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BRICS
A GLOBAL TRADE POWER IN A MULTI-POLAR WORLD

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INTRODUCTION

Central to the narrative of emerging powers, and particularly the BRICS, is the issue of trade, as both the driver of their economic surge, the factor behind their growing economies and the platform it has given them to assert influence in global governance. In the seminal paper from Goldman Sachs which gave birth to the BRIC acronym, world trade shares was one of the key parameters used to show the growing importance of these emerging powers. The BRICS share in world trade has increased significantly from 3.6 per cent in 1990 to 15 per cent in 2010. Combined trade (exports and imports) now amount to $5.9 trillion.

Driving this surge is China. From a mere 1.6 per cent share of global trade in 1990, China’s share has increased rapidly, doubling every ten years. China’s current share of 9.2 per cent of global trade accounts for 61 per cent of the combined BRICS share of global trade.

The emergence of the BRICS has raised questions about the role these countries would play on their own and collectively in global trade and economic governance. This chapter examines BRICS trade policies, how these have been advanced in various platforms such as the WTO and bilateral trade negotiations, and whether or not the institutionalisation of the BRICS and their individual and collective actions constitute a break from the status quo, thereby opening up possibilities for more equitable alternatives.

While the chapter looks at the BRICS as whole, the analysis on Russia’s role within BRICS and how it has advanced the interest of the group is somewhat limited.

BRICS TRADE PROFILE

Exports continue to be a main driver of BRICS economies. From a 3.9 per cent share in 1990, combined exports in 2010 accounted for 16.9 per cent of global exports. With exports of goods and services amounting to about a third of their respective GDPs, Russia and China remain the most export-oriented among the pack, followed by South Africa, India and Brazil. While trade of goods and services remain important components of the Indian and Brazilian economies, it is clear that the growth in these two economies is driven more by strong domestic demand.

With exports valued at over 2 trillion dollars, China has now become the leading exporting country in the world, beating Germany (2nd) and the United States (3rd). But apart from China, Russia—ranked 8th in the world with exports amounting to $536 billion—is the only other BRICS country high on the list of top exporters. India is in 21st place with $290 billion, Brazil in 23rd place with $243 billion, while South Africa trails far behind in 43rd place with $93.8 billion.

The composition of their exports reflects the differing strengths of the BRICS economies (see Figure 1 below). The manufacturing sector is the clear driver of China’s export machine, representing a little over 90 per cent of its total exports. Exports of manufactured goods in India, South Africa and Brazil likewise account for the majority of merchandise exports, but the composition of their exports are not as lopsided in favour of manufactured goods compared to China.

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In India, while manufactured goods account for around 66 per cent of total exports, exports in the fuel and mining sector represent around 20 per cent of its exports and agriculture around 10 per cent. South Africa’s fuel and mining exports command a higher share of 35 per cent of exports, while its agricultural exports account for a little over 10 per cent. While Brazil’s mineral exports constitute 21.3 per cent, its agricultural exports are also substantial with a 37 per cent share of total exports. Russia’s export profile on the other hand shows the dominance of the fuel and mining sector commanding close to 70 per cent of total exports, followed by manufactured goods and agriculture.  

![Figure 1. BRICS Merchandise Exports by Sector (by value in $ billions)](image)

Source: By author based on figures in the BRICS Report 2012.

Trade in services is also an important component of BRICS trade with the two emerging economies from Asia, China and India, leading the group. China is ranked 4th largest exporter in the world while India is within the top ten. The rest of the group however, Brazil, Russia and South Africa trail far behind in the world rankings. However, these rankings belie the increasing importance of the services sector within the economies of the BRICS. With the exception of China, where the industrial sector still accounts for a slightly greater share of the GDP, in the rest of the BRICS, the services sector has now become the dominant sector in their economies. The sector accounts for two-thirds of the Brazilian and South African economies—67 and 66 per cent respectively. Services account for over 50 per cent of GDP in Russia and India; even in China, the sector now represents 43 per cent of the economy.

![Table 1. BRICS Exports of Goods and Services (per cent of GDP)](table)

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Source: UNCTAD.
The BRICS trade profile is also indicative of the structural changes that have occurred in their respective economies over the past two decades. These changes are also important considerations when we examine the positions and agenda being pushed by BRICS. The agriculture sector has in general been on the decline in all of the BRICS, industry has been a constant with a GDP share of ranging from 25 to 30 per cent, and the services sector has surged.

In terms of export destinations, the EU, the United States and Japan are the main trading partners of BRICS countries. The EU-BRICS trade for example has been valued at around $480 billion. BRICS account for 32.2 per cent of EU imports and 20.5 per cent of EU exports. While the percentages are still low compared to their main trading partners, more attention is being given to intra-BRICS trade especially in the light of the recent contraction in the European, Japanese and US markets. With intra-BRICS trade currently at around $230 billion (at an average annual growth rate of 28 per cent), the BRICS Trade Ministers are planning to take it to $500 billion by 2015.

China dominates intra-BRICS trade capturing anywhere from 72 to 85 per cent of trade within the grouping. The others have little more than single digit slices of intra-BRICS trade. The proportions that make up China’s trade with other BRICS is a little more balanced, with Brazil cornering 30 per cent, Russia 28 per cent, India 26 per cent and South Africa with 16 per cent.

Another major feature of the BRICS trade and investment landscape is the dominant role played by transnational corporations (TNCs) both as a source of inward investments within BRICS—thereby fuelling manufacturing and exports—as well as a vehicle of outward investments in other countries in both the South and the North.

Whether in the areas of energy, mining, oil and gas, manufacturing, pharmaceuticals or agriculture, outward FDIs from the BRICS have been undertaken by TNCs such as Vale and Petrobras from Brazil, Sinopec and China National Petroleum from China, the Tata and Reliance Groups from India, and Gazprom and Lukoil from Russia. These corporations are counted among the top 500 global corporations according to a list compiled by Fortune magazine.

The significance of TNC operations in global trade and investments is underpinned by the increasing emphasis on global value chains (GVCs)—the trade of intermediate goods and services in fragmented and internationally dispersed production processes—as a defining character of the twenty-first century trade regime. UNCTAD’s 2013 World Investment Report—which focuses on global value chains—pointed out that “GVCs are typically coordinated by TNCs, with cross-border trade of inputs and outputs taking place within their networks of affiliates, contractual partners and arm’s-length suppliers. TNC-coordinated GVCs account for some 80 per cent of global trade.”

UNCTAD estimates that foreign affiliates of TNCs in China accounted for some 50 per cent of exports and 48 per cent of imports in 2012. Furthermore, in developing countries as a group it is likely that the share of trade within the production networks of TNCs is higher. This higher share is attributable to the concentration of trade in a small number of large exporters and importers with above-average productivity (that is, predominantly TNCs and their affiliates), and the higher share of extractive industries—involveing TNCs—in their exports.

**ASSERTION OF POWER**

The BRICS countries’ muscle has perhaps been exhibited most dramatically in the arena of trade governance. BRICS increasing contribution to world trade has changed dramatically the configuration of global economic power, increasing their capacity and willingness to retaliate and assert their bargaining power when dealing with major developed nations.
There are three major arenas where the clout of the BRICS on trade can be examined. The first and perhaps most important is the World Trade Organization (WTO), the multilateral institution established in 1995 as the arbiter of global trade rules. A particular point of reference is the Doha Round of negotiations, which was launched in 2001 as a “development round”, promising to address the needs of least developed and developing countries. Indeed some assert that the negotiating history of the Doha Round—including the recent years of negotiating deadlock—can only be understood in the light of this new global balance of economic power.

The second arena where BRICS power and influence is exhibited is in the area of bilateral and regional free trade and investment negotiations. How have the BRICS countries pursued their development agenda in these talks, and how have they maximised the relative size and strength of their economies to push for these agreements?

The third arena is that of the BRICS summits and trade meetings which have come to represent the formal platforms of BRICS cooperation. The assertion that the significance of the BRICS cooperation is more political than economic gains currency here, in the wake of continuing challenges and competition among the BRICS.

**BRICS IN THE WTO**

In the multilateral arena of the World Trade Organization, the BRICS have played significant roles in shaping and influencing the global trade agenda. There are a number of key moments that deserve attention.

**From Seattle to Doha**

In the Seattle Ministerial Meeting in 1999, the main item on the agenda was the push for a new round of trade talks, dubbed the Millennium Round. The new round was supposed to advance the agenda of the Uruguay Round (finalized in 1994 with the Marrakesh Agreements), and to usher in a new era of deeper and wider trade liberalisation. What was supposed to mark the triumph of free trade and free markets, however, turned into a major setback for the barely five-year-old institution.

Meeting a few months prior to the WTO Ministerial in Seattle, the Group of 77, the largest intergovernmental grouping of developing countries, issued a Ministerial Declaration that defined the group’s agenda in the lead up to Seattle. The group, which includes China, India, Brazil and South Africa, expressed their continued support for liberalisation of international trade under WTO rules, but also drew attention to the significant imbalances between rights and obligations under the WTO as well as in conditions of market access. It called for an agenda in Seattle to redress the imbalances in favour of developing country interests and strengthen the development dimensions of trade.

The Seattle Ministerial collapsed under the weight of protests from the outside and an “unprecedented rebellion” from the inside. John Vidal, of the Guardian newspaper, incisively summed up the issues that led to the collapse:

- So what happened in the real Battle for Seattle? Firstly, the poor countries were sidelined from the start in the desperation of the Americans to get a deal. The working groups which had convened to reach consensus between interested countries in different areas were regarded as a sham. The chairs were reporting consensus when none existed.

- Secondly, the ‘green room discussions’, the next level of debate, this time mostly between the rich countries, were excluding the poor. At least one African delegate was physically barred from attending.
The third issue concerned the style and manner of the US chief negotiator Charlene Barshesky who was judged personally offensive, patronising and insulting. She was booed in one plenary meeting.

And in addition to this the poor countries were appalled by the speed at which the negotiations were being rushed through, and by the lack of debate. Not only had many of the world’s poorest countries neither the capacity nor the means to implement even the previous round of talks which finished five years ago, let alone take aboard a whole new round of negotiations, but many had barely the means to have a permanent representative in Geneva where the rolling talks are held.23

Seattle ended in failure. But the views expressed in the G77 statement calling for a more equitable and development-oriented trade regime resonated throughout the conference. Brazil denounced the “old and new protectionist mechanisms” directed at exports from developing countries and called on the WTO to fulfill its “core mandate” to address the distortions that persist in international trade, especially trade in agriculture.24 Even China, which was then still on the verge of accession to the WTO, boldly pointed out that “the current multilateral trading system has obvious defects. Its failure to fully reflect the rights, interests and demands of the developing countries shows how incomplete and unbalanced this Organization is”.25

In Seattle, developing countries were united around two main agendas: the so-called ‘three-Rs’ (review, repair and reform) of the existing Uruguayan agreements and processes, and support for a new round of talks that would address outstanding implementation issues and pursue the development dimension of trade. Of the two calls, the support for a new development-oriented round was the one that garnered enough strength in the lead up to the 4th Ministerial meeting in Doha, Qatar in 2001.

The main outcome of the Doha Ministerial was the agreement to launch the Doha Round of negotiations for new agreements under the WTO. The Doha Development Agenda (DDA), which underpins the new talks reflects the concession—at least on paper—to the growing calls from developing countries that had gained strength a couple of years earlier in Seattle.

The Doha Ministerial Declaration states:

The majority of WTO members are developing countries. We seek to place their needs and interests at the heart of the Work Programme adopted in this Declaration. Recalling the Preamble to the Marrakesh Agreement, we shall continue to make positive efforts designed to ensure that developing countries, and especially the least-developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development.27

The Doha Ministerial likewise affirmed and recognised the key concerns articulated by developing countries, including the particular vulnerability of least developed countries, the need for more transparent and participatory processes within the WTO, and the need to address implementation issues as part of a broad and balanced agenda. Central to the development agenda is the highly contentious area of agricultural trade, which to some represents the main “symbol of protectionism and distortions” in the international trade regime.28

Beneath the air of unanimity surrounding the launch of new negotiations, however, was a huge dilemma that faced developing countries: whether or not to support a new round of talks that promises to address their concerns but also includes an agenda for further liberalisation and expansion of the WTO mandate that could be detrimental to their own development interests. As former Indian Ambassador B.L Das explained, “for developing countries(…) the immediate political cost of withholding consensus appears to them to be much heavier than the burden of these obligations in the future.”29

Nevertheless, the concessions towards a balanced and development-centred programme (mere rhetoric, according to those critical of the Doha Round agenda), hinted at an increasing tension between the
dominant powers in the WTO—the so-called quad of US, EU, Canada, and Japan—and developing countries that seem to have slowly gained their voice and strength within the WTO.

As the Cambridge University’s Centre for Rising Powers 2012 study pointed out:

The Doha Round was caught in the middle of a tectonic shift in the global balance of economic power. The rise of China, Brazil and India, among other emerging countries, had an impact on the WTO negotiations and affected the negotiating structure and processes.  

While both camps argued in the name of ‘development’, and were trying to secure greater access to each other’s markets, a fundamental difference in perspective on the underlying goal of Doha was becoming clear, as *The Economist* outlined:

America sees the Doha talks as its final opportunity to get fast-growing emerging economies like China and India to slash their duties on [manufactured goods], which have been reduced in previous rounds but remain much higher than those in the rich world. It wants something approaching parity, at least in some sectors, because it reckons its own low tariffs leave it with few concessions to offer in future talks. But emerging markets insist that the Doha Round was never intended to result in such harmonisation. These positions are fundamentally at odds.

**CHINA’s ACCESSION**

Another major outcome of the meeting in Doha was the decision approving China’s accession to the WTO. China’s membership was hailed by then WTO Director General Michael Moore as a “defining moment in the history of the multilateral trading system”. With China’s membership, Moore added, “the WTO will take a major step towards becoming a truly world organization. The near-universal acceptance of its rules-based system will serve a pivotal role in underpinning global economic cooperation”.

China’s entry into the WTO fold clearly gave a major boost to the institution and to the agenda of trade liberalisation. China made very serious efforts during its long process of accession, which involved bilateral negotiations with member countries, including the United States and the European Union. In the end, China committed to undertake major reforms of its economic and trade policies to comply with its WTO obligations. These included restricting the use of price controls; the removal of export subsidies on agricultural products; and compliance with the WTO’s intellectual property rights regime as outlined in the Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement.

The dominant view on the economic impact of China’s accession to the WTO emphasises the rise of China’s standing as the world leader on trade, and a preferred destination of foreign direct investments. As one scholar of US-China policy put it, “China’s membership yielded China capital, technology, energized reform and competition, and created an opening for new sectors, and importantly helped to depoliticize trade disputes”.

China had been undergoing economic reforms for decades prior to WTO accession but some contend that its WTO membership accelerated the process of reform, and reinforced the direction in which China’s economy and polity had been moving towards greater integration into the global economy. After all, to accede to the WTO, China amended more than 2,500 of its national laws and regulations and abolished more than 800 others to fulfil WTO rules.

Nevertheless, it is important to note that China’s transition to a full market-economy still remains incomplete in the light of the leading role played by government in economic development through its state-owned enterprises (SOE). China’s SOEs and the activist role of the state in the economy are policy areas where China remains vulnerable to challenges within the WTO.
CANCUN AND THE RISE OF THE G20

Two years after the launch of the Doha Round, the 5th Ministerial Meeting of the WTO was held in Cancun. This was envisaged as a ‘stock-taking’ Ministerial, where governments would review the steps already undertaken and chart the agenda towards the conclusion of the Doha negotiations.

Not unlike Seattle, the Cancun Ministerial collapsed, dealing another blow to WTO. The official line was that the Conference ended without consensus, due to disagreements over the so-called ‘Singapore issues’ of investment, government procurement, competition policy, and trade facilitation. However a closer look shows that groupings of developing countries that spearheaded the challenge to the WTO agenda in Cancun were not just focused on the highly contentious Singapore issues, but on almost all the key negotiating areas.

Brazil, India and South Africa in particular played crucial roles in a WTO negotiating group called the G20, a coalition of developing countries pressing for ambitious reforms of agriculture in developed countries, with some flexibility for developing countries. It is not the same group as the G20 group of nations although—confusingly—it has the same name. They were backed by China, which according to some views, deliberately avoided taking the reins of the G20 or any other country grouping for that matter in order to avoid being perceived as a troublemaker.

The G20 negotiating group represented a counterweight in the agriculture negotiations which had, until then, been dominated by the US and EU. The Group—led by Brazil and India—went beyond the usual “blocking” strategy, putting forward an alternative framework to the text drafted in advance by the US and the EU, which had promptly been rejected by developing countries. The G20 proposed more radical cuts on domestic support provided by developed countries, including a cap on the amount of permitted non-trade distorting subsidies that can be provided to farmers. Its market access proposal sought a substantial improvement in market access for all products by reducing all tariffs, but with a differentiated reduction formula for developing countries.

The success of the G20 negotiating group’s effort in challenging the attempts of major powers to ram through their agenda on agriculture, and in pushing for a counterweight to the US and EU agenda, has been described as a momentous occasion in the history of the WTO. Because the G20 involved the emerging powers of Brazil, India, South Africa and China, the coalition was seen as a “new exemplar of proactive diplomacy of the emerging powers.”

REVISIONIST OR STATUS QUO POWER

With the emergence of new power dynamics in the WTO caused by the rise of the BRICS, the key question now is what kind of power would the BRICS be?

The collapse of two high-level conferences (Seattle and Cancun) meant that the established powers were forced to concede to what Walden Bello calls an “expansion of the circle of power”. This involved the convening of the “five interested parties” (or FIPS) in the agriculture negotiations, where Brazil and India joined other key players—Australia, the US and EU—in talks to resolve their differences and push for a compromise text.

The established powers, however, were obviously keen to ensure that the new powers played by the same rules. US Trade Representative Robert Zoellick for example argued that they should be “responsible stakeholders”, sharing the burden of an “unreformed international order, whose rules are tilted towards established powers, and be happy to be part of the club.....”.
The initial WTO meetings after Cancun suggested that the new powers were happy to oblige, as Bello’s insights on the role played by Brazil and India in the Hong Kong meetings in 2005 illustrate:

In the lead-up of the Hong Kong ministerial, Brazil and India’s new role as power brokers between the developed and developing world was affirmed with the creation of a new informal grouping known as the “New Quad”. This formation, which included the EU, US, Brazil, and India, played the decisive role in setting the agenda and the direction of the negotiations. Its main objective in Hong Kong was to save the WTO. And the role of Brazil and India was to extract the assent of the developing countries to an unbalanced agreement that would make this possible in the face of the reluctance of the EU and US to make substantive concessions in agriculture. Delivering this consent was to be the proof that Brazil and India were “responsible” global actors.

Similar to the role played by Brazil and India, when China joined the WTO in 2001, many were pushing for China to play a more active “mediating” function given its extensive links with both developed and developing countries. But China has held the perspective that “the status quo should be maintained” rather than systemically reformed, and is trying to move the Doha Round forward, at least somewhat. As we would see later on, however, China was perhaps just waiting for the right opportunity to assert its growing power.

CRISIS AND THE CONTINUING IMPASSE

Since Hong Kong, the WTO has continued to convene the mandated Ministerial Conference, albeit with less hoopla and lower expectations. In 2008, a mini-ministerial meeting held in Geneva collapsed ignominiously. The more contentious issues, glossed over in Hong Kong for the sake of projecting progress, resurfaced and triggered major disagreements among WTO members.

One of the main sticking points was the special safeguard mechanism, where the interests of import-sensitive China and India were pitted against US demands for predictable market access to farm products. China in particular was arguing for special treatment as a developing country, and a “recently acceded member” (RAM) for that matter, in order to protect certain sensitive products for subsistence and livelihood security reasons.

China and India drew a lot of flak, with the US leading the blame game, for supposedly “throwing the entire Doha round into the gravest jeopardy” by “controlling a large group of even poorer nations.” A tit for tat ensued, with China accusing the US of “hypocrisy for heavily subsidizing its cotton farmers”. The collapse of the mini-Ministerial in 2008, coming as it did at the onset of a global economic crisis, is viewed as a turning point for China’s more aggressive stance in the WTO. China pushed its interests strongly in the talks, while arguing for the same flexibility and special treatment afforded to developing countries and RAMs.

Geneva was again the venue for the 7th Ministerial Conference in 2009. In the midst of the global economic crisis, the conference was meant to send a strong message on the importance of the WTO as a ‘stabilising force’. The statements from the BRICS countries carried two main messages: the need to put the development agenda back on track, and their willingness to act and make a contribution to re-invigorate the stalled talks.

Echoing the Declaration of the WTO G20 grouping, Brazilian Foreign Affairs Minister Celso Amorim expressed the readiness of Brazil and the rest of the countries in the G20 “to act, and focus on what is needed to finish the Round”, but also emphasised that “it is unreasonable to expect that concluding the Round would involve additional unilateral concessions from developing countries.” Brazil highlighted its own efforts to push for development across the globe with its granting of duty-free-quota-free (DFQF) access for products from Least Developed Countries (LDCs), covering 80 per cent of all tariff lines, and a commitment to extend this to cover all tariff lines in the coming years.
Indian Commerce Minister Anand Sharma listed the main concerns of developing countries in the talks: the dilution of the development objectives; the lack of sympathetic discussion on issues vital to developing countries like DFQF market access, the special safeguards mechanism, cotton, preference erosion, fisheries subsidies, and mode-4 access in services (migrant worker visas). 55

More significant perhaps, India also advanced a package of reforms intended to make the WTO “more relevant, vibrant and user-friendly”. These included proposals to: improve information dissemination, revitalise WTO committees, set out best-practice guidelines on regional trade agreements, formulate a legal instrument on DFQF, and establish guidelines on technical standards. 56 This move was perceived as an important effort by India, enhancing its “clout at the apex world trade body and helping shed its ‘deal-breaker’ image.” 57

South Africa’s Minister of Trade and Industry Rob Davies gave perhaps the strongest views on the talks, from the viewpoint of developing countries and LDCs. Davies took the developed country members to task, noting the lack of progress on approaching “a successful developmental conclusion”, and criticising the tenor of the discourse:

Instead of prioritizing the advancement of outstanding reforms that are of urgent need to developing countries, like cotton and the LDC package, recent engagements have been dominated by unfair demands placed on major developing countries to enhance market access for the benefit of narrow commercial lobbies in parts of the developed world. 58

Davies went on to point out that “[f]or us backsliding means retreating further from the development mandate that we all agreed to in Doha, and further imbalancing (sic) in the proposed Doha outcome.” 59

BRAZIL AT THE HELM

An important development in the WTO was the May 2013 election of Brazilian Roberto Azevedo as the new Director General, replacing Pascal Lamy. Even though the BRICS didn’t formally announce their support for the Brazilian candidate, it’s clear that the alliance had only one candidate from the BRICS, and that they pushed for him. In one joint communiqué of trade ministers, they argued for “a new leader who demonstrates a commitment to multilateralism and to enhancing the credibility and legitimacy of the WTO including through a commitment to support efforts that will lead to an expeditious conclusion of the Doha Development Agenda.” 60

The big question has been whether putting Brazil at the helm will advance the agenda of southern actors looking for major changes in global governance systems, or act as a release-valve for northern actors trying to cope with pressure from the South. 51

Azevedo’s first test of leadership came a few months into his new post as Director General, at the 9th Ministerial Meeting of the WTO held in Bali, Indonesia in December 2013. The expectations were high that the Bali meeting would produce provisional ‘early harvest’ agreements on some of the elements of the Doha mandate, and the delivery of this package in Bali was deemed ‘make or break’ for the WTO.

Azevedo came through in Bali as he steered the conference into delivering a package (‘The Bali Package’) that includes agreements on trade facilitation, public stockpiling of food grains for food security, and preferences for LDCs, among others.

We cannot underestimate the contribution of Azevedo’s brinkmanship in successfully leading the process and mobilising the support of developing countries to secure an outcome in Bali. Azevedo was very careful to promote a consistent message of inclusiveness and transparency that appealed to developed countries and took him beyond his BRICS base.
In his inaugural speech as the new DG in September 2013 for instance, he emphasised the importance of the multilateral trading system in the context of the changing times. In calling it “the best defence against protectionism and the strongest force for growth, recovery and development”, he repeated a mantra of his predecessor Pascal Lamy, and a message that appealed to developed countries. Yet he also alluded to the BRICS and emerging economies and how “they are fundamentally shifting the landscape of the world economy”. Azevedo also noted that the “system is in trouble”, and highlighted the need to “work together to fix and strengthen the system” and make sure that the system works for the poorest, messages that appealed to developing countries.

Azevedo established a process in the lead up to Bali that featured intensive consultations and rolling sets of meetings to reach out to various groupings in order to build consensus on the main issues of the Bali deal. He went to India, for example, in September 2013 to seek consensus with Indian negotiators over its food security proposal, a crucial move as far as the Bali talks were concerned, and one that would pay off in the final stages of the negotiations in Bali.

Besides Azevedo and Brazil, India’s role was also pivotal in the ‘success’ of the talks. India spearheaded the negotiations over granting developing countries policy space under the WTO’s Agreement on Agriculture to protect its agriculture in the interest of food security. At the early stages, India positioned itself as a champion of developing country interest in taking a firm stand for a permanent solution to the issue, and standing against attempts by developed countries to water down its original proposal. As the talks progressed, India softened its position and agreed to the language over a compromise clause that would allow developing countries the leeway to continue current stockpiling programs for a period of 4 years, and specific language that protected India’s current national food program. This acceptance of a conditional interim solution, however, alienated its own national constituency keen to defend Indian farmers, as well as some developing countries who saw India’s shifts in positions as a betrayal of developing country interests.

In the end, the Bali outcome delivered by Azevedo, accepted by India and supported by all the members of the WTO is an unbalanced deal which once again favours the interests of developed countries. The US and the EU got the trade facilitation deal that they have been pushing for, and offered an acceptable compromise in return by way of a temporary solution to the problem of developing country subsidies for food security.

Bali seemed to confirm the question many had previously posed about the likely consequences of growing BRICS power: revealing that when push came to shove BRICS would take sides in support of the status quo, rather than pave the way for a new trade agenda.

**BRICS AND FREE TRADE AND INVESTMENT AGREEMENTS**

To have a real understanding of the dynamics of BRICS in relation to trade and investment it is necessary to go beyond the public statements and look at the evidence of what each BRICS country is doing in relation to bilateral investment treaties (BITs), trade agreements, and to see their trajectories in their different regions.

China, in particular, has been the most aggressive in pushing for Free Trade Agreements (FTAs) with other developing countries. This drive is underpinned by two strategic objectives. The first is to secure long-term energy supplies and obtain sources of other natural resources that it needs for its manufacturing exports. The second is to expand its market to various regions to enable it to continue its growth. Currently, China has 14 FTA partners comprising 31 economies and regions including the Asia-Pacific region, Latin America, EU, Africa and Oceania. Since 2002 China has signed FTA Agreements with the ASEAN, Chile, Pakistan, New Zealand, Singapore, Peru, Costa Rica as well as Economic Partnership Agreements with Hong Kong, Macau and Taiwan. It is negotiating FTAs with the Gulf Cooperation Council (GCC), Australia, Iceland, Norway, Southern African Customs Union, Japan and South Korea (China-Japan-SK FTA), and Switzerland. It is currently finishing FTA Feasibility Studies with India and South Korea.
<table>
<thead>
<tr>
<th>Country</th>
<th>Number of FTAs</th>
<th>Partners</th>
</tr>
</thead>
</table>
| Brazil          | 5              | Global System of Trade Preferences among Developing Countries (GSTP)  
Protocol on Trade Negotiations (PTN)  
Latin American Integration Association [ALADI in Spanish]  
Southern Common Market (MERCOSUR)  
MERCOSUR—India |
| Russia          | 16             | Armenia–Russian Federation Common Economic Zone (CEZ)  
Eurasian Economic Community (EAEC)  
Georgia–Russian Federation  
Kyrgyz Republic–Russian Federation  
Russian Federation–Azerbaijan  
Russian Federation–Belarus  
Russian Federation–Belarus–Kazakhstan  
Russian Federation–Kazakhstan  
Russian Federation–Republic of Moldova  
Russian Federation–Serbia  
Russian Federation–Tajikistan  
Russian Federation–Turkmenistan  
Russian Federation–Uzbekistan  
Treaty on a Free Trade Area between members of the Commonwealth of Independent States (CIS)  
Ukraine–Russian Federation |
| India           | 34             | India–Singapore Comprehensive Economic Cooperation Agreement  
India–Southern African Customs Union Preferential Trade Agreement  
India–Sri Lanka Free Trade Agreement  
India–Thailand Free Trade Area  
India–Turkey Free Trade Agreement  
India–Uruguay Preferential Trading Arrangement  
India–Venezuela Preferential Trading Arrangement  
Indo–Nepal Treaty of Trade  
Japan–India Comprehensive Economic Partnership Agreement  
Malaysia–India Comprehensive Economic Cooperation Agreement  
New Zealand–India Free Trade Agreement  
People's Republic of China–India Regional Trading Arrangement  
Regional Comprehensive Economic Partnership  
South Asian Free Trade Area |
| China           | 27             | ASEAN–People's Republic of China Comprehensive Economic Cooperation Agreement  
Asia-Pacific Trade Agreement  
Comprehensive Economic Partnership for East Asia (CEPEA/ASEAN+6)  
East Asia Free Trade Area (ASEAN+3)  
New Zealand–People's Republic of China Free Trade Agreement  
People's Republic of China–Australia Free Trade Agreement  
People's Republic of China–Chile Free Trade Agreement  
People's Republic of China–Colombia Free Trade Agreement  
People's Republic of China–Costa Rica Free Trade Agreement  
People's Republic of China–Gulf Cooperation Council Free Trade Agreement  
People's Republic of China–Hong Kong, China Closer Economic Partnership Agreement  
People's Republic of China–Iceland Free Trade Agreement  
People's Republic of China–India Regional Trading Arrangement  
People's Republic of China–Japan–Korea Free Trade Agreement  
People's Republic of China–Korea Free Trade Agreement  
People's Republic of China–Macau Closer Economic Partnership Arrangement  
People's Republic of China–Mongolia Free Trade Agreement  
People's Republic of China–Norway Free Trade Agreement  
People's Republic of China–Pakistan Free Trade Agreement  
People's Republic of China–Peru Free Trade Agreement  
People's Republic of China–Singapore Free Trade Agreement  
People's Republic of China–Southern African Customs Union Free Trade Agreement  
People's Republic of China–Switzerland Free Trade Agreement  
People's Republic of China–Taipei, China Economic Cooperation Framework Agreement  
People's Republic of China–Thailand Free Trade Agreement  
Regional Comprehensive Economic Partnership  
Shanghai Cooperation Organization Free Trade Agreement |
| South Africa    | 8              | Southern African Customs Union (SACU)  
Southern African Development Community (SADC) FTA  
Trade, Development and Cooperation Agreement (TDCA) - FTA with the European Union  
EFTA–SACU Free Trade Agreement (FTA)  
SACU–Southern Common Market (Mercosur) PTA  
Zimbabwe/South Africa bilateral trade agreement  
SACU–India FTA  
SADC–EAC–COMESA Tripartite FTA |

Source: Compiled by authors from several sources. For China and India see: http://www.thedti.gov.za/trade_investment/trade_agreement.jsp; and for Brazil and the Russian Federation see: http://rtais.wto.org.
Among the BRICS countries, Brazil has been the least engaged in FTAs, with only five agreements. In fact, during the government of Lula da Silva (2003-2011), Brazil contributed to the failure of the FTAA negotiations in order to preserve their domination of local and regional markets. While Brazil—MERCOSUR launched negotiations with the EU in 2010, after nine negotiation rounds a date has yet to be set for the exchange of offers of market access.

Brazil doesn’t have much to gain from negotiating an FTA with either the US or the EU, unless they reduce their subsidies in agricultural products where Brazil has advantages. The WTO therefore remains the main site for Brazil to demand concessions from the North—particularly around domestic support for agriculture—but there is no sign that in the short term there will be any shift in position by the Northern countries.

As a result Brazil has instead relied on multilateral mechanisms, such as the Global System of Trade Preferences among Developing Countries (GSTP) and the Protocol on Trade Negotiations (PTN), which are trade preference agreements between developing countries. They give preferential access to certain products from the participating countries by reducing tariffs.

At a regional level, Brazil has been engaged with the Asociación Latinoamericana de Integración (ALADI), created in 1960, which offers regional tariff preferences among the countries of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela, Cuba and Panama. It is also a leading member of the Southern Common Market Agreement (MERCOSUR), which is a free trade zone whose full members include Argentina, Paraguay, Uruguay, Venezuela and Brazil. Through MERCOSUR, Brazil also has agreements with Bolivia, Peru and Chile, as well as a partial agreement with India that is mainly a Preferential Trade Agreement.

India leads the pack in terms of its enthusiasm for FTAs, having signed 18 and being involved in negotiations for a further 16 bilateral trade pacts. It has paid a heavy price for its enthusiasm. While imports from these countries and regions into India have increased sharply, India’s exports have stagnated. Most of these FTAs have turned out to be win-lose propositions—a win for the trading partner, and a loss for India. Be it Thailand, ASEAN, South Korea, Japan, Singapore or Malaysia, in almost all cases imports have grown at a faster pace than exports after the Indian government agreed to slash tariffs. India’s trade deficit with Japan was at $3.6 billion in 2010-11 before it signed an ambitious bilateral Comprehensive Economic Partnership Agreement (CEPA) in 2011. A year later the CEPA was implemented and India’s trade deficit almost doubled in 2012-13 to $6.3 billion. The country’s trade deficit with ASEAN, with which it signed a trade agreement in August 2009, has widened to $18 billion in 2013 from $14.9 billion in 2009-10.

At present, India is negotiating FTAs with major trading blocs/nations like the European Union (EU), European Free Trade Association (EFTA), Canada, Australia, New Zealand, China, Israel, Russia and others. This is despite warnings from government agencies and some industrial sectors about the likelihood of increasing India’s trade deficit and current account deficit (CAD), which act as a drag on the Indian economy.

Even the latest Economic Survey 2012-13 presented by the Ministry of Finance, notes that “the widening of the trade deficit to more than 10 per cent of GDP and the CAD crossing 4 per cent of GDP in 2011-12 and the first half of 2012-13 have been matters of concern”. It further observed that “the room to increase exports in the short run is limited, as they are dependent upon the recovery and growth of partner countries, especially in industrial economies”.

As a result of these reports, the Ministry of Commerce has decided to assess the impact of FTAs and CECAs to look at “the trade diversion created by the arrangement, the creation of trade that has taken place after the agreement, [and] the effect on services in which India has an edge over the other nations” 67. Recently, the Finance Ministry ordered a review of the FTAs because India cannot run a high current account deficit for much longer 68.
Like Brazil, South Africa’s FTA strategy is more calibrated than India’s, focusing on consolidating economic relations within the African region through the Southern African Customs Union (SACU) and the Southern African Development Community (SADC). In addition, South Africa is strengthening existing agreements with Europe and exploring possibilities for new agreements with the North, while showing a clear desire to expand relations with other emerging economies like China and Brazil.

Interestingly, after five years of BRICS summits, there has been no call for a negotiation of a free trade agreement between all BRICS countries. The strategy of the BRICS has rather been to allocate public resources to infrastructure or other projects in BRICS and developing countries in order to create demand for their own corporations, and to obtain access to more natural resources for their industries.

At the Fifth Summit of the BRICS (Durban, 2013), this support was formalised in an agreed “Trade and Investment Cooperation Framework” which aims to promote “trade, investment and economic cooperation among the BRICS Members”, encouraging trade and investment links, sharing policy practices on trade and investment, and promoting initiatives to support institution-building. Together with the creation of a BRICS Development Bank to fund infrastructure and development projects, the BRICS members are seeking to address the decline in their exports to the rest of the world, in particular the EU and the US, and pushing for “intra-BRICS trade and investment” of “high value-added products”. BRICS exports to the EU declined by as much as 22 per cent in 2009—a loss of over 100 billion euros worth of exports—while exports to the US in 2009 declined by as much as $68 billion, or a 16 per cent decline from 2008 figures.

Table 3. BRICS Bilateral Investment Treaties (BITs)

<table>
<thead>
<tr>
<th>Country</th>
<th>BITs</th>
<th>Entered into Force</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>14</td>
<td>0</td>
</tr>
<tr>
<td>Russia</td>
<td>71</td>
<td>52</td>
</tr>
<tr>
<td>India</td>
<td>83</td>
<td>68</td>
</tr>
<tr>
<td>China</td>
<td>128</td>
<td>105</td>
</tr>
<tr>
<td>South Africa</td>
<td>46</td>
<td>23</td>
</tr>
<tr>
<td>BRICS</td>
<td>342</td>
<td>248</td>
</tr>
</tbody>
</table>

Source: UNCTAD BITs Database.

The picture on BRICS and bilateral investment treaties (BITs) shows a little more divergence between the BRICS players, and also presents some new agendas. Brazil, again, is the outlier with only 14 BITs, none of which have been ratified; consequently none has entered into force. All of Brazil’s BITs were negotiated and signed from 1994-99, before the electoral victory of the Workers Party (PT) in 2003.

China, on the other hand, is the BRICS country with the most signed BITs at 128, 105 of which are in force, followed by India with 68 out of its 83 BITs in force. Russia has 52 of its 71 BITs in force, while South Africa has 23 BITs in force out of a total of 46 signed agreements.

None of the BRICS countries has a Bilateral Investment Treaty in place with the United States. Russia has signed such an agreement, as yet unratified. China, Russia, India and South Africa have BITs in force with countries of the European Union such as Germany, United Kingdom and France.
On the issue of investor protection and investment arbitration, China is the only BRICS member of the International Centre for Settlement of Investment Disputes (ICSID), the international institution under the auspices of the World Bank, whose primary purpose is to provide facilities for conciliation and arbitration of international investment disputes. China signed the convention in 1990 and the agreement entered into force in 1993. Russia signed the ICSID convention in June 16, 1992, but never completed the ratification process. The others (South Africa, India and Brazil) have not signed the ICSID convention, and therefore cannot be sued as states by private investors under ICSID.

China has been sued only once in the ICSID—by a Malaysian firm—but the case was withdrawn after an agreement between the parties. On the other hand, in September 2012 a Chinese company presented a case to the ICSID against Belgium involving banking and financial services; the case is still pending.

One significant development that has the potential of upsetting the investment policy apple cart is the South African government’s decision in 2013 to terminate its BIT with Germany and its earlier decision not to renew its expiring BITs with Belgium, Luxembourg and Spain. These moves are part of an ongoing reform process in South Africa to “overhaul its investment policy framework” and replace its old-generation investment treaties with a new national law that would balance the interest of investors with the need to safeguard domestic policy space.

This move by South Africa is just the latest in a series of actions by governments from both the North (for example, Canada and Australia) and the South (for example, Ecuador and Bolivia) to review their existing BITs and address the issue of imbalance in the current investment regime. As an article for the Trade Law Centre for Southern Africa stresses:

Globally, both developing and developed countries are increasingly seeking to adopt approaches to investment promotion and protection which better balance the requirements of investors and the right of governments to regulate in the public interest on matters relating to environmental protection, public health and social equality.

Interestingly however on the question of South Africa’s BITs with fellow BRICS, in particular with China, South Africa is taking a more consultative approach. As the trade and investment director of South Africa’s Department of Trade and Industry Dr Mustaqeem de Gama pointed out: “We are working on the development of a commercial framework on investment and how we will deal with BITs, and any move on the treaty with China will be as a result of consultation within BRICS”. This may indicate a larger issue at play, not only in terms of intra-BRICS coordination and unity, but also in relation to China’s growing level of influence in the African region, and the role that South Africa plays in that equation.

THE BRICS TRADE AGENDA

Trade issues have been always an important element of the official BRICS summits’ agenda. Since formalising their grouping, BRICS has regularly issued trade statements or communiques to declare their stance on key trade and investment issues, highlighting key points of consensus while defining areas for further cooperation in the economic sphere.

Moreover, BRICS Trade Ministers have also met regularly, at times in parallel with the main BRICS summits and also in advance of WTO negotiations. The first BRICS Trade Ministers meeting was held in Sanya, China on 13 April 2011 on the sidelines of the 3rd BRICS Summit. Trade Ministers have subsequently met in Geneva in December 2011, Puerto Vallarta, Mexico in 2012, and Durban, South Africa in 2013.
In their First BRIC Summit in Yekaterinburg, Russia in June 2009, the BRICs leaders summed up their common position in a way that has been repeated at subsequent meetings:

We recognize the important role played by international trade and foreign direct investments in the world economic recovery. We call upon all parties to work together to improve the international trade and investment environment. We urge the international community to keep the multilateral trading system stable, curb trade protectionism, and push for comprehensive and balanced results of the WTO’s Doha Development Agenda.78

The BRICs are committed to improving the international trade and investment environment through a multilateral, less protectionist, comprehensive and balanced outcome of the WTO Doha Round of negotiations.

In short, the BRICs want to improve the current trading regime and not replace it with a different system. They would prefer a multilateral agreement that embraces all countries rather than a proliferation of different bilateral trade agreements, but as we will see they are also very active in bilateral trade negotiations at different levels.

The key words “comprehensive and balanced” mean that they are not willing to accept an agreement on NAMA (Non Agriculture Market Access) in the WTO if there is no agreement on agriculture which involves the reduction of farming subsidies by the US and European Union. This position especially benefits Brazil as it is the third biggest exporter of agricultural products after the EU and the US, with a total of $86.45 million in agricultural exports. These represent 33.8 per cent of their total exports according to the WTO, while China’s agricultural exports only represent 3.3 per cent of their total exports.

In the area of services, the BRICS countries are in favour of liberalisation of trade in services, but argue it should be a gradual process taking into account the development and regulatory capacity of each country. They add the rider that such liberalisation should be in exchange for “additional market access opportunities” in other areas where developing countries [read BRICS] are competitive. In other words ‘yes’ to service liberalisation, but at their own pace and in exchange for market access in agriculture and other goods where there are remaining trade barriers.

Despite the regulatory failures unveiled by the financial crisis and the BRICS countries own calls for better regulation of the financial sector, they have not criticised GATS rules on financial services. Neither have they highlighted the fact that the US and EU—or BRICS themselves—failed to comply with these rules of service liberalisation during the financial crisis.

In relation to trade facilitation, an issue that involves cutting red tape, improving border or customs procedures and reducing trade costs, BRICS trade ministers support progress, but argued that:

The costs of implementing trade facilitation measures can be a significant challenge for many developing countries, which have to be met through adequate financial and technical assistance. Due attention has also to be paid simultaneously to the development of export-related infrastructure, especially in Least Developed Countries (LDCs), to obtain a win-win result.79

This reference to the needs of LDCs is a recurring theme in BRICS trade communiques. In order to have more power in the negotiations and gain support from other developing countries, BRICS have advocated for specific agreements like “duty-free–quota-free” and “cotton” while insisting on their own agenda. In this case, the BRICS are willing to have an agreement on trade facilitation because they are mainly trade exporters. To gain the support of the developing countries and LDCs, they advocate in their favour by pushing for adequate financial and technical assistance for the implementation of trade facilitation.
SOUTH-SOUTH ECONOMIC COOPERATION

The growing importance and influence of the BRICS in global trade and investment has raised questions about how, and to what extent, this ascendancy will enhance South-South trade and broader economic cooperation, including the areas of finance, investment, and technology and knowledge transfers. Over the last two decades, there has been a considerable surge in South-South economic cooperation (SSEC) in areas of trade, investment, development assistance and other financial flows. The Asian Development Bank (ADB) estimates that South-South trade as a share of world trade expanded rapidly from barely 10 per cent in 2001 to 17 per cent in 2009. The value of exports from developing countries to other developing countries now exceeds exports from poor countries to rich ones.

Table 4. South-South Trade as Share of World Trade

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<tbody>
<tr>
<td>Exports</td>
<td>7.6</td>
<td>10.2</td>
<td>15.0</td>
<td>16.3</td>
<td>17.7</td>
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<tr>
<td>Imports</td>
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<td>9.6</td>
<td>14.1</td>
<td>15.4</td>
<td>16.1</td>
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<tr>
<td>Trade</td>
<td>6.9</td>
<td>9.9</td>
<td>14.5</td>
<td>15.9</td>
<td>16.9</td>
</tr>
</tbody>
</table>

People’s Republic of China’s share of South-South trade

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<tbody>
<tr>
<td>Exports</td>
<td>35.5</td>
<td>35.1</td>
<td>40.8</td>
<td>41.2</td>
<td>41.6</td>
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<tr>
<td>Imports</td>
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<tr>
<td>Trade</td>
<td>39.7</td>
<td>36.0</td>
<td>39.3</td>
<td>37.8</td>
<td>40.0</td>
</tr>
</tbody>
</table>

India’s share of South-South trade

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</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>2.1</td>
<td>3.1</td>
<td>3.7</td>
<td>3.9</td>
<td>4.9</td>
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<tr>
<td>Imports</td>
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<td>1.6</td>
<td>2.4</td>
<td>4.7</td>
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</tr>
<tr>
<td>Trade</td>
<td>2.2</td>
<td>2.4</td>
<td>3.0</td>
<td>4.3</td>
<td>5.4</td>
</tr>
</tbody>
</table>

Source: ADB Asian Development Outlook 2011

According to the ADB this rapid expansion is being driven by relatively high economic growth, the rise of production fragmentation and network trade, and a progressive dismantling of trade barriers.

Together China and India account for almost half of total South-South trade. Much of the trade from these two Asian economic giants is linked to global production networks—where intermediate goods are traded between countries and value is added along the way, as part of a fragmented global process of production. According to the WTO, “In 2009, trade in intermediate goods was the most dynamic sector of international trade, representing more than 50 per cent of non-fuel world merchandise trade and 64 per cent of the total imports of the Asian region.”

The narrative of South-South trade as a major driver of development in the South is being pushed by various multilateral institutions including the WTO and the ADB. The further prospects for growth in SSEC have also been used to justify the prescriptions for further liberalisation and opening up of economies in the South.

However progressive trade analysts, such as Aileen Kwa of the South Centre, argue that “South-South trade is no magic panacea if conducted on exactly the same terms as North-South trade”. According to the WTO report, nearly half of China’s exports are from EPZs while one-third of its imports were bound for such zones. This means that the rise in South-South trade often hides issues around ownership. Around two-thirds of China’s processing trade was undertaken by foreign-owned enterprises.
This is a view echoed by former UNCTAD chief economist Yilmaz Akyuz, who noted that “while there have been significant increases in all aspects of trade, investments, aid and development cooperation(...) further examination reveals [the] same patterns as North-South trade.” Akyuz points out, for example, that much of the growth in exports in East Asia praised as growth of South-South trade is closely linked to Sinocentric production networks:

East Asia accounts for three-quarters of South-South trade and China’s share is around 40 per cent. China also comprises close to 60 per cent of South-South imports in Asia and 58 per cent and 65 per cent of Asian Developing and Emerging Economies’ imports from Africa and Latin America, respectively (ADB 2011). Again, the shares of other DEEs in South-South trade are small—for India it is around 5 per cent and for the rest of the developing world, including Latin America and Africa, it is around 25 per cent.

According to Akyuz, “these [trade shares] imply that major Developing and Emerging Economies [DEEs] other than China, including India and Brazil, cannot act as a driving force for the South.”

**BRICS DEVELOPMENT BANK**

The decision to launch a BRICS Development Bank and the creation of a Contingent Reserve Arrangement (CRA) at the 5th Summit in Durban in March 2013 created a lot of buzz in development circles as to the potential impact these actions will have for development in the South.

At the sidelines of the September 2013 G20 meeting in Russia, the BRICS announced progress on both the creation of the BRICS-led New Development Bank (NDB) and the CRA. According to a media note:

**On the NDB,** progress has been made in negotiating its capital structure, membership, shareholding and governance. The Bank will have an initial subscribed capital of US$ 50 billion from the BRICS countries.

**On the CRA,** consensus has been achieved on many key aspects and operational details regarding its establishment. As agreed in Durban, the CRA will have an initial size of US$100 billion. Country’s individual commitments to the CRA will be as follows: China US$ 41 billion; Brazil, India, and Russia US$ 18 billion each; and South Africa US$ 5 billion.

Apart from the issue of the capitalization of the Bank, which has been pointed out as a possible point of tension considering the differing levels of development even within BRICS, with “China having the capacity to contribute $50bn on its own while $10bn from South Africa is substantial”, another big concern is how the NDB would differentiate itself from the operations of the major development finance institutions.

As BRICS analyst Caroline Bracht pointed out:

> The bank could also be considered a failure if it simply replicates the characteristics of the major development finance institutions, with rigid lending conditions and donor directed decision-making instead of being based on the needs of recipient governments. If the bank merely tries to trump the existing institutional architecture, it will prove to be redundant and fail to provide progressive services, to move the current development paradigm forward.”

The challenge according to Bracht is for BRICS to “find a way to balance the power and the relative capabilities of each country, based on their varying financial reserves and immediate development needs”. 94

The very nature of the NDB has already dampened optimism that the Bank could be a force for change and innovation. As Oliver Steunkel has pointed out, “despite occasional rhetoric about new paradigms, there is little so far that indicates that the ideas promoted by proponents of the BRICS Development Bank are truly innovative.”

90
Steunkel also stressed a point made earlier by Harvard economist Dani Rodrik:

(...) [It] is disappointing that [the BRICS] have chosen to focus on infrastructure finance as their first major area of collaboration. This approach represents a 1950’s view of economic development, which has long been superseded by a more variegated perspective that recognizes a multiplicity of constraints—everything from poor governance to market failures—of varying importance in different countries.  

**CONCLUSION**

Trade and investments are key elements in the BRICS narrative. High growth, expanding trade, and increasing FDI inflows and outflows have made the BRICS significant players in the global economy. At a time when the most advanced economies were reeling from the impact of the global economic crisis, the recovery and the quick return to growth of the BRICS became an important stimulus that drove global economic recovery, and thus confirmed the group’s position as a significant power bloc in an increasingly multipolar world.

The global trade and investment policy field is characterised by a multitude of international economic agreements—whether under the multilateral framework of the WTO, or under bilateral and regional arrangements. As such, it has become a major arena for the BRICS countries to assert their increasing role in global economic governance, and exert influence on key issues underpinning trade and investment policies.

In the WTO, Brazil, India, South Africa—and of late China—have become significant players in the long drawn out agenda to conclude the Doha Round. While their ascension to the “circle of power” has not completely shifted the balance of forces away from the agenda of the original quad—the United States, EU, Canada and Japan—it nevertheless represented an important counterweight that tempered the Quad’s agenda, in the process emboldening other developing country groupings to come out and argue in the name of the development agenda.

The key question raised by the emergence of BRICS countries as premier trading powers, though, is what kind of power does the BRICS represent? Is it a status quo power that endeavours to protect the system, or a revisionist power aimed at pushing for an alternative vision of trade and economic policy? Clearly the individual countries that make up the BRICS, and BRICS as a group, have pushed a reform agenda within the WTO. To what extent this reform agenda will transform the WTO into a more development-oriented institution remains to be seen. As Brazilian diplomat and former trade negotiator Braz Baracuhy pointed out:

This reform-oriented outlook can hardly be construed as an attempt to weaken the multilateral trade rules and structures. But what underlies this outlook is a new fact of international life in the process of reforming the trade regime—the tectonic shifts in the global balance of economic power from the bipolar economic world of the past, centred on the US-EU preponderance, into a much more complex multipolar economic world where the current trade regime established in the Uruguay Round is resting on the inertia of an economic power configuration that no longer exists. In the case of the WTO, the question is not whether the BRICS can accept the international trade regime, but rather whether established powers can accept an international trade regime based on rules that are no longer tailor-made to their interests and concerns; whether they can live with an effectively levelled playing field.

Another important question that repeatedly comes up is to what extent this emergence will solidify a South-South development agenda beyond rhetorical flourishes and token political statements.
As we have seen, while the economic rise of the BRICS group has indeed contributed to the increase in South-South trade and economic cooperation, the patterns of this increasing relationship with the rest of the South more or less follow the same trajectory of North-South relations. The expansion of trade—including South-South—is being built through global production networks dominated by economies like that of China, and to a lesser extent India, as key hubs in a fragmented production chain in which transnational corporations and FDI are a driving force.

In this sense, the initial steps taken by the BRICS on trade policy do not suggest any significant departure from a global trade model that has yielded great profits for a few major transnational companies, but witnessed a race to the bottom in term of wages, working conditions, and environmental protection.
Endnotes

1 If the only parameters were high and sustained growth, then the spotlight afforded to the so called BRICS should have been shared with the likes of Botswana, Indonesia, and Vietnam—countries that have also been able to sustain high growth over a period of more than two decades. One standard for high-growth developing countries is 7 per cent growth rates sustained over a period of 25 years. Using the standard, 13 developing countries would make the list. See Spence, M. (2012). The Next Convergence: The Future of Economic Growth in a Multispeed World. New York: Picador.


5 UNCTAD http://unctadstat.unctad.org/TableViewer/tableView.aspx

6 BRICS Report 2012.


9 EU DG Trade statistics.


20 http://www.g77.org/doc/

21 http://www.g77.org/doc/Decl1999.html


25 China’s membership was approved in 2001, while Russia accession was completed in 2011.


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37 http://www.wto.org/english/thewto_e/minist_e/min03_e/min03_14sept_e.htm
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The economic rise of China, India, Brazil and others has been met by most analysts in the North with a mixture of breathless excitement or fear. But what does the rise of these nations mean for local and international social movements committed to economic, social and environmental justice?

Does the emergence of a multipolar global order open up policy space for alternative economic visions and pose a necessary challenge to a US and Northern-dominated global order? Or might it instead reinvigorate capitalism and exploitation by a new constellation of corporate elites? How should social movements respond in a way that embraces needed changes to the post-colonial status quo yet supports communities struggles against the impacts of land grabbing, environmental destruction and rising inequality, this time perpetuated by emerging economy governments?

Transnational Institute’s (TNI) Shifting Power Working Paper Series seeks to help movements navigate our changing multipolar world as well as provide an invaluable source of alternative analysis for students, analysts and journalists.