

USHERING IN THE NEXT GOLDEN DECADE

E-commerce, services trade and investment cooperation to cement links between BRICS members By Zhou Xiaoyan

Wang Kexiang, a 65-year-old retiree living in Beijing, loves Brazilian pine nuts the most. "They are bigger and taste better than the domestic ones, but they are sold at an exorbitant price here," he complained. When he heard the news that there would be closer e-commerce cooperation between China and Brazil, he was pleased. "I am hoping I can buy more cheaper types in the future," he said.

Chinese Commerce Minister Zhong Shan promised the Chinese will soon see more food varieties from afar, following the e-commerce cooperation initiative adopted at a recent meeting of trade ministers from Brazil, Russia, India, China and South Africa (BRICS).

Strengthening e-commerce cooperation was one of the major consensus reached at the seventh meeting of the BRICS trade ministers in Shanghai on Aug. 1-2. The others included more cooperation on digital networks at ports, services trade, intellectual property rights, investment facilitation and opposing protectionism.

"The consensus cover every aspect of BRICS economic and trade ties," said Bai Ming, Deputy Director of the International Market Research Institute under the Chinese Academy of International Trade and Economic Cooperation in Beijing. "They are interconnected and support each other, opening the next decade of BRICS cooperation."

Over the past decade, the "gold bricks countries"—the literal Chinese translation of BRICS—have evolved from an investment concept to a model of cooperation between developing countries. Their share in global GDP has climbed from 12 to 23 percent, from 11 to 16 percent in global trade, and from 7 to 12 percent in global outbound investment. The bloc contributed more than 50 percent to global growth last year.

BRICS economies have created a new paradigm for mutually beneficial cooperation among emerging economies and developing countries since the group was created in 2006.

Zhong, who chaired the BRICS trade ministers' meeting in Shanghai, urged the members to work together to enhance intra-BRICS invest-

ment and improve the capacity of investment services amid an uncertain global economic recovery.

A virtual feast

As more and more consumers choose to make purchases by clicking buttons, e-commerce is mushrooming globally. In China, cross-border e-commerce imports reached 1.2 trillion yuan (\$179.3 billion) in 2016, up 33.3 percent from 2015, and the figure is expected to reach 1.85 trillion yuan (\$276.4 billion) this year, according to data from 100EC.cn, an e-commerce research institute.

"E-commerce offers small and medium-sized enterprises an opportunity to directly participate in global trade with more diverse customers and tailored products," Bai told *Beijing Review*. "Presently, China's cross-border e-commerce platforms are growing by building warehouses and collecting and distributing centers in foreign countries. But that's far from enough in terms of BRICS e-commerce cooperation. Domestic cross-border e-commerce networks should be linked with those in the other BRICS nations to create a larger network."

"BRICS ministers all think strengthening cooperation in e-commerce will help boost trade, promote industrial upgrading, create jobs and help small and medium-sized companies integrate into the global value chain," Zhong said at a press conference following the meeting. "Therefore, we decided to establish the BRICS e-commerce work group to start comprehensive cooperation and strengthen pragmatic cooperation in policy sharing and capacity building. It's expected that e-commerce will become the new momentum for BRICS trade and economic cooperation."

Promoting services trade

A services trade cooperation roadmap was adopted at the trade ministers' meeting to boost economic complementarities and diversification. With the trade in services becoming a new driver for global economic and trade growth, the ministers decided to

intensify cooperation on information exchange, capacity building and coordination within BRICS to make services trade a new highlight of BRICS trade growth.

Although the group's combined GDP accounts for nearly one-fourth of the global total, its export of services was only 11.3 percent of the world total in 2015, according to data from the World Trade Organization (WTO). Zhang Shaogang, Director General of the Department of International Trade and Economic Affairs at China's Ministry of Commerce, said services trade covers a wide range of sectors, and BRICS countries are demanding cooperation in every one of those sectors.

"As the first step in implementing the roadmap, we will carry out cooperation in the prioritized areas," Zhang said at the press conference on Aug. 1. "The first prioritized area would be tourism, with Russia being a hotspot travel destination for Chinese and tourist visits to India, South Africa and Brazil gaining more popularity."

Other prioritized areas include healthcare, computer and related services, research and development, business services, construction services, distribution and education, Zhang added.

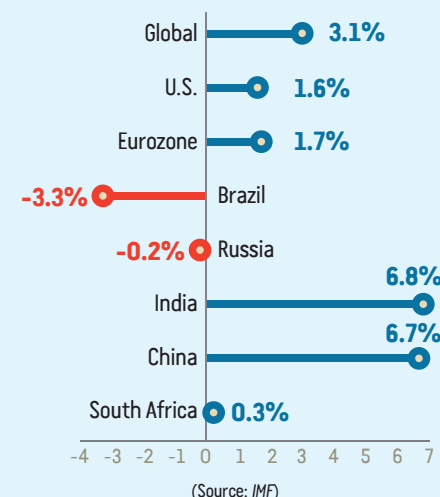
As the first achievement of the trade ministers' meeting, China and Brazil signed a two-year action plan on services trade on Aug. 1, pledging to bolster collaboration. It would include project consultation, project construction, information technology, automation of banking services, travel, culture and traditional Chinese medicine.

Facilitating investment

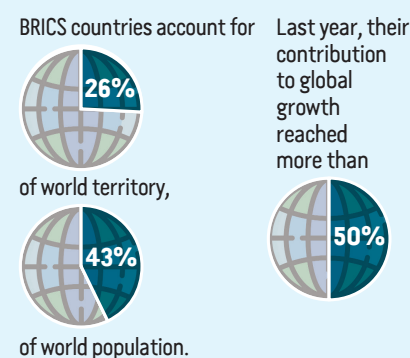
The BRICS trade ministers think investment is a key engine for global economic growth and job creation. In 2016, outbound direct investment from BRICS countries totaled \$197 billion, but intra-BRICS investment accounted for only a meager 6 percent of the total.

In light of this, the trade ministers have adopted an investment facilitation outline. Zhong called it another major achievement in global

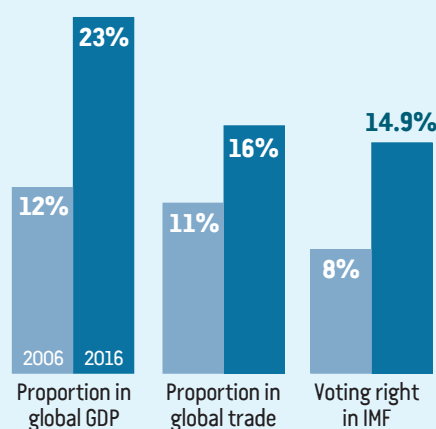
GDP Growth Rates in 2016



BRICS Overview



The Rise of BRICS



Designed by Pamela Tobey

investment policies and the first special document for global trade facilitation after the G20 Summit in Hangzhou in 2016 adopted the G20 guiding principles for global investment policymaking.

The outline covers three areas: increasing transparency of laws, regulations and policies; improving investment-related administrative efficiency in BRICS countries by informing investors of approval results in a more timely manner; and enhancing the intra-BRICS investment cooperation level by establishing public-private dialogue mechanisms.

Bai said intra-BRICS investment is limited because BRICS countries are at similar development stages. Cross-border investment requires the investment destination to be at a different level.

"Instead of using preferential policies to lure investment, BRICS countries should seek closer industrial distribution based on each other's industrial chains," Bai suggested.

Lack of investment in infrastructure and sustainable development projects is a thorny issue for BRICS countries as these require large inputs and a long time to recoup the investment.

To solve this problem as well as to stimulate investment cooperation, BRICS members launched the New Development Bank (NDB) in Shanghai in July 2015 to provide financial support to the infrastructure construction for BRICS and other developing countries. It was not created to challenge the global financial order but to supplement the existing multilateral development bodies like the World Bank and the IMF.

With an initial authorized capital of \$100 billion, NDB's initial subscribed capital of \$50 billion comes from equal contributions by the five founding members, each of whom has a 20 percent voting right.

In 2016, NDB provided \$1.5 billion in loans for seven projects, mostly in green energy and infrastructure. For 2017-18, it has 23 projects with a total lending amount of \$6 billion. Among them, five, totaling \$1.7 billion, are in China. Of the rest, six are in India, seven in Brazil, two in Russia, and three in South Africa.

NDB sold its first yuan-denominated bonds worth 3 billion yuan (\$437 million) in China in July 2016 to fund clean energy projects. It plans to issue bonds denominated in rupees, India's currency, this year, and will also look for similar opportunities in Brazil and Russia.

Opening the next chapter

At the Shanghai meeting, the BRICS trade ministers agreed to unite against protectionism and do all they can to ensure the survival of the multilateral trade system.

Zhong holds that safeguarding the multilateral

trade system and combating protectionism serves the interests of emerging and developing economies.

At the Seventh BRICS Summit in 2015, Chinese President Xi Jinping compared the BRICS countries to the five fingers of the hand: "Individually, some are short and some long, but together they form a powerful fist."

Bai agrees with the view, saying stronger BRICS cooperation can be a strong bulwark against the global rise in trade protectionism. He also thinks closer ties will help raise BRICS member nations' voice in the global economy and global governance.

"In the next 10 years, BRICS cooperation should aim at continuing to draw on each other's strengths and complement each other's weaknesses. It is something they have been doing in the past decade of cooperation, and they should do more in this regard. They should also create new platforms and their own industrial chain to forge common interests," Bai suggested, adding the five should raise a collective voice in economic globalization and global governance on behalf of developing countries.

China is playing a leading role in BRICS cooperation. "China promoted the establishment of a contingency reserve arrangement for BRICS and contributed \$41 billion of the total \$100 billion to help the group cope with possible short-term liquidity pressure," said Wang Lei, Director of the BRICS Cooperation Center at the Beijing Normal University. "Moreover, to help the other BRICS countries cope with financial volatility and increase the bloc's financial security, China is pushing forward bilateral currency swap arrangements within BRICS."

At the opening ceremony of the BRICS foreign ministers' meeting in Beijing on June 19, Chinese Foreign Minister Wang Yi said the BRICS cooperation mechanism has grown into a big tree that's full of vigor.

The foreign minister also said a "BRICS plus" model would be explored by holding dialogues with other major developing countries or groups of developing countries to establish a more extensive partnership and turn BRICS into the most influential platform for South-South cooperation.

With the theme "BRICS: stronger partnership for a brighter future," the Ninth BRICS Summit will be held in China's Xiamen in September. The bloc's role in strengthening global governance, addressing setbacks in globalization and promoting people-to-people exchanges will be the issues of greatest concern.

The summit is expected to usher in the next golden decade for the BRICS. ■

