



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

Summit over Substance

Barely six weeks after participating in the G-20 summit at Hangzhou, China, and the East Asia and ASEAN-India summits at Vientiane, Laos, Prime Minister Narendra Modi will himself play host to the annual BRICS summit in Goa on October 15-16, 2016. This will bring together the heads of state of Brazil, Russia, India, China and South Africa, and the summit theme put forward by India is "Building Responsive, Inclusive and Collective Solutions", which is a clever play on the letters constituting the membership of the grouping. India has also exercised its privilege as host to arrange a regional outreach.

The China-Russia Dynamic

There will be greater focus on the BRICS summit mainly because of the stature of those who will be attending, including President Vladimir Putin of Russia and President Xi Jinping of China. Both have a shared image of being tough leaders, of having defied the U.S. and the West, and now edging closer to a closer security partnership, if not an alliance.



A Triangular Game

The other two leaders, Brazil's Michel Temer and South Africa's Jacob Zuma, are unlikely to come up with any notable initiatives. Their countries are suffering from both political and economic turmoil. So it will be mostly a triangular game among Modi, Putin and Xi, and the latter two seem to be leaning closer to each other. This will be a challenge for the Indian host.

BRICS has begun to suffer the affliction characteristic of several other multi-country groupings, and that is the exponential expansion in its committees, working groups and forums resulting in an extraordinarily crowded calendar of meetings. India itself has been hosting several tens of these meetings during the year in its capacity as incoming chair, but it is questionable whether such hyper activity leads to substantive outcomes. The impression one has is of being stretched too thin across a steadily expanding space with neither the human nor the financial resources to follow through. The event itself then becomes the focus and not the process. It is no surprise then that outcomes from such summitry are sparse.

BRICS has one practical outcome to its credit, and that is the New Development Bank, and an Indian, K V Kamath, is its president. The Bank has been operationalised and India has reportedly received loans totalling about US\$300mn. The Contingent Reserve Arrangement (CRA), another important BRICS initiative, remains on paper. There is a proposal for the setting up of a BRICS Credit Rating Agency to challenge the monopoly of the West, and this might be of value if adopted. On the trade side any hint of a BRICS free trade agreement comes up against the fears both India and Russia have of being swamped by Chinese imports.

There is no doubt that the forthcoming summits will be major events and will reflect India's status as a key player in the region and as a globally significant player. But that will only be a transient gain unless we begin to pay attention to the much less glamorous and more nuts-and-bolts effort to use events as key markers in a well-conceived and systematic process of expanding our strategic space, leveraging our strengths and remedying our vulnerabilities. It is time to move from an event-oriented to a process-driven approach.

– This has been extracted from an article by Shyam Saran published in The Hindu on 17.09.16

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BRICS to Set up Credit Rating Agency

The BRICS grouping of the five largest emerging economies is planning to challenge the existing credit rating system through a new credit rating agency where it is the prospective investor that will pay for the rating of an issuer of a debt instrument.

The proposal originally mooted by India is expected to be fast-tracked at the upcoming 8th BRICS Summit at Goa on October 15-16, 2016, by setting up a working group and a technical group.

Under the present pricing model of rating agencies, the company or institution issuing bonds pays the rating agency to be rated, known as issuer-pays model. Under the new BRICS rating agency, it is the investor who is planning to invest in the company that will pay for the rating of the company — an investor-pays model.

(Mint, 26.09.16)

India-Russia to Review Bilateral Ties

Ahead of Russian President Vladimir Putin's visit, India and Russia will review the status of bilateral ties as also lay the ground for next month's Presidential visit. The discussions will be part of the 22nd Session of the India-Russia Inter-Governmental Commission (IRIGC-TEC) where External Affairs Minister Sushma Swaraj will lead the Indian delegation, while Dmitry Olegovich Rogozin, Deputy Chairman, will head the Russian side.

The India-Russia Inter-Governmental Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation (IRIGC-TEC) provides a framework for review of a broad spectrum of bilateral issues covering trade, economic, scientific, educational and cultural cooperation.

(IE, 12.09.16)

SA Launches BRICS Business Council Portal

In an effort to connect and promote regular dialogue between South African individuals and entities with an interest in doing business within the Brazil, Russia, India, China, South Africa (BRICS) trade bloc, the South African chapter of the BRICS Business Council today launched the SA BRICS Business Council Portal.

Following the BRICS Business Council's agenda of encouraging dialogue to drive greater economic trade and investment, the portal presents a solution to address some of the challenges of doing business with BRICS nations.

The portal presents a multitude of opportunities to engage individuals, businesses and governments within the BRICS trade bloc to facilitate interaction, enable better understanding of market opportunities, and build synergies based on their respective competitive strengths. These efforts will all promote industrial development and job creation.

(www.cnbc africa.com, 23.09.16)

China's BRICS Trade Pact Idea Finds no Takers

India and three others in the BRICS bloc — Brazil, Russia and South Africa — have cold-shouldered

China's attempt to bring to the negotiating table a proposal for a Free Trade Agreement (FTA) between the five major emerging economies.

While China's proposal for a 'BRICS FTA' is aimed at boosting trade ties in the grouping through binding commitments on eliminating tariffs, BRICS members barring China are not keen on such a pact.

Discussions between the trade ministers will now be one with 'low ambition' as none of the countries has shown willingness to take up anything 'major' this time, the sources said. Therefore, there will only be a framework cooperation agreement on matters related to small and medium enterprises, services sector and Intellectual Property Rights.

BRICS members will also consider evolving mechanisms for single window clearance as well as to speedily resolve non-tariff barriers that are hurting trade.

(TH, 10.09.16)

BRICS Bank to Promote Economic Cooperation

The New Development Bank (NDB), a multinational financial institution backed by BRICS, aims to tap its expertise to promote economic cooperation among emerging nations, and plans to invest in the private sector next year.

"BRICS nations have strong complimentary advantages in resources and industrial structure, which provide huge room for cooperation," Chinese Vice Premier Zhang Gaoli said at the opening ceremony of the Bank's first annual meeting in Shanghai.

"NDB should leverage its expertise to provide fund and intellectual support for infrastructure construction and build closer trade, industrial and economic ties among the emerging countries."

As the infrastructure development in developing countries is still weak and the lending capability of existing multinational institutions is limited, NDB should invest wisely and use infrastructure projects to promote industrial integration of BRICS, Zhang said.

(SD, 21.07.16)

South Goa Gears up for BRICS Summit

Following the directives of the Chief Secretary, preparations for the BRICS summit is being carried out on war-footing by different government departments.

The route along which hundreds of delegates will travel is being spruced-up. The delegates who will be housed in various five-star hotels in Cavelossim, will be travelling from the airport along NH 17 up to the Old Market circle.

Over 22 structures on the acquired land along the Margao-Colva beach roads were slated for demolition but the encroachers themselves removed them, said Deputy Collector of Salcete Ajit Panchawadkar.

He added that the fire services department has been brought in to cut branches of trees coming over the roads. Simultaneously, the PWD is flattening the land on either side of the roads. High tension poles along the Colva-Cavelossim road that are no longer in use are being removed by the electricity department. *(Tol, 08.09.16)*

China to Invest in South Africa Economic Zone

A Chinese consortium will pump more than US\$2.81bn into the South African economy to build an industrial park.

"A consortium of Chinese investors led by Hong Kong Mining Exchange will be investing more than R40bn into the park, which they will also develop and manage," South Africa's Department of Trade and Industry said.

The group led by Hong Kong Mining Exchange would invest in power, pig iron and steel plants amongst other commodities in the Musina-Makhado Special Economic Zone in the Limpopo province.

Minerals such as chrome, manganese, coking coal and lime will be extracted and beneficiated in the park in line with the country's national industrialisation objectives, the department said. *(BP, 15.07.16)*

Brazil Urges India to Broaden MERCOSUR Presence

India should expand its commercial and multilateral footprints in South America. Brazilian and Indian officials will hold talks in Brasilia to find a bilateral trade breakthrough before the Goa BRICS summit of October 15-16, 2016.

India at present has over 450 tariff lines with Southern Common Market (MERCOSUR), but the diplomat said that the bilateral plan is to raise the tariff line to 4000. Both sides have already begun to take several steps to firm up India's involvement in MERCOSUR that covers apart from Brazil, Paraguay, Uruguay, Argentina and Venezuela.

Taking steps for Indian investment in Latin America, Brazilian Agriculture Research Corporation (EMBRAPA) signed an agreement with Indian Council for Agricultural Research (ICAR) for exporting Brazilian lentils to India. *(TH, 23.09.16)*

China Puts Stake on Investments in Russian Agriculture

He Zhenwei, General Secretary of the Chinese Association for Development of Enterprises Abroad explained why Russian products are appreciated in China and why Chinese businesses should invest into agricultural and food production in Russia.

He further said that it is this huge arable area that could become its main asset, and basis for cooperation with China. "Russian products are in good demand in our country because they have a reputation for being environmentally friendly, so they are healthy," Zhenwei said.

According to Zhenwei, an increase in exports of Russian food to China will take place due to three factors: Chinese investment in the Russian food industry, creation of optimal production and supply chains in both the countries and recognition of Russian brands in China.

These matters will be a key item on the agenda of the Russian-Chinese Business Forum to be held in Beijing as part of the eighth China International Investment Fair. *(Sputnik, 26.09.16)*

A 'World Class' BRICS Arbitration Mechanism

The Union Finance Minister Arun Jaitley calls for larger economic and trade cooperation including goods and services among the BRICS member nations for achieving higher growth in the globally challenging environment.

Jaitley was delivering the Valedictory Address at a Conference on 'International Arbitration in BRICS: Challenges, Opportunities and Road ahead' in New Delhi. He also called for not only free trade but also fair trade. He asked the BRICS nations to set-up a Task Force of experts and offices from BRICS nations to explore the possibilities for setting-up world class Arbitration centers in these countries among others.

He said that there is also need for having a credible international dispute resolution mechanism among BRICS countries to resolve all trade related issues among them and there shall be effective system in place to quickly implement the arbitration awards. *(IIFL, 29.08.16)*



Brazil

The Centre for Global Trade and Investments Studies (CGTI) continued its research on the impacts of mega agreements in BRICS countries with special focus on the Brazilian market and MERCOSUR. It has also initiated a work on regulatory coherence (in Brazil) and regulatory convergence (between Brazil and other trade partners, including some of BRICS countries). The main idea is to assess whether regulatory coherence is relevant to negotiating preferential trade agreements and if regulatory convergence will become the new trend in preferential trade agreements. Finally, it hosted three major events in which BRICS issues were addressed.

The Annual Conference on International Trade, under the WTO Chair Programme; a Regional Seminar organised with SELA to address impacts of the TPP on Brazil and Latin America; and a Workshop organized with the WTO to address regulatory measures to trade with special concern to large emerging economies, which also included BRICS countries.



Russia

Natalya Volchkova and Natalia Turdyeva of the Centre for Economic and Financial Research's (CEFIR) presented at international conference of the FREE network held by Kyiv School of Economics on September 23, 2016.

Volchkova presented her paper co-authored with Olga Kuzmina of New Economic School on 'Capital Structure and Exporting: Evidence from Import'. Authors investigate how foreign market entry through exporting affects capital structure of firms.

Turdyeva presented her research co-authored with Alexander Knobel (Institute of Economics in Transition, Moscow), Andrey Lipin (Central Bank of Russia, Moscow), and Andrey Malokostov (CEFIR, Moscow) on 'Non-tariff barriers and trade integration in the EAEU'. Authors investigated impacts of deep economic integration between Armenia, Belarus, Kazakhstan and Russia constituting the Eurasian Economic Union (EAEU).

India

Smriti Bahety of CUTS International participated in a two-day conference on 'National Civil Society Consultation on Thematic Issues of BRICS-Civil Agenda' in New Delhi on September 16-17, 2016.



She presented a paper on Indian Investments and Grants in Africa and discussed the rising investment by developing countries in across Africa and presented some of the key findings of CUTS' research on 'Indian Investments in Mining and Agriculture in Africa'. The study sought to map the socio, economic, environmental impacts of the investments and made recommendations for responsible business conduct.



South Africa

The South African Institute of International Affairs (SAIIA) has recently produced the following:

- The New Development Bank: Moving the BRICS from an Acronym to an Institution – Since its conception in 2011 the Bank has begun taking form, including finalising legal arrangements, assigning different roles and responsibilities among the five founding BRICS members, and setting up an office. This paper tracks the historical development of the NDB, investigates modalities around its operations, and looks towards the likely impact it will have in the development finance milieu.
- Africa's US\$100bn Infrastructure Gap: Why Africa must Seize the Moment on the New Development Bank – The resulting lack of investment in energy, transport and water infrastructure in Africa presents a significant barrier to economic growth and development. If the recently-established BRICS NDB is to contribute towards closing this gap and addressing related issues, it must understand the limitations of the existing multilateral development banks such as the World Bank and the African Development Bank, and assess the value it can add.
- 'Modis African Safari: Nearly nine months ago the third India-Africa Forum Summit, and the first that included all African states, was held with much fanfare in Delhi. There, Indian Prime Minister Narendra Modi announced a range of measures, including extending lines of credit to African nations of up to US\$10bn over the next five years, additional grant assistance of US\$600mn, and a commitment to help train more African peacekeepers in Africa and India.

Sources

BP: BRICS Post, IIFL: India Infoline Finance Ltd, IE: Indian Express, SD: Shanghai Daily, TH: The Hindu, ToI: Times of India