13.75bn, Angola is in 5th place, behind Nigeria (US\$28.75bn), Venezuela (US\$22.11bn) and Argentina (US\$14.31bn) and just ahead of South Africa (US\$9.55bn).

(www.macauhub.com, 13.06.16)

### SA Needs Help to End Organised Crime

The African National Congress' Progressive Business Forum which was attended by a Chinese delegation from the Huang Municipality, Sotyu said despite China being the largest export market and largest source of imports of South Africa, the country did not see its relationship with China as just based on trade.

Fundamentally, South Africa seeks for an active, cordial and equitable partnership that will see South Africa dramatically reducing crime and corruption, and increasing fertile grounds for sustainable economic growth and employment creation for all South Africans, especially for the majority black youth.

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(www.jacarandafm.com, 02.06.16)

### 'BRICS Bank' to Issue Bonds in Local Currency

The New Development Bank (NDB), an infrastructure-focussed lender established by the BRICS emerging economies, plans to issue debt in the local currencies of its five member countries, the Bank's President said.

Known as the BRICS bank, the NDB is seen by its members as an alternative to the World Bank. Its launch in 2015 follows the establishment of the China-led Asian Infrastructure Investment Bank (AIIB).

NDB, run by K.V. Kamath, a former Executive of India's largest private lender ICICI Bank, already has US\$1bn in New Delhi, India which is set to double in 2017 and increase to US\$50bn in the future.

"Our first (debt) issues will be in the local currencies. Clearly, the demand is for rouble-based funding (in Russia), companies or government do not want to take an exchange risk," Kamath said.

(Reuters, 20.06.16)

## Brazil

The Centre for Global Trade and Investments Studies (CGTI) continued the research on the regulatory and economic impacts of mega-agreements on BRICS economies. In another study, CGTI calculated exchange rate misalignment for BRICS countries and major trade partners. CGTI also organised an annual conference on International Trade to debate mega agreements and specific impacts for countries outside the agreement, which included special concerns for BRICS economies.



## Russia

The Centre for Economic and Financial Research's (CEFIR) Prof. Natalia Volchkova participated in 20th Annual Conference of the Society for Institutional & Organisational Economics. She presented a paper co-authored with Natalia Kapelko of the New Economic School on 'Export costs of visa restrictions: evidence from Russia'.

The authors studied the role visa restrictions play in determining export flows between Russian firms and their partners and explores the mechanism of this relationship. The results indicate that visas have a negative market access effect. Controlling for the choice of destination, visas have a significant negative effect on the value of relationship-specific exports as well.

Natalia Turdyeva participated in the 19th Annual Conference on Global Economic Analysis with a presentation on "Non-tariff barriers and trade integration in the EAEU".

## India

CUTS International's Ujjwal Kumar participated in conferences on 'Global Food Value Chain: Competition Law and Policy at Crossroads' on May 18, 2016 and the 'Food Value Chains and BRICS Competition Law' on May 20, 2016 at St. Petersburg, Russia. He presented a paper on 'Bt Cotton Seed: Patent, Competition & Price Regulation in India'.



## South Africa

The South African Institute of International Affairs (SAIIA) has recently published a paper entitled "Making Sustainable Development the Key Focus of the BRICS New Development Bank". The paper explores definitions of sustainable development that the New Development Bank of the BRICS could use in identifying and implementing projects in South Africa and on the African continent.

In addition, the recommendations from this study also took into consideration examples of projects that could be considered as best practice when it comes to sustainable development. Recommendations were made to inform policymaking both within the bank on related issues and at an individual project level.

SAIIA also held a briefing for its diplomatic members in April, addressed by Elizabeth Sidiropoulos and Cyril Prinsloo, on "The Geopolitics of the 'new normal': South Africa in the BRICS five years on. The briefing paper explored what the new landscape means for the BRICS and South Africa, and the role that new institutions such as the New Development Bank may play in shaping the new political and economic context.

## Sources

BD: Business Day, BP: BRICS Post