The BRICS Grouping is becoming more Asia-centric

The word “decorative” is currently fashionable in Brazil after Michel Temer bemoaned, in a leaked letter to President Dilma Rousseff, that he was being treated as little more than a "decorative Vice President". Jokes in social media proliferated, some suggesting putting photos of the Vice President on Christmas trees for decorative purposes. As scholars studying the BRICS grouping discuss the 8th BRICS Summit, to take place in India in 2016, some wonder whether South Africa and Brazil, both experiencing profound economic crises, fulfill a similar purpose in the BRICS grouping.

Brazil is in the midst of the worst economic crisis since the 1930s, and, to the chagrin of most, its political elite shows no signs of constructively discussing the reforms necessary to get the economy back on track. The political crisis has led to a generalised paralysis which will prolong Brazil's agony, and even the most optimistic forecasts have pushed back early signs of recovery to 2017.

The government's woes are set to increase as investigations into systematic corruption at Petrobras, Brazil's state-owned oil company, will further destabilise the economy. Unemployment, poverty and inflation levels can be expected to increase further.

Just like Brazil, South Africa is facing an ever deeper crisis due to a toxic mix of low commodity prices and a populist government that has failed to articulate how it seeks to overcome the economic crisis. Africa's second-largest economy finds itself in. To make matters worse, President Jacob Zuma dismissed his highly respected Finance Minister Nhlanhla Nene, thus undermining the country's hard-won record for sound economic management. As a consequence, South Africa's currency plunged. Even before that, Standard and Poor's cut the outlook on its equivalent rating to negative, bringing the nation a step closer to junk status.

Brazil's and South Africa's woes are starkly contrasted by the economic performance of India and China, which continue to be the main drivers of global growth. Despite lower growth figures, the Chinese economy is expected to grow above six per cent in 2016 and 2017. India performs even better and will, for the first time in decades, grow faster than China.

This unequal dynamic is likely to turn the decision-making process within the BRICS grouping more Asia-centric. Russia's economic struggles are similar to those of Brazil and South Africa, but Moscow's case is particular as Vladimir Putin remains (at least seen from Beijing and Delhi) a key geopolitical asset to the grouping, and someone unafraid to adopt a confrontational rhetoric that policymakers in Delhi and Beijing are unwilling to emulate, but often silently agree with.

Still, Brazil and South Africa continue to matter greatly for the BRICS grouping's identity. They provide the BRICS with a global legitimacy (and thus capacity to influence the global debate) that a purely Asian club could never achieve. It is true that their cash-strapped foreign ministries are currently limited in their capacity to initiate and lead debates about future intra-BRICS activities. Still, they stand to benefit, being closely involved in an institutional process that is likely to significantly later global governance in the coming years.

When discussing where the BRICS grouping will go in 2016 (regarding the BRICS Development Bank, measures to facilitate intra-BRICS trade, the key issues that will be discussed at the next summit, etc.) the answers – for now – can largely be found in Moscow, Delhi and Beijing.

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India-China Expand Business Initiatives

Business entities of India and China have taken several significant decisions to expand commercial contact between the two countries. Both sides reviewed the current progress being made on the bilateral economic front and agreed that there is a need for opening new branch offices in different states and provinces to give a boost to existing business potential.

The India-China Trade Centre (ICTC) Board also approved the opening of an India China Technology Transfer Centre (ICTTC) for the promotion of economic research, education and science and technology cooperation between India and China.

VK Mishra, Executive Vice Chairman, briefed the board about activities of the ICTC in 2014. Wen Jun, Counsellor (Science and Technology) at the Embassy of China briefed members about science and technology cooperation possibilities between both countries.

SA-Russia to Enhance Trade

Ways to boost trade topped the agenda as senior South African and Russian officials met for the 13th Session of the Joint Intergovernmental Committee on Trade and Economic Cooperation (ITEC) in Moscow, Russia.

International Relations and Cooperation Minister Maite Nkoana-Mashabane and the Russian Natural Resources and Environment Minister Sergey Donskoy co-chaired the meeting.

“The main objective of the 13th ITEC session was to take stock of what has been achieved so far under this structured bilateral economic cooperation mechanism between these two strategic partner countries and to further deliberate on other possible areas of cooperation,” the Ministry said.

The ITEC serves as a framework for economic and trade relations between the two countries, focusing on trade, investment and banking; mineral resources; energy; transport; agriculture, forestry and fisheries; water resources; education; justice and constitutional development; business and tourism.

Brazil’s Real Drops on Economic Woes

The Brazilian real slumped as economists in a central bank survey said the recession is worsening, while a disappointing trade report out of China shows it’s unlikely the Asian nation can help fuel a rebound anytime soon.

The real dropped 0.8 percent to 3.7993 per dollar in Sao Paulo. The currency is down 30 per cent in 2015, making it the worst performer among 31 major counterparts to the dollar tracked by Bloomberg.

Economists now forecast Brazil’s economy will shrink 3.1 per cent in 2015 and 1.9 per cent in 2016, deeper than the 3.05 per cent and 1.51 percent contractions they had estimated a week ago, according to the central bank survey published.

Adding to Brazil’s economic woes, Chinese overseas shipments declined 6.9 per cent in October in dollar terms, the customs administration said, a bigger decline than estimated by all 31 economists in a Bloomberg survey.

China is Brazil’s biggest trading partner.
Russia-India Raise Trade Ties

India and Russia discussed ways to boost their economic ties to achieve the target of US$30bn in bilateral trade in the next 10 years.

Indian External Affairs Minister Sushma Swaraj and Russian Deputy Prime Minister Dmitry Rogozin, chaired the 21st India-Russia Inter-Governmental Consultations and also looked at ways to enhance the mutual direct investment to US$15bn by 2025.

Agriculture, pharmaceutical and infrastructure were some of the areas identified by both sides to strengthen their economic engagement.


Indian Economy to Outpace China

Gross domestic product (GDP) in the three months to the end of September rose to 7.4 from 7 per cent in the previous quarter, according to statistics of Indian Ministry data, which was slightly ahead of analysts’ expectations.

India has now recorded three straight quarters of growth above 7 per cent, performing better than its giant neighbour China in each of those periods. China reported annual growth of 6.9 per cent for the three months ending September 30.

India’s manufacturing sector, which accounts for about 18 per cent of the economy, grew 9.3 per cent in the second quarter year-on-year, compared with 7.2 per cent in the previous quarter. Investments grew by 6.8 per cent from a year earlier, compared with 4.9 per cent in the period from April-June.

While BRICS partner Russia saw its economy contracting by 4.1 per cent in the same period and Brazil predicted to shrink by 4.2 per cent, India is the bright spot in a lacklustre global economy. *(Reuters, 30.11.15)*

Russia-China Deal Flow Kicks into Gear

Russia and China are forging the financial infrastructure needed for greater cross-border investment and inking some landmark deals, but slowing growth is dragging out negotiations on some projects.

The milestones passed in recent months include the first equity investment by a Russian state-owned entity, Rosneft in a Chinese state-owned enterprise, ChinaChem, and the first Chinese bank loan to a Russian company, MTS, in renminbi.

“There are lots of promising projects in the pipeline with China – such as in the power sector, which is quite natural,” Russia’s president Vladimir Putin informed the audience at an investment forum organised by VTB Capital in Moscow in October.

Putin’s pivot to Asia comes after the West imposed sanctions on Russia for its role in the Ukrainian crisis. Chinese direct investment into Russia swelled to about US$8.4bn in 2014, up over 10 per cent from 2013. *(www.financeasia.com, 20.11.15)*

India in Africa: Learning From China’s Mistakes

The India-Africa Summit (IAFS) saw more than 20 African heads of state and many more Foreign Ministers in attendance. While the basic idea behind such a gathering was to develop the dynamics between the continent and the sub-continent, an equally substantive reason was to up India’s quotient against the overpowering influence of China.

Clearly, the summit was a great success. It was opulent by Indian standards, necessary attention was provided to all visiting heads of state and government and Prime Minister Narendra Modi made some crucial announcements on economy, trade and so on. This included a US$10bn concessional credit line offer.

During the summit, one specific topic was, seemingly by design, underplayed significantly. This issue was of natural resources, and specifically oil and natural gas. While renewables featured favourably, oil, gas and other mineable minerals where African states get much of their money from were largely absent in the discourse.

Even though ONGC Videsh (OVL) wants to double investments in Africa to US$16bn over next three years, this information was also put out in the media without much fanfare. *(TW, 23.11.15)*

China-South Africa Agree on Investments

China’s President Xi Jinping and South African President Jacob Zuma agreed to US$6.5bn in new investments between their two nations as the world’s second-biggest economy seeks to persuade Africa that slowing growth would not limit its engagement on the continent.

"We agreed that more can and should be done to increase our trade and investment figures," Zuma said after meeting with Xi and ministers from both countries. "Relations between China and South Africa are currently at their best levels ever," he said.

A gunfire salute and brass band greeted Xi as he arrived in South Africa for a meeting with Zuma and other leaders that could yield billions of dollars in new financing for the continent. *(WSJ, 02.12.15)*
Brazil

The Centre for Global Trade and Investment Studies is currently engaged in studying the relationship between technical, sanitary, phytosanitary barriers and private standards’ barriers, its impacts in trade liberalisation and changing consumer preferences and their influence on international trade rules.

A second area it is working in is the economic and financial relations between Latin America and the BRICS grouping, focussing on the BRICS bank. FGV is also focussing on the regulatory system of the MERCOSUR, and the trade relations between Brazil and Uruguay, identifying all the aspects on trade regulation and the coherence aspects of their rules.

The fourth area FGV is looking at is the Trans Pacific Partnership Agreement, its impacts on Brazil and all the improvements that will be achieved on trade rules and regulatory coherence. Finally, it is also undertaking studies focussed on the consequences of China’s market economy on the multilateral trade system.

Russia

The Centre for Economic and Financial Research’s (CEFIR) lead economist Irina Denisova participated in the workshop ‘BRICS: Inequality and Sustainable Development’ co-organised by UNDP China and Beijing Normal University with the support of ActionAid at Beijing, China on November 06, 2015. The workshop provided an opportunity for exchanges and discussions on issues related to poverty and inequality, particularly in the context of BRICS economies. It also offered valuable learning and lessons that can be shared with other developing countries.

Denisova gave a presentation ‘Income inequality and poverty in Russia’ in which she highlighted methodological challenges in measuring inequality and poverty and shared her experience in addressing the challenges.

India

CUTS International recently published a discussion paper entitled ‘Balancing Opposition and Economic Benefits in Privatisation Policy: An Analysis of Brazil, South Africa and India’. The paper authored by Alan Potter analyses privatisation processes in Brazil, India and South Africa to understand how these countries implemented it and what measures were effective in overcoming opposition without sacrificing efficiency.

CUTS also recently released a publication entitled ‘[Un]ease of Doing Business in India – A Review of Major Pain Points and Possible Lessons’. The report concentrates on the most distressing indicators (those that are ranked beyond 150), and map these across the BRICS economies.

China

The 2nd BRICS Legal Forum, jointly hosted by the China Law Society and the East China University of Political Science and Law, was launched in Shanghai on October 14, 2015. The event was meant to promote exchange and cooperation on various legal issues facing states in the BRICS bloc. A Shanghai centre for settling BRICS disputes was inaugurated at the Forum as the first of its kind in BRICS countries.

Professor Baihua Gong from Shanghai WTO Affairs Consultation Centre was invited to attend the event and delivered an address on the comparative study of the investment dispute settlement mechanism from the BITs of BRICS countries. The 3rd BRICS Legal Forum will be held in India in 2016.

South Africa

The South African Institute of International Affairs (SAIIA) recently published a report on drivers of regional integration in BRICS countries. It was the result of two roundtable discussions. The first event, ‘Drivers of Regional Integration’, was held in Cape Town on November 25-27, 2014; and the second ‘Regional Integration and Regional Value Chains’ was held in Moscow on May 21, 2015.

In terms of publications SAIIA Senior Researcher, Agathe Maupin authored a chapter entitled ‘South Africa-EU Energy Governance: Tales of Path Dependency, Regional Power and Decarbonisation’ in the new book ‘Challenges of European External Energy Governance with Emerging Powers.’

Additionally, SAIIA has produced a number of articles including: South Africa and FOCAC: Enabling a Partnership for Global Economic Governance beyond the BRICS?, ‘Bringing Geo-Economics Back in: The India-Africa Forum Summit, Modi’s New Foreign Policy Agenda and the Implications for Africa; and China-Africa Co-operation Beyond Extractive Industries: The Case of Chinese Agricultural Assistance in West Africa.

Sources