BRICS Development Bank

In July 2014, the BRICS nations, Brazil, Russia, India, China and South Africa, announced the creation of a new US$100bn development bank. The project is aimed at lending money to developing nations for investments, much like how the American and European-backed International Monetary Fund (IMF) and World Bank operate.

Liu Haifang, a Professor at Peking University’s Centre for African Studies, said the bank will provide developing countries with more options for financing. She noted that developing countries finally have alternative sources for infrastructure funding that do not come with conditionalities. It is politically symbolic in terms of disrupting the unipolar world order narrative. It is no longer a west-centred world but a multipolar world. African countries trying to get funding do not have to only follow the rules of the developed world.

The “rules of the developed world” Liu referred to are the conditions that the IMF sets forth in exchange for access to loans. Instead of putting up collateral, governments must follow economic policies prescribed by the IMF.

BRICS nations have 40 per cent of the world’s population and 20 per cent of global economic output. However, they have been blocked from gaining greater voting rights at the IMF, largely because of opposition in the US Congress.

Some observers see the new bank as a competitor to the IMF and World Bank that will provide funds to developing countries to build infrastructure and shore up their economies to better handle crises.

Reserve fund

The BRICS nations also plan to establish a reserve fund to which China will make the biggest contribution – US$41bn. Matt Ferchen of the Carnegie Tsinghua Centre for Global Policy said the fund is a concrete form of multi-lateral cooperation and despite China’s growing economic power; it wants to be seen as an egalitarian player in the bank’s establishment and financing decisions.

“China has this rhetoric in terms of its foreign policy and especially as it relates to China’s engagement with other developing countries, that China won’t interfere in other countries’ domestic politics, that China respects the domestic, economic and political systems of other countries, in a way that they want to be seen as different from the World Bank, the IMF, or countries like the US,” noted Ferchen.

The New Development Bank is expected to be based in Shanghai and have an Indian citizen as its first chief executive. Skeptics say the bank faces challenges over whether the creditor nations will use the institution to promote their own national interests.

But with China’s growing economic might, many expect it could become a powerful international force. It could also help promote other currencies, such as China’s yuan, as an alternative to the present global finance system, dominated by the US dollar.

Sanctions workaround

Akshay Mathur, Head of Research and Geo-economics Fellow at Gateway House, said the new bank could help developing powers get around sanctions imposed by the West.

“When more and more geopolitical events take place, such as, Iran, or Ukraine...the more control the US has over the financial architecture. But in a multi-currency architecture the US will lose that grip and other countries will remain in control of their currency so that they can continue to conduct trade without being sanctioned,” Mathur explained. Parts of the new bank still must be approved by local legislatures. Officials say they hope to make the first loan in 2016.  
(VOAnews, 12.08.14)
India-China Bilateral Trade to Grow

Bilateral trade between India and China is expected to go up to over US$80bn by March 2017, according to estimates by the PHD Chamber of Commerce.

"In the next couple of years, the Chinese investments into India are estimated at about US$80bn which is not very significant considering their potential, but with increased momentum through diplomatic and political channels, the investments of China towards India and India’s investments into China are expected to multiply manifold," PHD Chamber President, Sharad Jaipuria, said.

"Besides direct investment and finance in various infrastructure sectors, direct areas of interest to India is China’s expertise in manufacturing telecom and solar equipments in support of India’s 20 GW generation target by 2020, power equipment and railways and setting up industrial parks," Senior Director at Deloitte India Kalpana Jain said.

The agreements, were signed after Indian Prime Minister Narendra Modi and Chinese President Xi Jinping held extensive talks on the entire gamut of ties between the two countries, including the boundary dispute and visa issue. (ET, 18.09.14)

Brazil to Increase Trade with Russia

Brazil is hoping to increase trade with Russia, Brazilian Ambassador in Moscow Antonio Jose Valim Guerreiro said. “Our countries have a very big potential of mutual trade. Our entrepreneurs know each other very well and we expect our trade to grow,” he said.

In 2013, trade turnover between Russia and Brazil reached US$5.65bn. Russia ranks 19th among Brazil’s trade partners. Meat and poultry account for 59.3 per cent of the country’s export, with about 50 Brazilian companies making supplies to Russia.

Guerreiro also said both countries had good chances for developing tourism. Following the visa-free travel rules introduced by Russia and Brazil for their citizens in 2010, some 25,000 Russian tourists visited Brazil in 2012, Guerreiro said (itar-tass.com, 21.08.14)

India-China: Promoting Bilateral Relations

With India and China looking forward to improving trade relations, China’s Yunnan province has expressed interest in promoting bilateral business and cultural relations with the northeast and eastern regions in India.

During a conclave organised by the Centre for Promotion of India-China Cooperation (CPICC) in Kunming (China) recently, delegates from India and China discussed trade relations and fostering cultural links between the regions in the two countries.

A 16-member delegation of industrialists and professionals led by the CPICC Chairman and Indian Chamber of Commerce-North East Region’s Mahesh Saharia also noted that Yunnan had agreed to partner with the 2nd Assam International Agri-Horticultural Show in 2015. Industrialists from both sides have also showed interest in investments in tourism, education and health sectors.

The CPICC also signed an MoU with the government-run Yunnan International Expositions Bureau for cooperation in promoting trade exhibitions of each country. (Tol, 01.09.14)

South Africa Upping Trade with India

Apart from electrical and auto-components, South Africa is keen on promoting trade in agro-processing, wines and minerals with India, a South African diplomat said.

A statement issued by the Goa Chamber of Commerce and Industry (GCCCI), quoted Phillip Mtsweni, Economic Consul attached to South Africa’s Mumbai consulate, as calling for collaboration between Indian and South African entrepreneurs.

“...there is good scope for collaboration between Indian and South African entrepreneurs in a wide variety of sectors like Mining, Pharmaceuticals, Automotive, IT, Tourism, Renewable Energy and Infrastructure etc.,” the statement said.

Mtsweni was in Goa to interact with members of the GCCCI, a top trade body in the state. Trade between India and South Africa is currently pegged at US$14bn. (ET, 31.08.14)

China-Brazil Refocussing Trade

China and Brazil face the task of refocusing their trade with each other onto more sophisticated products and investment as the two major emerging economies modernise their industrial structure and their demand for natural resources slows.

Sun Yanfeng, a researcher with the China Institute of Contemporary International Relations, attributed the cool-down mainly to the effect of economic restructuring in China.

"China is gradually eliminating energy-intensive industries and moderating the speed of its economic growth. This has translated into declining demand for Brazilian natural resources,” Sun said.

During Chinese President Xi Jinping’s visit to Brazil in July, Brazilian President Dilma Rousseff welcomed broader investment in his country by Chinese enterprises, particularly highlighting transportation, infrastructure, agriculture, information, logistics and innovation in science and technology. (www.ecns.cn, 28.08.14)
India-Russia Discuss Bilateral Relations

India and Russia reviewed the entire gamut of their bilateral relationship including cooperation in crucial sectors of defence, energy security, trade and investment and agreed to inject fresh vigour in the strategic and time-tested ties.

Issues relating to economic cooperation and energy security, were deliberated upon thoroughly by Sushma Swaraj, Minister of External Affairs of India and Sergey Lavrov, Foreign Minister of Russia who hoped that under the new government in India, the relationship will grow further. Both the leaders felt that there was scope for expansion of ties between the two countries in a range of areas including trade, investment, energy and defence.

In January-September 2013, bilateral trade amounted to US$6.94bn. Exports from India to Russia amounted to US$2.33bn while imports from Russia stood at US$4.61bn. The two-way investment between two countries stands at approximately US$8bn. In 2009, both sides set the target of US$20bn bilateral trade by 2015. (FP, 12.09.14)

BRICS to Expedite Reforms at IMF

India, along with other BRICS-member countries, will “aggressively pitch” for expediting reforms at the IMF and World Bank Group at the forthcoming annual meetings of these global bodies.

The US has been accused of holding up the implementation of the 2010 quota reform agreed upon by IMF member countries for ‘a major realignment in the ranking of quota shares under the reform package so that the Fund better reflects global realities’.

Currently, the US has 16.75 per cent out of total votes and 17.69 per cent of the total quota in IMF. Since important IMF decisions need 85 per cent approval, this cannot happen without a US nod. As per IMF norms, each member country is assigned a quota based on its relative position in the world economy. (FE, 06.10.14)

China-Brazil Relations Grow Stronger

The focus of the next phase of China-Brazil relations is to realise the series of bilateral agreements signed during Chinese President Xi Jinping’s state visit to Brazil in July 2014. According to the Chinese Ambassador to Brazil, Li Jinzhang, these agreements that will increase practical cooperation between the two countries.

Li’s words were echoed by Brazilian Deputy Foreign Minister, Jose Alfredo Grasa Lima, who praised China’s rapid development in recent years and the mutually beneficial cooperation between the two nations.

"Chinese President Xi Jinping’s visit this July was a milestone in the development of Sino-Brazilian relations," Lima said. "The two countries face similar challenges and opportunities. Brazil is fully confident in the future of the relationship and is willing to cooperate with China hand-in-hand." (CD, 13.10.14)

Russia-South Africa to Expand Agriculture Ties

Russian President Vladimir Putin held talks with South African President Jacob Zuma, who was in Russia on a working visit. Both are BRICS countries and the two leaders are due to expand bilateral investment ties and increase bilateral trade, in particular through increasing imports of agricultural produce from South Africa.

Both countries signed an agreement on trade and economic co-operation in 1993. Russia’s imports from South Africa are dominated by fruits, mineral products, machinery, equipment, vehicles, chemical products, precious and base metals, raw hides, textiles and footwear.

Bilateral trade in January-November 2013 increased by 22.1 per cent to US$998mn (compared with US$817mn in the same period the previous year).

The two leaders discussed opportunities for developing the strategic partnership between Russia and South Africa. (VoR, 27.08.14)

Enhancing Intra-BRICS Trade and Investment

A head of the 6th BRICS Leaders’ Summit, the BRICS Business Council met in Fortaleza on July 15, 2014 to discuss ways to enhance intra-BRICS trade and investment wherein BRICS business leaders debated trade opportunities and new investments.

Over 500 business people attended the summit with host Brazil having the highest representation followed by China, South Africa, India and Russia. Business networking, which is one of the main aims of conferences such as the BRICS summit, was divided into ten sectors – agro-processing, logistics, mining, machinery, information technology, medical, energy, services, government and business organisations.

While debating greater BRICS business integration, panel members said that each BRICS member should see other BRICS members as gateways to the countries in the vicinity. Part of the integration dialogue was also that of shared experiences, so what worked in one BRICS country could be replicated in other BRICS countries.

In 2013, at the summit in Durban, South Africa, the BRICS members launched the Business Council designed to strengthen business ties among the member states. (BP, 14.07.14)
Research and Networking Activities

Brazil

In light of the growing number of regional trade agreements within the international trading system and the new trend of mega-regional trade agreements, Fundacao Getulio Vargas (FGV) and Centro de Estudos de Integração e Desenvolvimento organised a session at the 2014 WTO Public Forum entitled: Why WTO Matters for Emerging Countries? on October 02, 2014.

Sandra Rios, Centro de Estudos de Integração e Desenvolvimento (CINDES) discussed the Brazilian economy and its trade patterns, singling out the importance of agriculture for Brazilian exports. She drew attention to Brazil’s vertically integrated industrial base and recent pattern of spiralling costs and de-industrialisation. She acknowledged the country’s non-participation in mega-regional FTAs but stressed the Brazilian regard for the multilateral trading system.

Russia

The Centre for Economic and Financial Research (CEFIR), Russia is currently working on research concerning impacts of these ‘meta-agreements’ on Russia and countries of the Belarus-Kazakhstan-Russia Customs Union. In a paper by Andrey Malokostov and Natalia Turadyeva, the authors report the results of the changing landscape of international trade on Kazakhstan and Belarus. The CU’s reaction to the external shock of the TTIP and TPP could be important in shaping Russia’s position on the issue of trade integration of third countries.

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. What should be the basis for the new trade liberalisation effort – should it be WTO or other multilateral negotiations platforms?

India

Bipul Chatterjee from CUTS International also participated in the Session on Why WTO matters for emerging countries at the WTO Public Forum. He suggested that India’s greatest challenge will be to provide adequate employment to its young population in order to reap the benefits of its demographic dividend. In order to reap the benefits of increased trade, emerging countries would have to begin working towards higher standards, stronger institutions and increased investment in human resources so as to meet the criteria that would be established by mega-regional trade agreements such as the TPP.

In addition to the work that CUTS International is currently undertaking on mega-regionals, under the project ‘Critical Dimensions of Indian Investments in Africa’, CUTS held a project review meeting in Nairobi on September 11-12, 2014. Each of the country partners presented the findings of the surveys they conducted on various communities around Indian investments. The results reflected nuanced representations of the feelings of different communities towards the various companies around which they reside. The results will be consolidated in a final study that will incorporate each of the country partner reports.

China

At the WTO 2014 Public Forum session on Why WTO matters for emerging economies, Baihua Gong from the Shanghai WTO Affairs Consultation Centre gave an overview of different opinions regarding the impact on China of mega-regional trade agreements. On the one hand, US support for initiatives such as the TPP could be seen as the biggest threat to the multilateral trading system and on the other, the TPP could be considered as an opportunity for China, especially if it is made more inclusive and transparent.

Gong conceded, however, that there is much more of a consensus regarding the TTIP, which is expected to produce a negative impact overall on the domestic economy by diverting trade away from China.

South Africa

Memory Dube, South African Institute for International Affairs who was also on the panel of the session at the WTO broached the topic of African responses to mega-regional FTAs to various scenarios. She stressed that unfortunately African officials have largely been dismissive of mega-regional FTAs.

She noted that she saw FTAs as attempts to circumvent the WTO or as a means to create rules between like-minded countries that could then be “brought back” to the WTO. She advised against the African tendency of treating trade as secondary to industrialisation and called for leaders’ full engagement in the topic of the multilateral trading system.

For more information on the WTO Session please visit: http://www.wto.org/english/news_e/news14_e/pfor_02oct14_e.htm#ws25
(WTO, October 02, 2014)

Sources

BP: BRICS Post; CD: China Daily; ET: Economic Times; FE: Financial Express; FP: First Post; TOI: Times of India; VoR: Voice of Russia

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