



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

Why the 21st Century Still Belongs to Emerging Powers?

Voicing optimism about emerging markets is not a popular thing to do these days, but neither was being confident about the future of the internet after 2001. Jim O'Neill may be ridiculed these days for having sold a false story about the rise of the rest.

Indeed, the structural challenges China and other large developing countries face are enormous. Growth over the coming years may very well hover around five per cent, half of what it used to be for the past 35 years since its transition to a market economy began. Despite impressive growth rates on the subcontinent, poverty is still a massive problem in India.

And yet, seen from a broader historical perspective, Jim O'Neill merely confirmed a macro trend that has been going on for decades, namely the growing percentage of people living in developing countries. Bar any profoundly unexpected event, this development is set to endure, and none of the previous economic crises are likely to affect it in the long term.

What is often overlooked is that compared to the original BRICs projections made a decade ago, emerging countries are still doing well. As points out, Goldman Sachs expected the combined gross domestic product (GDP) of the four economies to amount to about US\$8.7tn in 2013. Reality is far rosier: Even including the recent years of lower growth, the combined GDP will amount to over US\$15tn.

More important than large capital outflows and currency depreciations is that all this has not created any financial stress in Brazil, India or China. Even higher interest rates in the US are unlikely to change this reality.

History shows that straight-line extrapolations are almost always wrong, and expecting that China would continue growing at double-digit rates for the next decades was always unreasonable.

However, the pessimists are now committing the same mistakes, arguing that China is about to enter two decades of low growth, just like Japan did in the early 1990s. But Japan had already reached GDP per capita levels comparable to Western countries when it stopped growing. China's GDP per capita, by contrast, is only 25 per cent of Japan's in 1990, and it has years of growth ahead before it has fully caught up with the West.

Rather, in terms of GDP per capita, China today may be compared with Japan in the 1950s, which marked the beginning of near double-digit Japanese growth for the next decades. Another useful comparison may be South Korea in the mid-1970s, after which South Korea grew above seven per cent per year until the 1990s.

Slower growth is a major challenge for policy makers in Beijing. And yet, it would be wrong to believe that current trouble changes the fact that developing countries can be expected to grow faster than the rich world. Observers should remember that, for developing countries, the wave of industrialisation and urbanisation and the associated productivity gains are far from over.

With their faster-growing populations and productivity, they will inevitably enjoy a growth advantage over developed economies for some time to come.

China may take longer to overtake the US economy, but few would seriously argue that we are not witnessing a transition. The world economy will not return to the distribution of power of the late 20th century.

(www.postwesternworld.com, 08.09.15)



The Financial Times

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Yuan Devaluation to Boost China's GDP

China's move to devalue the yuan may help boost the growth of its GDP, Brazil's Vice President of the BRICS New Development Bank Paulo Nogueira



Batista Junior said.

He said that currently China is trying to compensate the drop in export and develop its consumption in its internal market.

Despite the still-high rates, the growth of the GDP in China has also slowed down. And this devaluation, even though cannot be called very radical, could help reverse this trend.

The People's Bank of China, on August 11, 2015, allowed the yuan to fall 1.9 percent shortly after the start of trading in a bid to boost the country's economy, precipitating the largest one-day exchange rate adjustment for the currency in a decade. The Chinese currency was stable at around 8.3 yuan per dollar until the summer of 2005 when it began to strengthen.

(SN, 12.08.15)

China-Russia Trade Falling

Trade volumes between China and Russia decreased considerably by 28.9 percent in the first half of 2015. Bilateral trade turnover during this period amounted to US\$37.72 bn, the Russian centrist daily Nezavisimaya Gazeta reported, citing Xinhua, the Chinese news agency.

Chinese exports to Russia fell by 36.1 per cent, while import of Russian goods to China decreased by 20.7 percent, the newspaper said, pointing out that these results were not what the Russian government planned.

"We will definitely reach a turnover of US\$100bn next year," Russian President Vladimir Putin said at a meeting with the Chinese Premier Li Keqiang, in October 2014.

These circumstances do not create a particularly optimistic backdrop for talks Putin is scheduled to hold during the "Russia-China: Two Countries – One Way" (BIEF-2015) economic forum, to be held in Beijing in early September, Nezavisimaya Gazeta said.

{www.in.rbth.com, 13.08.15}

10-year BRICS Business Visas to Indians

The South African High Commission announced that its office in South Africa and their consulate general in Mumbai have started issuing ten year multiple entry

BRICS business visas to qualifying Indian business executives.

"South Africa unilaterally decided to issue the long-term BRICS business visa to further facilitate global economic growth and development by expanding markets and to also promote trade and investment" South Africa's Deputy High Commissioner Malose Mogale said.

"We believe this initiative will further go a long way in strengthening bilateral economic and trade relations between South Africa and India and thus achieve the US\$18bn trade target set by our principals," he said.

In applying for the visa, companies and chambers of commerce must issue an official letter on their company letterhead confirming that the applicants are business executives and members of their company or chamber of commerce, the statement said.

(BS, 29.09.15)

India-China Trade Having Potential

The bilateral trade between India and China has a potential worth over US\$80bn in 2015, up from US\$70bn in 2014.

"Despite the devaluation in Chinese yuan and fluctuations in rupee value, we are hopeful of an upward trend in bilateral trade between India and China, which have the potential to touch US\$75-80bn in 2015 from US\$70bn in 2014," India-China Chamber of Commerce & Industry (ICCCI) President Kashi S Deora said.

This will create huge and unprecedented opportunities for both countries, he said. China's exports to India increased by 9.8 per cent, 16.3 per cent to Thailand and 12.5 per cent to Vietnam in the January-July 2015 period.

Economic cooperation between India and China in the last decade has been a remarkable story, from a very modest beginning of US\$2bn in 2000-01 to US\$70bn.

(NDTV, 01.10.15)

US: An Attractive Investor in Africa

For the first time in more than 15 years, Zimbabwe's 91-year-old President Robert Mugabe openly asked for western re-engagement in his state of the nation address in August.

A decade ago, Mugabe told a packed rally at the Chinese-built national sports stadium in Harare, "We have turned east, where the sun rises, and given our back to the west, where the sun sets." Angola's equally long-serving president, José Eduardo dos Santos, has also encouraged better relations with the US in 2015.

Why this sudden change of mind? The fall in commodity prices, brought about by cooling demand for oil and minerals from China and an improving US economy partly explain it.

China imports nearly 60 per cent of the world's iron ore and about 30 percent of the world's copper. A slowdown in Chinese demand hits exporting countries such as Zambia and South Africa.

(www.afkinsider.com, 27.09.15)

Russia-China Participation in Arctic Conference

Foreign ministers of Arctic nations, as well as key stakeholders from non-Arctic states including China, underscored the urgency of combating climate change at a summit in Alaska on August 31, 2015.

US President Barack Obama and Secretary of State John Kerry attended the global conference in the US city of Anchorage, Alaska, on August 30-31. The US State Department hosted the conference on 'Global Leadership in the Arctic: Cooperation, Innovation, Engagement and Resilience, or GLACIER'.

The US assumed chairmanship of the Arctic Council in 2015. The US has held interests in the Arctic since it bought Alaska from Russia in 1867. The US geological Survey in 2008 said the Arctic Circle has an estimated 90 billion barrels of recoverable oil, 1,670 trillion cubic feet of recoverable natural gas, and 44 billion barrels of recoverable natural gas liquids. (BP, 30.08.15)

Russia's Turn to China

Vladimir Putin and Xi Jinping share a love of military parades. Both Russian and Chinese presidents appreciate the symbolic meaning of tanks and missiles rolling and soldiers marching through squares, showing their domestic and international audience that they are fully in control and their countries are superpowers.

Putin's visit to Beijing is also symbolic as part of Russia's declared pivot to Asia after its conflict with the West over Ukraine and Western sanctions. "The sanctions encourage our domestic business to develop stable business ties with China," Putin said.

Putin brought several dozen officials and business people to Beijing who signed contracts with Chinese companies. The head of the state-owned oil giant Rosneft, Igor Sechin, stated that his company signed contracts with China worth US\$30bn. (WP, 06.09.15)

Zuma Concludes Working Visit to China

President Jacob Zuma, at the invitation of His Excellency Presidency Xi Jinping of the People's Republic

of China, participated in a commemorative event in Beijing, to mark the 70th Anniversary of the End of the Occupation of China and the Second World War on September 03, 2015.

Zuma stated that South Africa was honoured to be part of the commemoration which not only showcased China's military capacity, but also China's commitment to working with the international community in the maintenance of peace and security.

"As a major power, China has consistently used its strength for defending peace and security globally and not for aggression," said President Zuma. The President also emphasised that South Africa should strengthen its security capacity in order to continue contributing effectively to peace and security on the Continent.

He stated that there are lessons to be learned from China's success today which is due to patriotism and discipline. (www.allafrica.com, 04.09.15)

Russia-Brazil Cooperation to Bolster BRICS

A delegation of high-ranking Brazilian officials, led by the country's Vice President Michel Temer, attended the second day of a Russian-Brazilian Business Forum in Moscow on September 16, 2015, which coincided with a high-level meeting of the countries' bilateral intergovernmental cooperation commission.

Parana State Vice-Governor Cida Borghetti said that she had a 'very positive' perception of current bilateral relations between the two countries. "Many high-ranking Russian ministers have assembled here, as well as Brazilian entrepreneurs... It is a crucial moment for development and growth that strengthens BRICS," Borghetti said.

Both Russia and Brazil are founding members of BRICS, a club of developing economies, which also comprises India, China and South Africa.

Moscow has stepped up its cooperation with Latin American and BRICS countries in light of strained relations with the West over the Ukrainian conflict and economic sanctions. (SN, 16.09.15)

India Emerges as Top FDI Destination

India has pulled ahead of China and US to emerge as the world's number one destination for foreign direct investment (FDI) in 2015. India received US\$31bn in foreign capital inflows in the first half of 2015; China was second with US\$28bn and US third with US\$27bn, the *Financial Times* report said.

"A ranking of the top destinations for greenfield investment (measured by estimated capital expenditure) in the first half of 2015 shows India at number one, having attracted roughly US\$3bn more than China and US\$4bn more than the US," the FT report said.

India made significant gains in ranking, jumping to the pole position from fifth in 2013. Finance Minister Arun Jaitley was quick to link rising capital flows to the policies of the Modi government. The 15-month-old Narendra Modi government has taken several initiatives to make India an attractive investment destination. (NDTV, 30.09.15)



Brazil

From July-September 2015, the Centre for Global Trade and Investment (CGTI) has conducted further research on the Latin American economic integration with BRICS, especially in the context of the creation of the BRICS Bank. Recently, CGTI was invited to present its early findings in Caracas, Venezuela, at SELA – Sociedad Económica Latino-Americana. In addition to such important research, CGTI has started reviewing its analysis on the TPP effects for BRICS countries, since the treaty has finally been signed by negotiating parties.



Furthermore, it has continued to examine regulatory barriers to trade not only in global aspects but also challenges faced by BRICS countries in such a scenario. Finally, CGTI submitted proposals to the WTO Public Forum, which were accepted, to discuss regulatory barriers and the future of international trade from BRICS points of view.

Russia

In the 3rd quarter of 2015 Centre for Economic and Financial Research (CEFIR) continued its major research project on Eurasian integration: an assessment of the non-tariff barriers (NTBs) decrease among countries of the Eurasian



Economic Union (EAEU). The decrease of the NTBs among the EAEU countries could have a positive spill over effect on NTBs in trade with the BRICS countries as well. This will be the case if technical regulation in the EAEU is harmonised in the direction of China, India, Brazil or South Africa.

Alternatively, changes of technical standards of the EAEU in the direction of the EU and USA technical standards could decrease NTBs in trade between the EAEU and the EU and US. CEFIR is also participating in a project entitled 'Trade Integration, Geopolitics and the Economy of Russia (TIGER)' funded by the Research Council of Norway. CEFIR's contribution in the TIGER projects follows on the work that originated from the discussion during 2014 BRICS-TERN workshop in Rio de Janeiro. Andrey Malokostov and Natalia Turdyeva look into the possible effect of 'meta-agreements' on Russia and the other BRICS countries.

India

CUTS International recently released a publication entitled '[Un]ease of Doing Business in India – A Review of Major Pain Points and Possible Lessons'. One of the most influential challenges that India is today contended with is the need to improve its business climate, both in letter and spirit. The bureaucratic overdrive to repair the situation is fuelled by the latest World Bank rankings on one hand and the urgent need to support the ambitious national slogan – 'Make in India', on the other.



The Doing Business 2015 rankings show India notably 'uneasy', at a depressing 142 out of 189 countries, having actually slipped two ranks (140) from the previous year world order. The report concentrates on the most distressing indicators (those that are ranked beyond 150), and map these across the BRICS economies

China

The BRICS New Development (NDB) launched the opening ceremony in Shanghai on July 21, 2015. BRICS leaders signed an agreement to establish the bank during their sixth summit in Brazil in July 2014. The bank will start



operations at the end of this year or early in 2016. The experts from Shanghai WTO Affairs Consultation were involved the feasibility study of the establishment of NDB in Shanghai.

Chinese Finance Minister Lou Jiwei, Shanghai Mayor Yang Xiong and NDB President K V Kamath from India attended the opening ceremony. The NDB will have an initial authorized capital of 100 billion U.S. dollars, and initial subscribed capital of US\$50bn 'equally shared' among the five founders. The NDB will supplement the existing international financial system in a healthy way and explore innovations in governance models.

South Africa

South African Institute of International Affairs (SAIIA) hosted a Book Launch for their new publication 'Institutional Architecture and Development: Responses from Emerging Powers' on September 04, 2015. The book examines the experiences of nine 'emerging' or 'middle-income' countries (Brazil, China, Colombia, India, Indonesia, Mexico, South Africa, Thailand and Turkey) in creating specialised agencies or designated departments for South-South Cooperation (SSC). In addition to this, SAIIA colleagues also participated in and hosted various sessions at the WTO Public Forum 2015 from September 30-October 02, 2015.



Sources

BP: Brics Post; BS: Business Standard; BR: Business Report; BW: Business Week; GP: Global Post; MW: Mining Weekly; NDTV: New Delhi Television; SN: Sputnik News; TG: The Guardian; TH: The Hindu; WP: Washington Post

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