The Global Economic Chessboard and the Role of the BRICS

Despite its strange origins and some serious challenges confronting it, the bloc of countries that has emerged into the international arena under the acronym BRICS (Brazil, Russia, India, China, and South Africa) has the potential for being a positive force in world affairs.

The original categorisation of the BRIC countries (by Jim O’Neill of Goldman Sachs in an article in 2001) contained only Brazil, Russia, India and China. He described the countries with the most economic potential for growth in the first half of the 21st century, based on features like size of population and therefore potential market; demography; recent growth rates; and embrace of globalisation.

The group had its first summit meeting in June 2009 in Yekaterinburg, Russia. In 2010 South Africa was included. The enlarged BRICS have since had summit meetings in Brasilia, Brazil, in 2010; Sanya, China, in 2011; New Delhi, India, in 2012; and Durban, South Africa, in 2013 respectively. The BRICS now cover 3 billion people, with a total estimated gross domestic product (GDP) of nearly US$14tn and around US$4tn of foreign exchange reserves.

BRICS is one of several new initiatives of different countries in the world to break out of the Northern axis: G12 (G20-G8), IBSA; BASIC (BRICS minus 1) and so on. Trade between BRICS countries soared after they became recognised as a combination. Investment links have been growing too, mainly through Chinese involvement in different countries and some interest shown by large Indian capital.

And more recently there have been other moves that suggest an appetite for newer and further forms of close economic and political interaction and co-ordination. They have recently acted in concert in several international platforms, most recently pledging US$75bn to the International Monetary Fund. Other economic initiatives include agreement to denominate bilateral trade in each other’s currencies, and plans for a development bank.

In fact there is great potential in these five countries not just combining to address global issues, but perhaps even more significantly, learning from one another. For example, India has much to learn from Brazil and China in the matter of development banking. And the example of Brazil, and in particular the Brazilian Development Bank, in entering areas and promoting activities that would not occur purely through the incentives determined by the market, could provide some guidance about how this can occur even in a very open and largely market-driven economy.

Similarly, there are areas in which other BRICS countries could learn from India, while the description of the work of the South African Development Bank illuminated the strategy of creating financial structures and mechanisms to promote the ‘green economy’ through environmentally desirable activities and technologies. There is also great potential for ‘Marshall Plan’-type capital flows from surplus to deficit countries to enable them to withstand the impact of global recession and a BRICS Bank could be a first step in that direction.

(Global Research, 10.11.13)
Brazil: Russia’s Key Trade Partners in Latin America

Brazil is a major supplier of agricultural products to the Russian market. Russia is buying 41 percent of the beef exported from that country, Russian Prime Minister Dmitry Medvedev’s recent visit to Brazil and a meeting with Brazilian President Dilma Rousseff advanced talks to eliminate sanitary hurdles that are slowing Brazil’s meat sales to Russia.

Russia is touting its advanced energy expertise and technology to open business opportunities in Brazil’s oil and gas industry. It also hopes to get involved in Brazil’s plans to build new nuclear power stations to meet surging demand for electricity that has overwhelmed its generating capacity.

The two states are cooperating in sectors like aircraft building, metals, chemical and pharmaceutical industries, biotechnologies, and energy, including atomic energy, as well as space. *(VoR, 24.12.13)*

Xi Reviews China-South Africa Ties

China and South Africa have lauded the ‘robust momentum’ of ties during a meeting between Chinese President Xi Jinping and South African Deputy President Kgalema Motlanthe. Motlanthe was attending the fifth plenary session of the China-South Africa Bi-National Commission in Beijing.

The two sides held discussions on diplomacy, the economy and trade, science and technology, mining and energy. Chinese President Xi stressed that South Africa, Beijing’s biggest trading partner in the continent, is also the gateway to Africa.

China’s trade with Africa surged from about US$10bn in 2000 to US$166bn in 2011. South Africa was invited by China to join the four-member BRIC grouping of fast-growing emerging markets in December 2010. *(BP, 29.10.13)*

India: Soviet Ally to Trading Partner

When Indian Prime Minister Manmohan Singh meets with his Russian counterpart Vladimir Putin in Moscow, he will be continuing a tradition based on a decades-old relationship and convergence of interests that has endured several regional conflicts, the fallout from the end of the Cold War, and new economic realities in the 21st Century.

In 1971, as the US and China appeared to be moving to end years of distrust, India and the USSR inked the Treaty of Peace, Friendship, and Cooperation which essentially moved Moscow firmly in Delhi’s camp; trade deals were signed with India’s lack of foreign currency taken into consideration; arms sales were increased, and state visits were raised to historic levels when India received Soviet President Leonid Brezhnev in 1973. *(BP, 20.10.13)*

Xi Discusses BRICS, Trade with Brazilian VP

Chinese President Xi Jinping met Brazilian Vice President Michel Temer in Beijing to discuss BRICS, trade and investment ties. Temer, along with a high-level delegation that includes the agriculture Minister and the Central Bank Governor, was in China to attend the third China-Brazil government cooperation summit.

In a boost to bilateral trade, China has agreed to allow imports of Brazilian corn, an announcement made during Temer’s visit said. Brazil is China’s largest trading partner in South America, while China is Brazil’s largest trading partner and largest export and import market.

China has also started to play a bigger investment role in Brazil’s oil sector. In 2010, China’s oil giant Sinopec helped Petroleo Brasileiro SA, Brazil’s state-run energy giant, build a 1,450-kilometer natural-gas pipeline. *(BP, 08.11.13)*

Brazil Posts Lowest Growth in BRICS

The Brazilian economy has suffered its largest quarterly slowdown in nearly five years, contracting 0.5 percent from the previous quarter, according to government statistics agency IBGE.

Brazil’s GDP registered the poorest third quarter results of any country in the G20 or BRICS economic bloc, Finance Minister Guido Mantega said. The South American giant’s GDP totalled US$508bn in the third quarter of 2013, down 0.5 percent compared to the second quarter of the year. However, compared to the same period in 2012, Brazil’s GDP was up 2.2 percent.

Similarly, 2013’s fourth quarter results, due to be released in February 2014, are more likely to show progress compared to the poor third quarter figures, he said, adding that Brazil is on a ‘path to growth.’ *(BP, 04.12.13)*
Putin, Xi Pledge Closer Coordination in 2014

Russian President Vladimir Putin and his Chinese counterpart Xi Jinping have vowed better ties between two allies in 2014. According to the Chinese President, “During the past year, China and Russia focused on the overarching objective of facilitating healthy and stable progress of the international situation and promoting the development and revitalisation of both countries.”

In 2013, Xi and Putin oversaw enormous Sino-Russian joint ventures including a massive oil deal with state-run Rosneft, Russia’s largest oil company striking agreements to almost triple oil supplies to China in coming years from the around 300,000 barrels per day it ships there currently.

China is also set to invest US$20bn in Russian infrastructure projects including highways, ports, and airports. China is also throwing its growing economic weight behind linking Eurasia through rebuilding the Silk Route Economic Corridor and has urged Russia and India to join the revival project. (BP, 31.12.13)

India: Most Attractive Investment Destination

According to a new report by Ernst and Young (EY), after relaxing a number of FDI norms earlier in 2013, India has emerged as the most attractive destination for investment. “With sharp currency depreciation and opening up of FDI in various sectors, India has become an attractive destination for foreign investors,” the report said.

Brazil is second in the rankings and China is third on the list, and while the United States figures fifth South Africa is ranked sixth in the list. The report highlights automotive, technology, life sciences and consumer products as the most lucrative sectors for FDI. The report also said that Indian corporate entities have started looking at developed markets for making acquisitions. (BP, 25.11.13)

BRICS to Set Up Reinsurance Company

After proposing a development bank, the BRICS countries are preparing to strike out on their own in reinsurance as well. India has suggested to other BRICS members that a reinsurer will cover large infrastructure projects that the emerging economies are focused on and counter sanctions imposed by western countries such as those related to Iran, which is a key oil supplier to India and other countries.

The proposed reinsurance firm will pool resources to diversify risk and cover large infrastructure and sustainable development projects. According to a report by PwC, the value of insurable plant and infrastructure in China, India and Brazil has surged since 2005 on the back of nearly US$20tn of investment. (ET, 11.11.13)

Brazil Welcomes China’s Oil Investments

China is beginning to take a larger stake in Brazil’s oil industry, a move that the South American nation welcomes, said Brazilian Ambassador to China Valdemar Carneiro Leao.

Leao made the remarks nearly three weeks after two Chinese State-owned oil giants, China National Offshore Oil Corp and China National Petroleum Corp, as part of a consortium comprising Royal Dutch Shell, France’s Total SA and Brazil’s state oil company Petrobras, were awarded a 35-year production sharing contract to develop Libra, a deepwater oilfield off the Rio coast estimated to hold up to 12 billion barrels of oil.

This is the first time that a Chinese company will be involved in the oil exploration process in Brazil; previous cooperation with the nation mainly involved oil production. (CD, 06.11.13)

South Africa: World Nuclear Competitor

The South African Nuclear Energy Corporation and two Russian companies that sit as members of the Rosatom group: Niaep-ASE and Nukem Technologies have recently signed an MoU that aims to see the companies cooperate in the design, engineering, procurement and construction of nuclear facilities and capital projects.

“The parties are interested in developing projects and initiatives in the nuclear industry in South Africa, expanding their mutual presence in the nuclear market and industry of South Africa in establishing partnerships and providing the necessary support and [ensuring] involvement of local South African companies working for nuclear and power industries,” stated Rosatom.

The three companies have selected priority areas in which to develop business opportunities, and engineering and construction projects. (EN, 06.12.13)

The Rise of BRICS FDI in Africa

In recent years, the BRICS countries have emerged not only as major recipients of foreign direct investment (FDI) but also as important outward investors. According to UNCTAD’s 2013 World Investment Report, in 2000 BRICS’ outward FDI was US$7bn; however, in just over one decade this figure has grown to US$145bn.

BRICS countries are increasingly becoming significant investors in Africa and although Africa receives only four per cent of BRICS FDI outflows, BRICS countries have joined the ranks of top investing countries in Africa.

In 2010, the share of BRICS in FDI inward stock in Africa reached 14 percent and their share in inflows reached 25 percent. Their share in the total value of greenfield projects in Africa rose from one fifth in 2003 to almost one quarter in 2012.

Research and Networking Activities

Brazil

FGV-SP is currently doing research on the economic impacts of preferential trade agreements (PTAs) on BRICS countries. Simulations will be undertaken to analyse the impacts of both tariff barriers and non-tariff barriers that will arise from these PTAs by sectors. The exercise will seek to demonstrate the impacts of the Transatlantic Trade and Investment Partnership (TTIP) and the Trans Pacific Partnership (TPP) on BRICS.

Russia

A conference on 'Ecology, Politics and Civil Society in Contemporary Russia' (Yablokovskie Debates 2013), was held at Moscow, on October 05, 2013. It brought together 100 activists, environmental organisations and members of the offices ‘Yabloko’ party from 37 regions of Russia. Participants of the conference that was dedicated to the 80th anniversary of environmentalist and scientist Alexei V. Yablokov, discussed various issues, such as the experience of mass demonstrations in regions, the pursuit of environmental organisations from the state, as well as the negative effects of the merger of business and government for the country and the environment.

India

At the fifth BRICS Summit in South Africa, leaders expressed their commitment to stimulate infrastructure investment on the basis of mutual benefit to support industrial development, job-creation, skills development, food and nutrition security and poverty eradication and sustainable development in Africa.

In view of the increasing multilateral exchanges between BRICS and Africa, CUTS International, in cooperation with HBF, is working on a project entitled 'Critical Dimensions of Indian Investments in Africa'. 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.

In order to shed light on the impact of the increasing BRICS investments in Africa, this project will initiate a research-led discourse on the impacts of Indian investments in the mining and agricultural sector.

China

The 2013 Annual Shanghai BRICS Forum and BRICS-TERN Meeting was organised by Shanghai WTO Affairs Consultation Centre in Shanghai, on November 06, 2013. The theme of the Forum was ‘The Impact of TTIP and TTP on International Investment Rule: from the BRICS Countries Perspective’.

The Forum was chaired by Sun Zhengyu, Former Chinese Ambassador to WTO Mission as well as Chief Adviser for China member. Lisa Johnson, Vale Columbia Centre, US, presented on TTP and International Investment Rule; Baihua Gong, SCCWTO, China, presented on TTP and the Possible Impact for Chinese Foreign Investment Law; Peter Draper, SAIIA, South Africa presented on South Africa’s approach to BITs; Vera Thorstensen, Centre on Global Trade Escola de Economia de São Paulo Fundação Getúlio Vargas FGV presented on the impacts of TTIP and TPP on Brazil; Joseph George, CUTS International, India presented on the impacts of TTIP and TPP on India; Tu XinQuan, WTO school, Foreign Trade University, China, presented on the impacts of TTIP and TPP on China.

The Forum ran parallel to the Shanghai the Workshop on BRICS and WTO Dispute Settlement which was also hosted by the WTO Affairs Consultation Centre.

South Africa

SAIIA hosted a session on the side-lines of the 9th World Trade Organization (WTO) Ministerial Conference, on the topic 'BRICS and the Multilateral Trading System’ on December 04, 2013. This session was part of the Bali Trade and Development Symposium, which took place December 03-05, 2013.

Over the past decade, the Symposium has earned a reputation as the premier parallel event at WTO Ministerial conferences. These symposia offer a valuable space for a wide range of stakeholders from policymakers to business leaders to non-governmental organisations to engage in substantive open discussion outside the negotiating context in order to help move the sustainable development policy agenda forward.

Sources

BP: BRICS Post; CD: China Daily; ET: Economic Times; EN: Engineering News; TH: The Hindu; VoR: Voice of Russia

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