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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

The Impacts of the Mega-Agreements on BRICS

By January, 2014, there were 377 preferential trade agreements (PTAs) notified to the WTO, compared to only 50 in 1991. This significant proliferation of PTAs in the past two decades has changed the international trade landscape by creating an increasing number of trade rules that has fragmented international trade regulation. The difficulties that the WTO faced in negotiating new multilateral trade rules diminished the centrality of the WTO as the primary forum for rules negotiation and encouraged the main "rule makers" of the international trading scenario to focus their efforts on preferential negotiations.

The subsequent launch of two mega-agreements: the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP) which constitute a quarter and one third of all international trade flows respectively, has however resulted in an even more dramatic shift in the international trading system. Both agreements aim to promote the elimination of tariff barriers and a substantial reduction of non-tariff barriers (NTBs) amongst its members.

In spite of this global phenomenon however, BRICS countries, find themselves outside this movement of deep integration trade agreements, and due to a lack an ambitious trade rules agenda, they are unable to establish a counter to these agreements.

Therefore, in this scenario, what should be the role of BRICS? With the governance of international trade shifting from the WTO to the mega-agreements, how can BRICS actively participate in international trade regulation not merely as "rule-takers"? What are the impacts of the mega-agreements to the BRICS economies and what should be done to maintain their contribution to global trade flows?

Results based on global equilibrium model simulations that look at the first round effects of these mega regional trade agreements, indicate that with entry into force of the TTIP, BRICS countries will suffer losses of up to 1.6 percent in BRICS' global exports and gain 1.1 percent in their nominal GDP. In the case of the TPP, BRICS countries will gain up to 3.0 percent global exports and up to 1.8 percent in the nominal GDP.

However, what are the likely long-term effects of these agreements on the BRICS countries? The two mega-agreements are likely to create the basis for new international trade rules even though the discussions on these new rules will be held only amongst the partners of the two agreements. As a result, the BRICS countries will most likely lose their prominent role in international trade governance and see their trade flows reduce as they become increasingly isolated, and the countries within the PTAs become more integrated.

With Russia's accession to the WTO, in 2012, the WTO is the key trade forum where the five countries can, by acting conjointly, make their interests prevail. Given the resuscitation of the WTO at the Ninth Ministerial Conference, now is the best time to reassert the primacy of the WTO, and as Members are discussing the post-Bali agenda, the BRICS countries have an opportunity to influence the decision on the new themes of international trade regulation.

The mega-agreements are deeply changing the landscape of international trade. It is imperative that the BRICS adapt and respond to this new scenario in order to assure their place in international trade governance again.

This article is contributed by Vera Thostensen and Lucas Ferraz, Professors, São Paulo Economic School of FGV. They are coordinators of Centre on Global Trade and Investment (CGTI).

INSIDE

India-SA Trade Pact under Negotiations

A trade agreement between South Africa and India aimed at enhancing economic relations is 'under negotiations'. "Talks have been going on over the preferential trade agreement. Yes, that is still under negotiations," South Africa Trade and Investment, Deputy Director General, Pumla Ncapayi stated.

She said there are free trade agreements (FTAs) between Central Africa, South Africa and Eastern Africa, clearly making her country the gateway to the African continent giving access for foreign investors to the US$200mn markets.

To a query she said South Africa was looking at exploring more niche products to the Indian market and she would meet industrialists in this regard. "The Government of South Africa has been supporting Indian investors in terms of service, grants, and schemes. We are looking for a meaningful partnership with India," she said. *(ET, 24.02.14)*

China-Africa Trade to Surpass US$200bn in 2014

Chinese President Xi Jinping said, "In 2013, Chinese-African trade surpassed US$200bn for the first time, making China Africa's biggest trading partner. That all stands witness to the endlessly renewed vitality of Sino-African friendship, to the scale of the potential for cooperation and the excellent outlook for the new kind of Sino-African strategic partnership." Xi added that that Chinese foreign direct investment (FDI) in Africa grew 44 percent.

Highlighting Africa's importance to the Chinese leadership, after Xi became president in March 2013 he visited Tanzania, South Africa and the Republic of Congo as part of his first overseas tour. The growth in bilateral trade has been dynamic. While in 1995 China's trade with Africa was US$6bn, in 2010 it exceeded US$130bn.

According to estimates of the South African Standard Bank, by 2015 Chinese FDI into African nations will reach US$50bn. China today is receiving 28 percent of its oil imports from Africa, a figure that will grow in the future. *(OP, 02.03.14)*

Brazil Despises Anti-Russian Western Clichés

Russia's BRICS partners expressed understanding of Russia's position in Crimea and rejected sanctions against Russia. BRICS countries agreed that the challenges that exist within the regions of the BRICS countries must be addressed within the fold of the United Nations in a calm and level-headed manner.

BRICS members also criticised the assumption that Russia could be excluded from participation in the G20 summit in Brisbane in November of 2014 made by the Australian authorities. Given the alleged broad sanctions against Russia expected from the West, Russia needs this support very much.

This is not a new moment in the foreign policy of the block, and the countries had similar consolidated policy of non-interference on the Syrian issue. While the stance of the governments of China and India is widely reported and was mentioned by Vladimir Putin in his speech on March 18, the motives of understanding of the situation by Brazil and South Africa have not been discussed. *(www.english.pravda.ru, 26.03.14)*

Russia's Trade with China Rises

Trade between the Russian-bordered Chinese province of Heilongjiang and Russia reached US$22.36bn in 2013, up 5.8 percent, said the local customs authority.

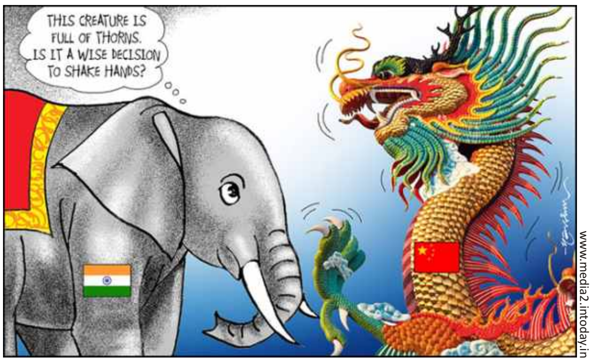
Imports to the Chinese province from Moscow accounted for US$15.45bn, an increase of 34 percent year on year. Meanwhile, exports stood at US$6.91bn, down 3.3 percent compared with the previous year, registering a cumulative trade deficit of US$8.54bn.

Contrary to expectations, China-Russia trade has declined in 2013, rising only 0.5 percent between January-November, which is 10 percentage points lower year on year amid a slowdown in China's double-digit growth rate.

According to China's General Administration of Customs, Sino-Russian trade for the whole year might not grow at all from 2012. However, crucial energy agreements signed in 2013 could lift the clouds hanging over Russia-China trade. *(BP, 12.01.14)*

China: Biggest Trading Partner of India

New data from the PHD Chamber of Commerce and Industry says that China is now the biggest trade partner of India, showing a trend tilting towards bigger shares for emerging economies. China-India trade has reached US$49.5bn with 8.7 percent share in India's total trade, while the US comes second at US$46bn with 8.1 percent share during the first nine months of the current fiscal.



"India's direction of foreign trade has exhibited a structural shift during the last decade. Trade volume and trade share of emerging and developing economies has increased while the share of conventional trading partners has showed a declining trend," PHD Chamber President Sharad Jaipuria said.

Chinese Premier Li Keqiang said that the two BRICS nations have agreed on a roadmap to reach a 'dynamic balance' in bilateral trade between the two nations. Business relations between India and China have boomed for more than a decade. The two sides have targeted trade flows of US$100bn by 2015. *(BP, 02.03.14)*

BRICS Aim to Create Development Bank

The South African government hopes the final stumbling blocks for a BRICS Development Bank will be ironed out at the next summit of the bloc, in July in Brazil. Deputy Finance Minister Nhlanhla Nene said that great strides had been made to create the bank through interbank co-operation and currency arrangements.

The countries had agreed on the minimum capital amount each country had to contribute. South Africa is pitching for the headquarters of the bank to be in South Africa, possibly Pretoria, but the member states have not taken a decision.

Nene said the rebasing of Nigeria's GDP showing that it now was the biggest economy in Africa was a positive move. South Africa has strong economic relationships with Nigeria. "Because South Africa was always regarded as the super economy on the continent, we tend to become complacent," Nene said.

Nene said greater co-ordination remained a priority. Further, South Africa's government was sensitive to accusations that the BRICS' focus was slanted towards growth and not reducing inequality. *(BD, 10.04.14)*

BRICS Endorse Cooperation in Technology

India will collaborate with four other BRICS countries in science and technology to generate new knowledge and develop innovative products, services and processes, critical to its and the grouping's growing economies.

Science and technology ministers of BRICS agreed to promote partnerships also with other strategic actors in the developing world. The ministers reached an MoU to stimulate joint investment in the development of high technologies, create common technology platforms and set up centres of applied research and innovation laboratories.

The BRICS ministers visited the Square Kilometer Array site in Carnarvon, where the world's biggest and most sensitive radio telescope, will be jointly built by South Africa in collaboration with Australia and New Zealand. *(NIE, 16.02.14)*

Russia Leads BRICS in Foreign Investment

Russia's main competitor for US investment during the next three years will be Brazil as the developing world looks to tap into growing rates of investment after 2015.

Developed countries' investment into developing economies will recover during the next two to three years, according to a forecast from Russian Deputy Prime Minister Arkady Dvorkovich made in Davos.

However, competition for investment will become tougher, while the amounts of funds involved may become lower than they used to be. So far Russia's main rival in that playing field is Brazil, which will be hosting the 2016 Summer Olympics.

Traditionally, FDI into BRICS economies comes mainly from the US and the EU. For Russia in the short-term, it would be more important for demand in the EU to pick up, since the situation in Russia is more affected by economic instability in Europe than by the US 'manufacturing renaissance'. *(www.rbth.ru, 28.01.14)*

India Seeks Chinese Investment

India sought to increase Chinese investments into the country, especially from China's largest business hub Shanghai, to bridge the ballooning US$35bn trade deficit. During a meeting with Shanghai Mayor Yang Xiong, Indian Ambassador to China Ashok K Kantha highlighted the potential for expanding and diversifying trade and economic cooperation between the two neighbours.

China-India bilateral trade dipped to US$66.5bn in 2013 and India has been asking China to boost investments to bridge the trade deficit.

In recent years, Yang said, relations between Shanghai and India had made steady progress and the Shanghai municipal government remains committed to further strengthening its relations with India.

Shanghai-based companies have undertaken a number of projects in India and other enterprises should build on this foundation by stepping up their investments, Kantha said. *(ET, 24.03.14)*

WEF: BRICS Economies on Rebound

The global financial crisis, had hit the BRICS economies, but these countries are likely to rebound, with India likely to clock 'steady' GDP growth in next three years.

According to leaders of these economies who were speaking at a session at the 44th World Economic Forum Annual Meeting, the BRICS economies would rebound over the next few years, despite having been hit to varying degrees by fallout from the global financial crisis.

According to South Africa's Minister of Finance Pravin Gordhan, after registering significant growth in the past two decades, the country is now headed towards 'the new normal'.

"The global financial crisis, which was not of our making, did huge damage. We now need to enhance the skills of our citizens and improve our infrastructure to take advantage of the opportunities ahead," Gordhan said. *(FP, 24.01.14)*

Brazil

- *Research Project:* International Trade Regulation for Technical Barriers to Trade – New topics regarding private standards, sustainability criteria, mega-agreements, study of cases (REACH and RED), and global equilibrium model impacts in NTBs liberalisation.
- *Research Project:* Economic impact of global value chain on trade flows and analysis of insertion of Brazil and other emerging economies in international trade under a global value chain scenario.
- CGTI is producing as a result of TBT Research Project a Guide on TBT.
- Policy Paper on tariff and NTBs to trade in new preferential trade agreements and their impacts on Brazilian economy.
- Seminar on 'The Impact of Mega Agreements' organised by CGTI-FGV on the occasion of the 5th BRICS-TERN Meeting in Rio de Janeiro, on March 17-18, 2014.
- CGTI participated in seminars: 'World Economic Forum on Latin America' at Panama in April 2014; and 'Trade and Flag: The Changing Balance of Power in the Multilateral Trading System', at Bahrain, on April 06-08, 2014.

Russia

The Centre for Economic and Financial Research is currently working on research concerning impacts of the so-called 'meta'-agreements on Russia and the countries of the Belarus-Kazakhstan-Russia Customs Union. Andrey Malokostov and Natalia Turdyeva are working on a paper entitled Impacts of Meta-agreements on Russia.

The paper focuses on assessing possible effect on Russia of trade meta-agreements: TTIP and TPP. The results of the model used in the paper also suggest that Russia would not gain unless the Eurasian Customs Union joins the trade liberalisation process. The paper states that in the presence of TTIP and TTP initiatives, revitalising trade talks under WTO umbrella would be beneficial for Russia and suit Russia's long-term goals.

India

As part of a study that seeks to improve the impacts of BRICS investments in Africa, CUTS is currently undertaking a project entitled *Critical Dimensions of Indian Investments in Africa (IIA)* in cooperation with Heinrich Boll Foundation. The objective of the project is to garner the much often-neglected local community perspectives of the social, economic and environmental impact of foreign direct investments in African countries, using India as a case study.

A scoping study was undertaken in March 2014 and the preliminary results indicated that in general the impact of these Indian investments in these African countries have had a positive economic impact on neighbouring communities. The communities however reported a mixed review of the social and environmental impacts and further insight into these effects will be obtained in the survey which will take place in the next few weeks.

China

At the most recent BRICS TERN meeting, 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

South African Institute of International Affairs participated in an Economic Policy Forum dialogue hosted by IPEA and FGV on 'BRICS and their Neighbours: Inclusive Regional Economic Relations' on March 12-14, 2014.

BRICS Policy Centre (BPC)-SAIIA Workshop hosted a seminar designed to foster trans-regional debate and research on the evolving forms of multilateralism at the BPC in Rio de Janeiro in March 2014. It also attended the sixth annual BRICS Academic Forum organised by the Instituto de Pesquisa Econômica Aplicada on March18-19, 2014.

SAIIA and the BPC Economics team hosted a scoping workshop on BRICS and investment incentives for green growth entitled 'Economic Incentives for Renewables: How Government Policies and Practices are supporting transformation to the Green Economy in the BRICS' on March 20, 2014.

Sources

BD: Business Day; BP: BRICS Post; ET: Economic Times; FP: First Post; NIE: New Indian Express; OP: Oil Price