TERNewsletter

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BRICS Trade & Economics Research Network Launched

In this era of globalisation, promotion of trade among nations is a quintessential ingredient to catalyse growth and development. Developing regional networks to promote growth and development are of utmost importance especially in a period of time when the world economy is still fighting out of the clasp of economic crisis, in absence of such cooperation, the history of the Great Depression would not be a distant nightmare but a reality.

L-R:
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Brazil, Russia, India, China and South Africa-Trade and Economics Research Network (BRICS-TERN) is an initiative in the direction of promoting cross regional cooperation through research and advocacy on a wide range of contemporary issues. Five reputed policy research organisations from each of the BRICS countries came together to form the network. This initiative was launched in Shanghai on November 19, 2011 at the WTO Annual Conference to commemorate the 10th anniversary of China's accession to the WTO.

On the lines the gaining importance of preferential trade agreements (PTAs) grew in the last two decades which is reflected with the phenomenal rise of intra-regional and cross-regional PTAs between 1990 and 2010. Acknowledging the trend, partners shared their countries' experiences *vis-à-vis* the role of PTAs to buttress development through trade, cooperation and strategic relations and highlighted the role the network can play in advocating for increasing intra-BRICS trade and investment for mutual benefits.

The discussion dwelled on various aspects of PTAs, which at present, are not researched extensively. The pertinent of an *ex-ante* cost-benefit analysis of signing PTAs on development interest of the country and the impact on domestic policies is an important area of research. The participants highlighted the need for further study on such aspects.

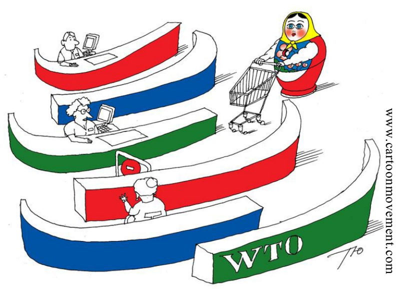
It was also pointed out that there is a need for policy research and advocacy directed towards institutional reforms and remodel PTAs different from EU-US model to incorporate the development goals of the South and enhance stakeholders' engagement *vis-à-vis* trade policy. The India-Singapore Comprehensive Economic Cooperation Agreement is one such example of evolving nature of PTAs.

Apart from the BRICS-TERN partners, Faizel Ismail, Ambassador of South Africa to the WTO; Sun Zhenyu, former Ambassador of China to the WTO; Gopal K Pillai, former Commerce & Home Secretary of India; Cheng Shuaihua, Head-Asia Pacific and China, International Centre for Trade and Sustainable Development; Feng Shaolei, Head of the School of International Relations and Regional Studies, East China Normal University; and Li Zhongzhou, Chief Expert of EU-China Trade Project provided their valuable inputs.

During the meeting, future course of action was decided. Based on the discussion, mention areas of research were identified; papers would be prepared on these and discussed in the next meeting scheduled on March 29, 2012 prior to the BRICS Leaders Summit, as research inputs and recommendations could be flagged at the Summit.

INSIDE

Russia Secures WTO Membership



After nearly two decades of trying, Russia, world's 11th largest economy, gained approval to join the WTO. Russia has six months to ratify its membership, once Russia joins, the WTO will account for 97 percent of global trade.

With Russia joining the WTO, is likely to boost the world economy, at a time of global financial turmoil. The WTO membership offers a 'win-win' situation for Russia and the world. For Russia, membership locks in domestic reforms undertaken since the 1990s to become a rule-based market economy.

With heavy dependence on oil and gas, WTO entry also offers Russia a chance to diversify its trade basket and to get non-discriminatory most-favoured nation (MFN) treatment from the rest of the world. Predictable, stable and transparent application of global trade rules by Russia would significantly improve the business and investment environment for the rest of the world.

With Russia inclusion it is possible that energy and other 21st century issues such as climate change could be brought to the negotiating table in the future. In fact, Russia's entry may change negotiating dynamics of the WTO.
(AP, 16.12.11 & ET, 29.12.11)

China Enhancing Ties with South Africa

While South Africa's traditional trading partners the EU and the US are having a hard time dealing with the aftermath of the Global Financial Crisis, China has been gradually building up its relations with the emerging power of the African continent.

The China Development Bank and the Development Bank of South Africa signed a US$2.5bn agreement. In addition, the two countries signed a Memorandum of Understanding on geological exploration and mineral resources.

The Beijing Declaration signed between South African President Jacob Zuma and Chinese President Hu Jintao, is a document said to mark the beginning of a new era in South African-Chinese relations. In the declaration, two sides vowed to strengthen the cooperation in both political and economic issues by establishing a "comprehensive strategic relationship."
(www.2point6billion.com, 03.10.11)

Brazilian Economy Overtakes UK

As Europe struggles with its debt crisis, Brazil along with many Asian nations are on the rise, according to the London-based Centre for Economics and Business Research. Brazil overtook the UK as the world's sixth largest economy.

Brazil has a population of about 200 million and a current gross domestic product (GDP) of around US$2.52tn. In 2010, Brazil's economy grew 7.5 percent, but the Government of President Dilma Rousseff cut growth projections to 3.5 percent for 2011 as the economy slowed in the third quarter.

The country's primary exports are manufactured goods, iron ore, coffee, oranges and other agricultural produce. Its main trade partners are China, the US and neighbouring Argentina. *(FNL, 27.12.11)*

Trade with Russia 'Needs Shot in Arm'

Russia-China trade increased in 2011, but the rate of growth was not high enough to realise the two nations' target of boosting bilateral trade to US$200bn by 2020, said Sergey Razov, Russia's Ambassador to China.

China's trade with Russia is expected to reach US$78bn, which is far less than that with Europe and the US. Bilateral trade increased from about US$8bn in 2000 to nearly US$56bn in 2010, and China is now Russia's biggest trading partner. It is expected to transport 15 million tonnes of crude oil annually from Russia to China from 2011-2030. *(CD, 23.12.11)*

India, China Catalysts in Development

Amid slow economic recovery in the US and a crisis brewing in Europe, Southern economies, such as India, China and Brazil, can become game changers, especially for poorer countries.

By making policy changes and channelling, even one percent of Sovereign Wealth Funds (SWFs), into least developed countries (LDCs), the emerging economies can make available the much-needed finance to them, as also help create newer markets, says a new UNCTAD report. Globally, there is US$4.3tn SWF assets, of which US$3.5tn are owned by developing and emerging countries.

The UNCTAD report called for a mutually supportive relationship with LDCs, especially in the areas of technology and foreign direct investment leading to creation of markets for both production and consumption. *(BL, 20.11.11)*

BRICS Helped South Africa in COP-17

South Africa's relationship with BRICS, allowed it to successfully conclude the recent UN climate change talks. The question was whether South Africa, through its presidency of the Conference of the Parties (COP) to the UN Framework Convention on Climate Change that runs until December 2012, would be able to continue the work it had done.

COP-17 President Maite Nkoana-Mashabane ensured that talks delivered a comprehensive deal. The US did not want to sign up to any new deal without similar movement from large emitters, especially China and India. China is the world's second-largest economy (after the US) and the largest emitter of greenhouse gases. India is the world's third-biggest emitter. *(BD, 22.12.11)*

Chinese Investment in Brazil

Chinese investment in Brazil has shifted its focus in 2011. While 85 percent of the US$19bn announced for the country in 2010 were linked to the commodity market, in 2011, 74 percent of the US$7.14bn announced were destined to the manufacturing and semi-manufacturing industries, specifically in the automotive, telecommunications and electrical and electronic sectors. Mining, agribusiness and energy sectors absorbed only 18.75 percent of the total amount.

Most of the investments (62.5 percent) represent new projects which are increasing the industrial capacity of the states where they were allocated, such as São Paulo, Bahia, Minas Gerais, Pernambuco, Rio de Janeiro and Amazonas. *(VE, 10.11.11)*

India-Russia Doubling Trade & Investment

The 12th consecutive annual India-Russia summit saw the two sides taking more initiatives to boost economic ties, which have been an area of concern compared to the thriving cooperation in the nuclear, defence, science and space fields and international issues, both economic and political.

Although trade has doubled in a few years due to concerted efforts by both governments to involve the private and public sectors, the absolute volume remains low – around US$10bn annually.

Already, the National Minerals Development Corporation (NMDC) and Russian metallurgical giant Severstal are setting up a large joint venture in Orissa to produce steel, Indian companies are discussing long-term agreements for supply of diamonds from Russia, and the Steel Authority of India and NMDC are interested in procuring coking and thermal coal from Russia. *(TH, 17.12.11)*

Indians to Invest in BRICS Stock Exchanges

Indian equity traders would soon be able to invest in derivative products of benchmark equity indices of BRICS stock exchanges. The BM&FBOVESPA from Brazil, MICEX and RTS from Russia, Hong Kong Exchanges and Clearing Limited (HKEx representing China) and the Johannesburg Stock Exchange from South Africa along with National Stock Exchange and the Bombay Stock Exchange announced a joint alliance to cross-list each other's stock index futures contracts.

These seven exchanges represent a combined listed market capitalisation of US$9.02tn. Initially the exchanges will cross-list benchmark equity index derivatives on the boards of each of other alliance members.

The BRICS exchanges alliance holds great promise, as it will create avenues for Indian investors to diversify and expand into other emerging markets. *(FE, 13.10.11)*

China to Invest in Russian Fund

China Investment Corporation (CIC), China's sovereign-wealth fund, agreed to invest US$1bn in a Kremlin-backed fund. The Russian Direct Investment Fund (RDIF), a new fund worth US$10bn, was established in June by the Russian government. The private-equity vehicle is aimed at promoting foreign investment in Russia.

The RDIF will put the US$1bn investment from CIC into a new offshoot fund called the Russia-China Investment Fund, co-run by RDIF and CIC. The new fund aims to raise an additional US$1bn to be invested in Russia and China. The RDIF will also aim to ameliorate issues such as tax concerns for long-term investors. *(WSJ, 12.10.11)*

South Africa-China on 'New Growth Path'

It will take some time for South Africa to achieve a more sustainable trade balance with China by getting the Chinese engaged in more joint ventures, manufacturing, and beneficiation in line with the New Growth Path that seeks more leverage from foreign investors.

The New Growth Path is founded on a restructuring of the South African economy to improve its performance in terms of labour absorption as well as the composition and rate of growth in creating decent work, reducing inequality and defeating poverty can only happen through a new growth path.

In 2011, South Africa and China signed two deals – on geology and mineral resources; and financial cooperation. *(Bua News, 30.09.11)*

BRICS to the EU's Rescue

The Sanya Declaration adopted in China on April 14, 2011 brought into light the need for a more equitable distribution of power in geo politics. The rise of BRICS is as exaggerated as the decline of the US. The tectonic plates of global politics are certainly shifting, at this juncture of time it is not sure which direction power would swing, given the gloom of the crisis impacting the growth of the BRICS economies.

The EU is looking beyond its borders to help more than double the size of a US$592bn rescue fund to US$1.3tn. BRICS discussed providing aid for the euro zone via the International Monetary Fund (IMF) in return for increasing their weight in the Washington-based lender.

BRICS effort to rescue the Eurozone, BRICS nations may gain a "big role" in the IMF if they provide aid to the euro region. This is an ongoing trend, that the emerging economies and countries need to get a big role at the IMF, and of course if there would be a necessity to get additional funding for the IMF for Europe that would probably accelerate this process. *(Bloomberg, 02.12.11 & BS, 11.11.11)*

Preferential Trade Agreement Models: *The Cases of EU, US, China and India*

The first objective of this research is to map and analyse the BRICS' PTAs, identifying their structure and evolution through time and its main purposes. This analysis will also allow the conclusion whether or not BRICS are developing a model of PTAs different from the US and EU models; and whether this new framework can be considered an alternative to other developing countries. The project will present recommendations to the BRICS countries, considering the impacts of further integration among them.

Recommendation for RIO+20

A set of recommendations has been prepared in cooperation with EECCA (Eastern Europe, Caucasus and Central Asia) and contribution from other organisations for RIO+20, United Nations Conference on Sustainable Development. The recommendations urge governments at Rio+20 Summit to recognise the need to intensity efforts for transition to sustainable development.

REFLECTIONS FROM THE FRONTLINE: Developing Country Negotiators in the WTO

This book gives a substantive account of the evolution of the WTO Doha Development Agenda (DDA) negotiations and the role of developing country coalitions and alliances. The reflections are those of former and current developing country negotiators on their firsthand experience of WTO negotiations. Authors have offered suggestions to unlock the stalemate in the DDA and reach a balanced and development-friendly conclusion.

Meeting on Trade & Economic Issues

The first meeting of BRICS Contact Group for Economic and Trade Issues (CGETI) was held in Beijing, China on December 02, 2011. Professor Gong BaiHua, Associate President of Shanghai WTO Affairs Consultation Centre made a presentation on BRICS-TERN. It will be considered as a possible supporting mechanism for the CGETI. At the first Economic and Trade Minister's Meeting of BRICS in Sanya, China on April 13, 2011, the ministers agreed to establish a contact group entrusted with the task of proposing an institutional framework and concrete measures to expand economic cooperation among BRICS and with other developing countries, with a South-South perspective.

Understanding China's Agricultural Investments in Africa

This paper analyses the driving factors behind China's agricultural investment in Africa, particularly from the perspectives of economic development and market factors, and concerns about food security. It considers the implications of China's experiences in terms of institutions, productivity and technology. Finally, the paper addresses issues of the 'green revolution' and 'green technology' in the context of China's agricultural investment in Africa, and suggests policy recommendations for further studies.

First BRICS Friendship Cities and Local Govts' Cooperation Forum

The first BRICS Friendship Cities and Local Governments Cooperation Forum opened in Sanya, China on December 02, 2011 focusing on deepening cooperation between the world's five major emerging economies. Politicians, scholars and business people from the five BRICS countries met at the two-day forum to foster further communications and discuss shared concerns amid global uncertainties.

Sources

AS: Associated Press; BD: Business Day; BL: The Hindu Business Line; CD: China Daily; ET: Economic Times; FE: Financial Express; FNL: Fox News Latino; TH: The Hindu; VE: Valor Economico; WSJ: Wall Street Journal