

Trade and Investments within BRICS

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Outline

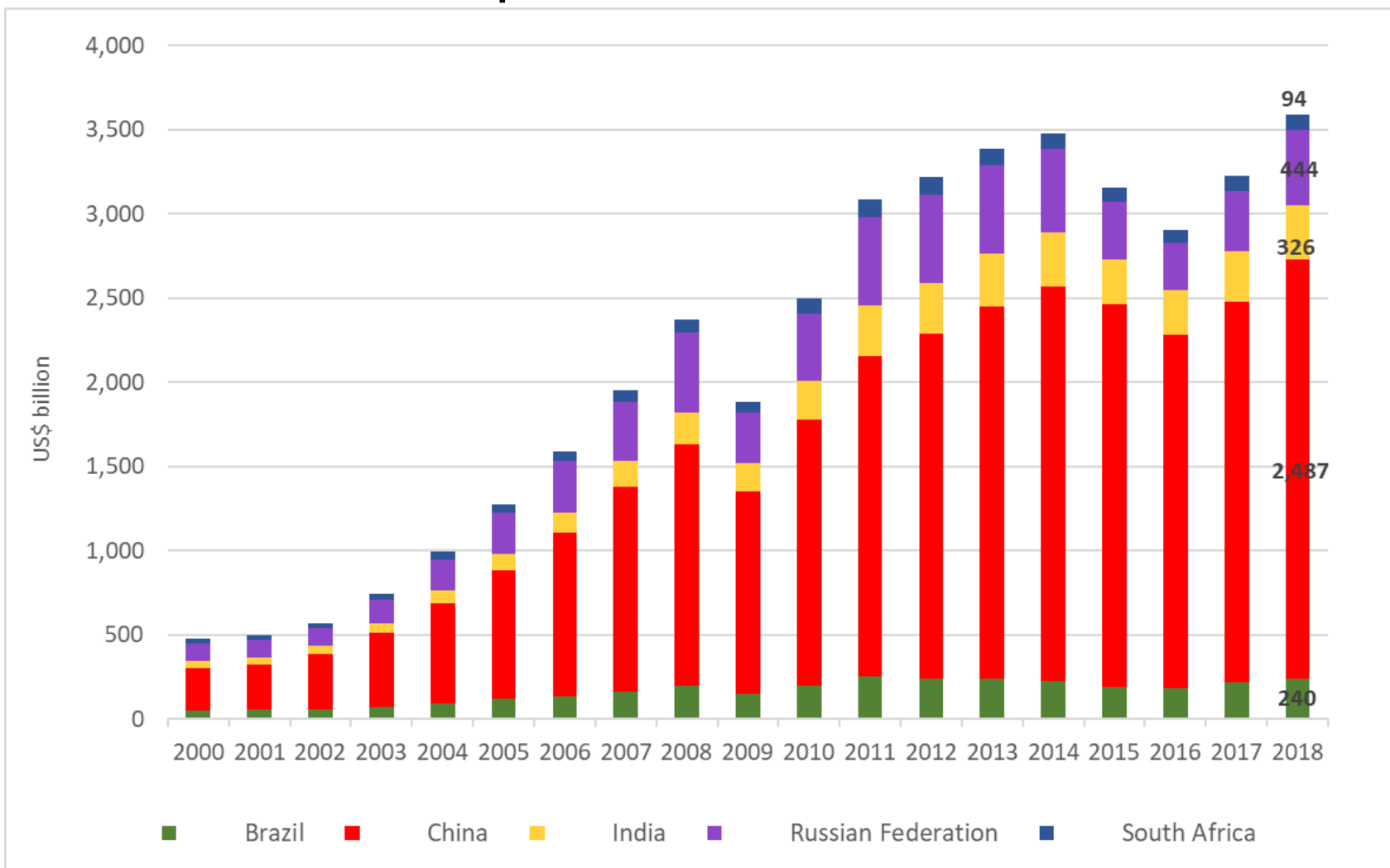
- Some conceptual aspects
- Overview of BRICS in world Trade
- Trade within BRICS
- Investments within BRICS

Some Conceptual Issues

Insertion of countries in international trade and its pattern of specialization can be assessed according to different criteria.

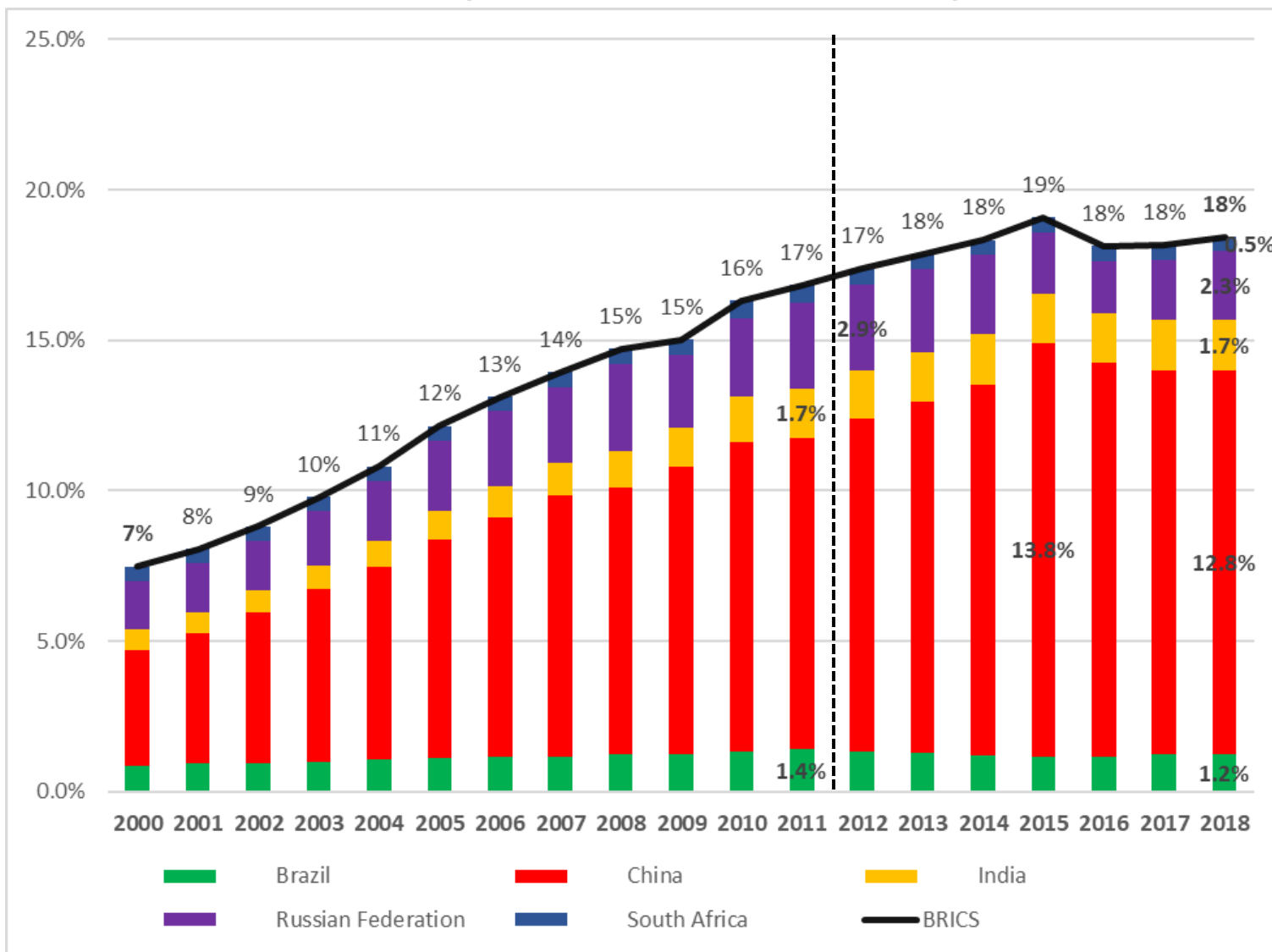
- **Allocative efficiency.** Traditional view, where countries' specialization in international trade must be analyzed according to relative costs
- **Dynamic efficiency:** Evaluated not only in terms of relative costs at a given moment in time, but from the long-term impacts of the pattern of specialization. Products and sectors are not equal in terms of development impacts.
 - **Kaldorian view.** Specialization should be directed towards products and sectors with high demand income-elasticity
 - **Schumpeterian view.** Specialization must be assessed by the ability of products and sectors to spread technical progress and incorporate innovations, fostering long-term productivity growth

BRICS Exports – In US\$ billion



Source: UnctadStats

BRICS Exports – In % of World Exports

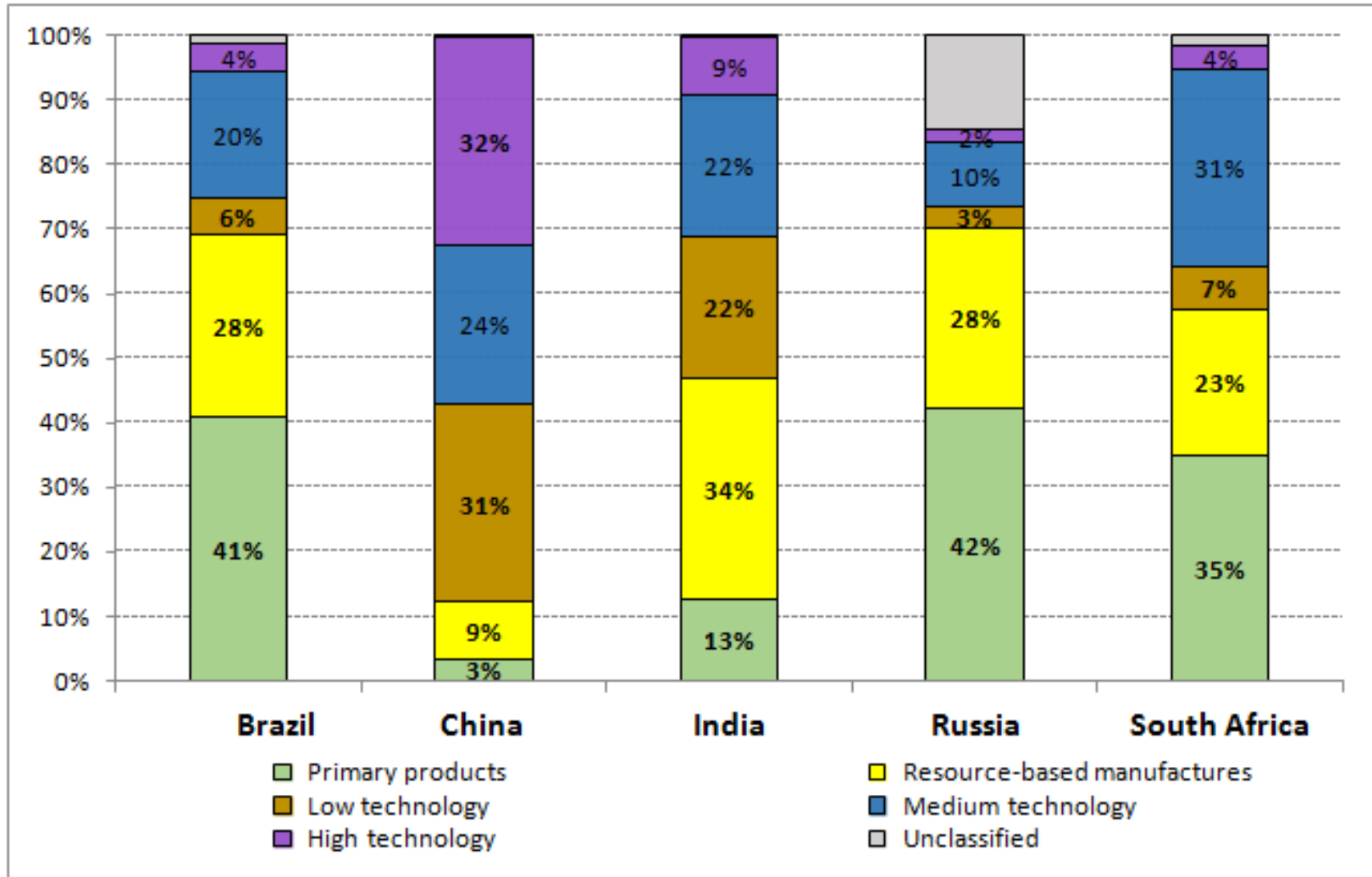


Source: UnctadStats

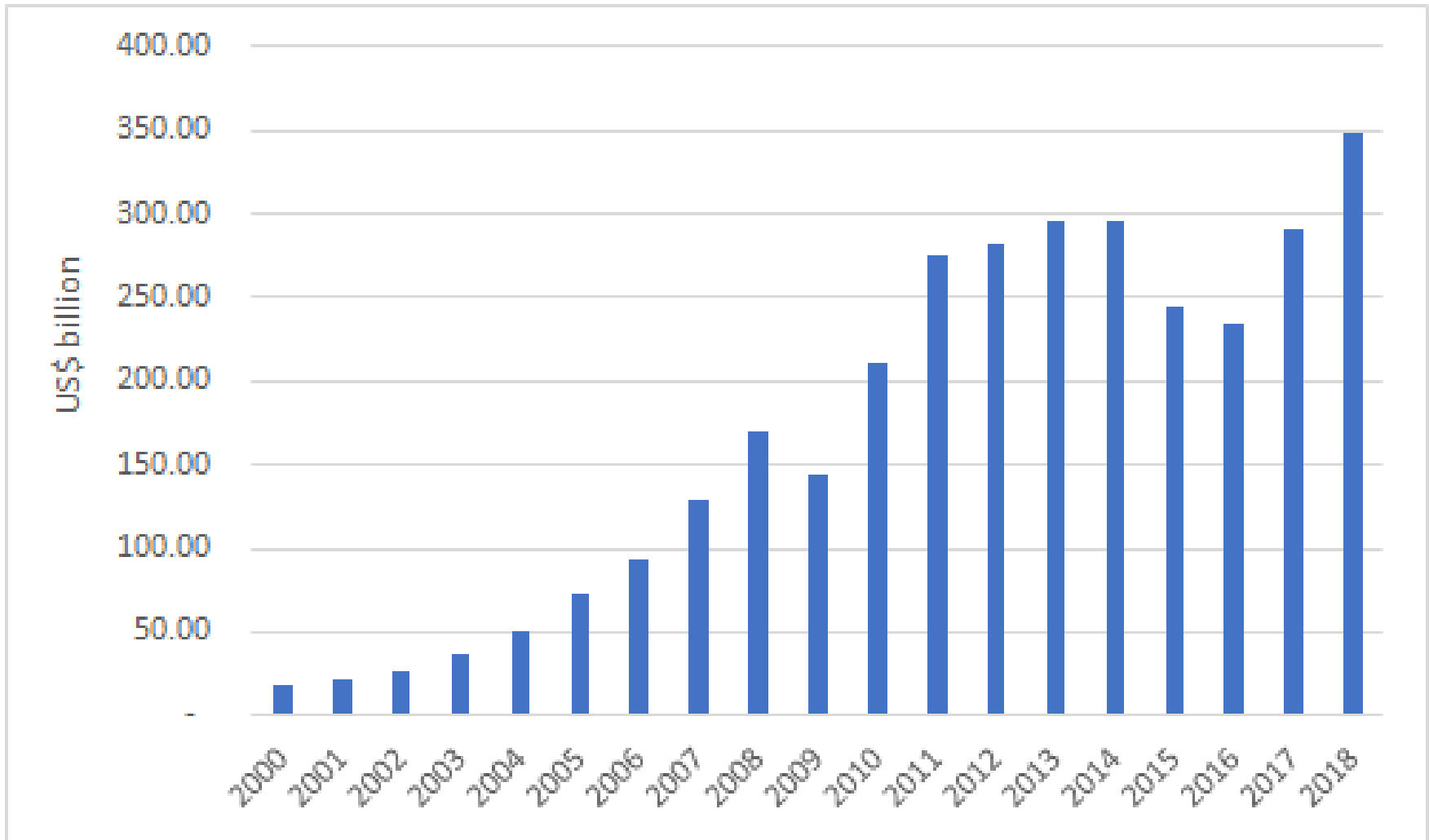
BRICS Share in World Exports

		2000	2006	2011	2015	2018
Brazil	Manufactured goods	0.7%	0.8%	0.7%	0.6%	0.6%
	Primary products	1.3%	1.7%	2.3%	3.0%	3.3%
China	Manufactured goods	4.7%	10.7%	15.3%	18.7%	17.4%
	Primary products	2.1%	2.0%	1.8%	2.8%	2.8%
India	Manufactured goods	0.6%	0.8%	1.3%	1.4%	1.5%
	Primary products	0.7%	0.7%	1.0%	1.5%	1.4%
South Africa	Manufactured goods	0.3%	0.3%	0.4%	0.3%	0.3%
	Primary products	0.5%	0.8%	0.8%	0.8%	1.1%
Russia	Manufactured goods	0.5%	0.6%	0.6%	0.6%	0.6%
	Primary products	5.6%	8.1%	7.9%	7.2%	6.5%

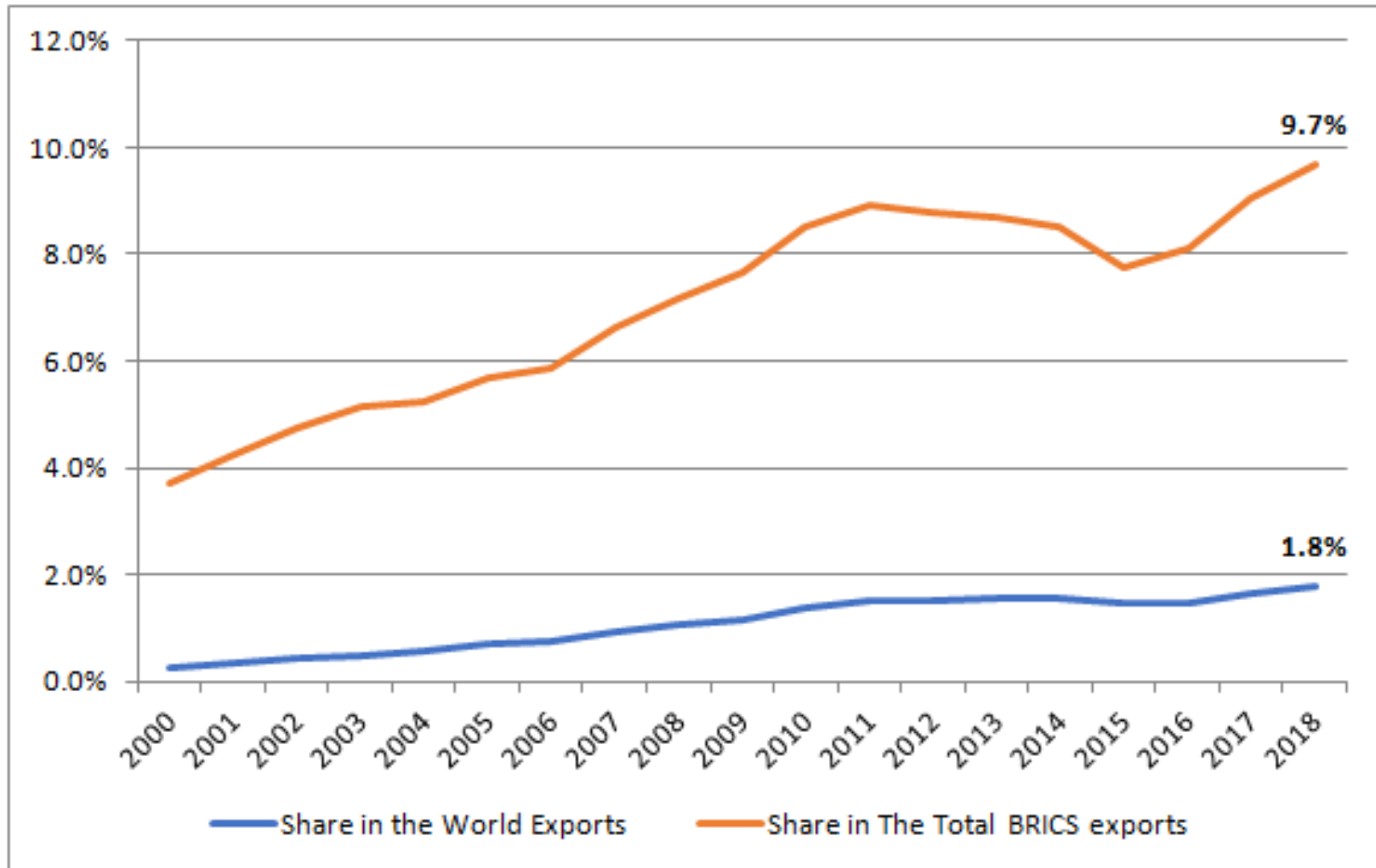
BRICS Exports Composition – 2018 – Lal Classification



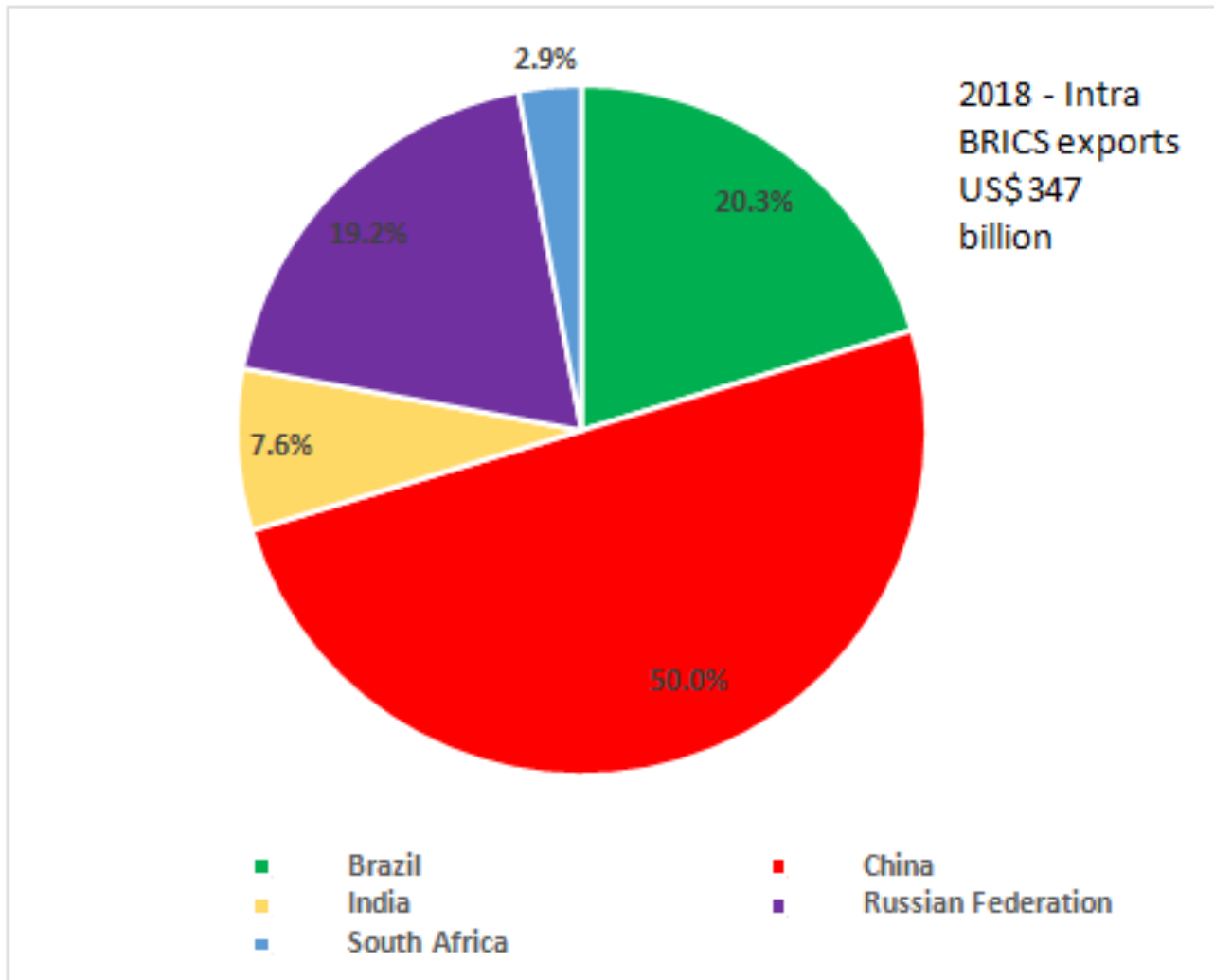
Intra-Brics Total Trade – US\$ billion



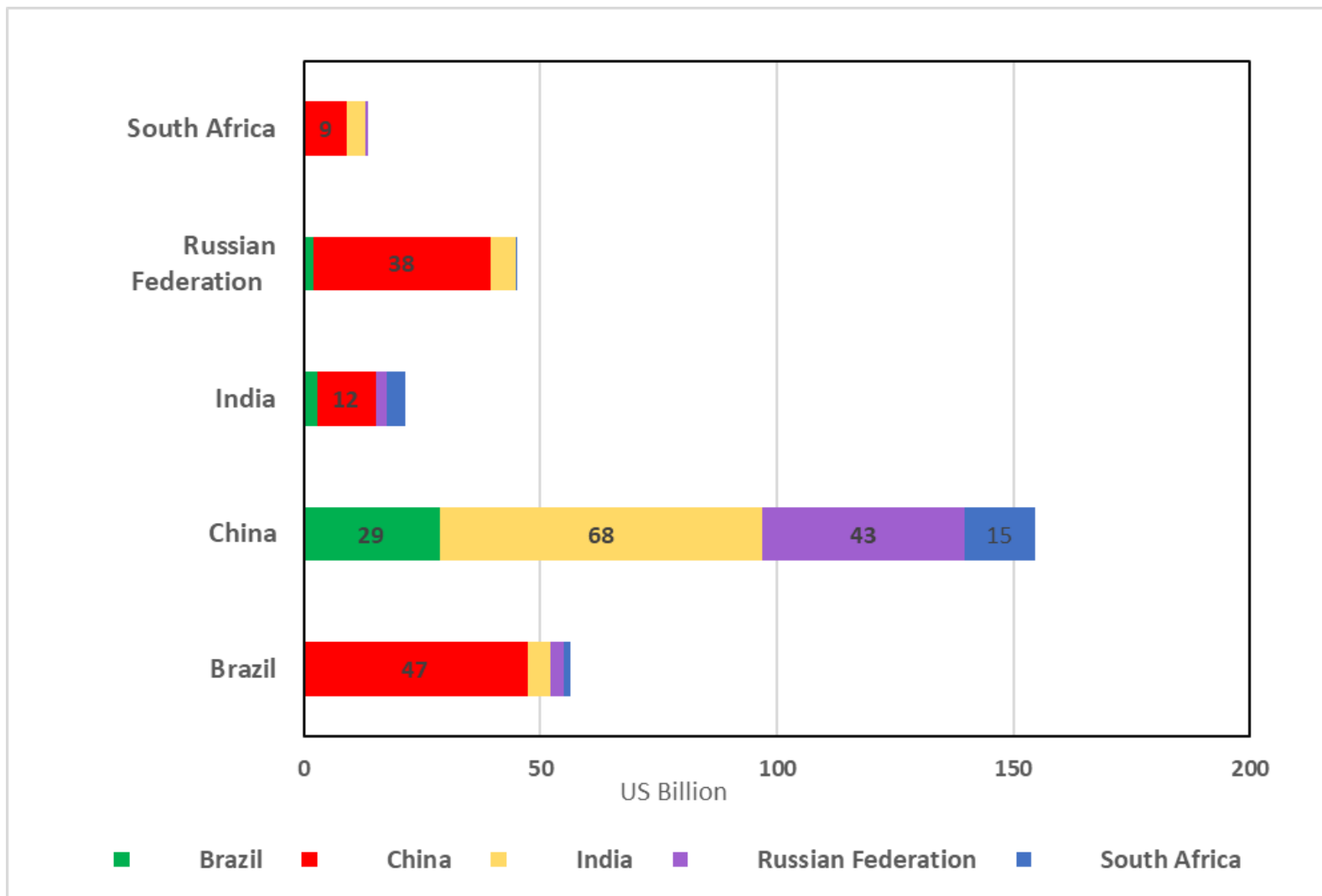
Intra-BRICS exports



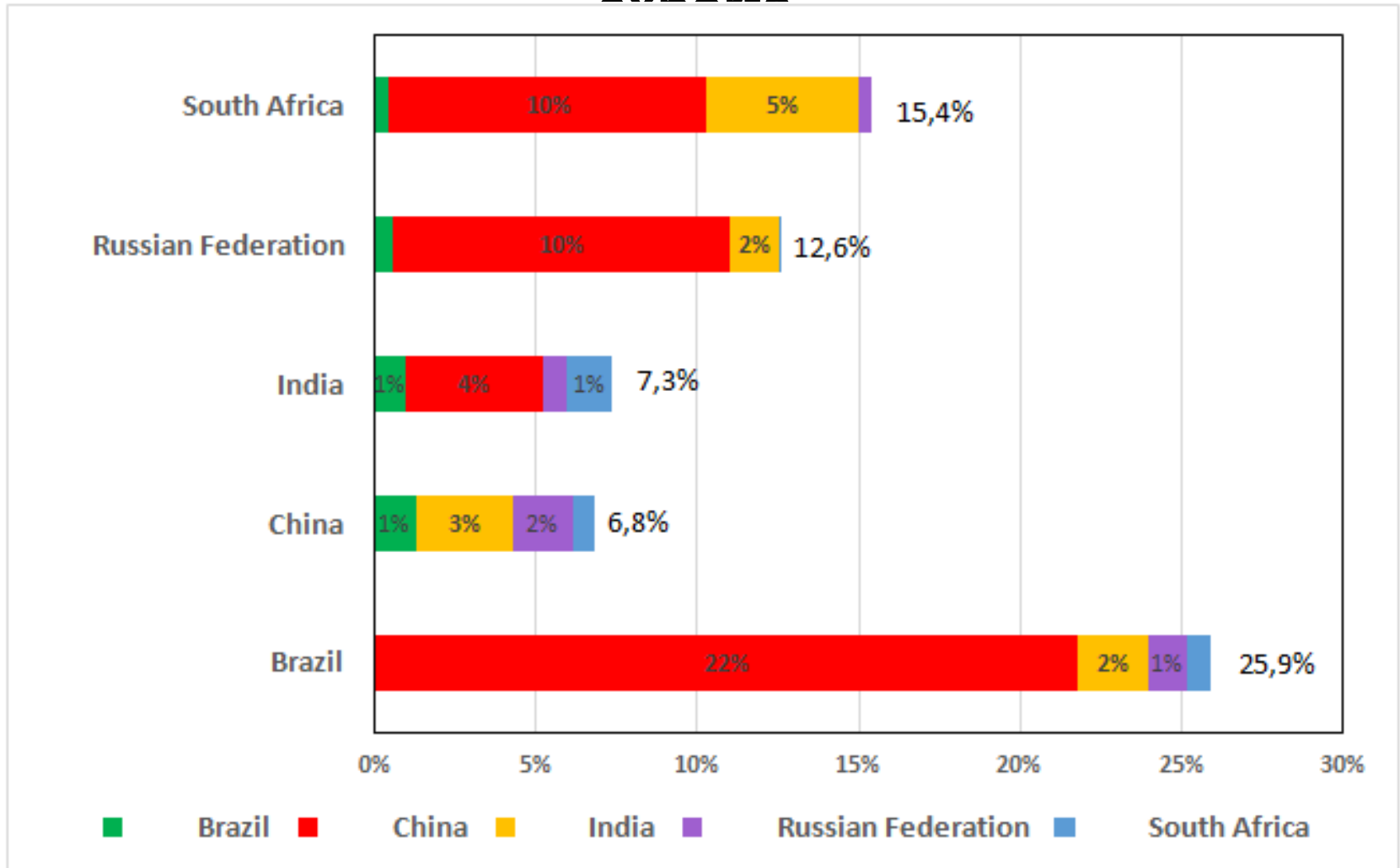
Intra-BRICS Exports - 2018



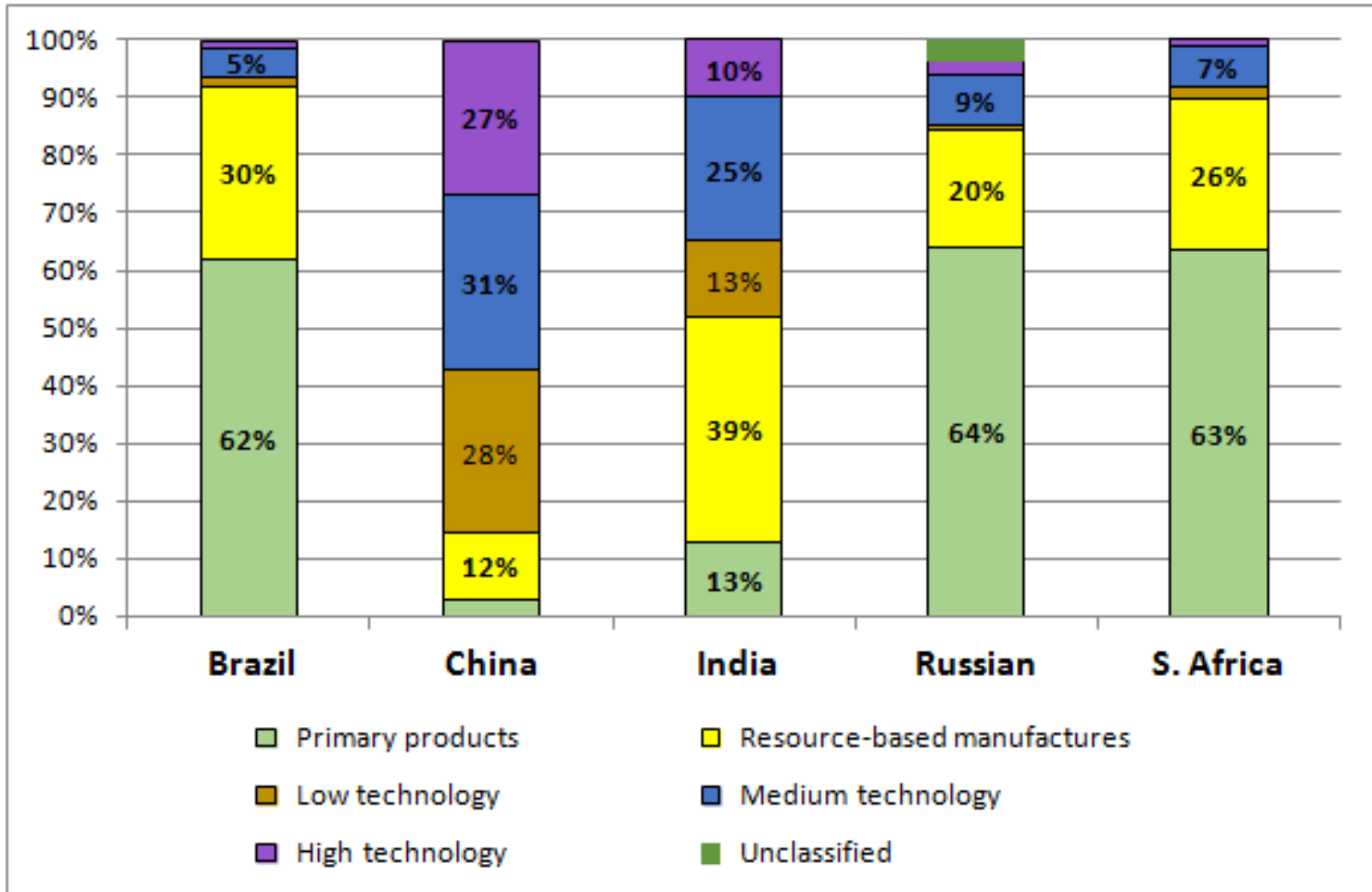
Intra Brics Exports, 2018 – In US\$ billion



Intra Brics Exports, 2018 – In % of country total exports



Intra- BRICS Exports Composition – 2018 – Lall Classification



Intra BRICS Exports Composition. 2017. In US\$ billion

ECONOMY	PARTNER PRODUCT	Brazil	China	India	Russia	S Africa	BRICS
Brazil	Total		47.5	4.7	2.7	1.5	56.4
	Primary commodities		44.6	3.7	2.3	0.8	51.4
	Manufactured goods		2.9	0.7	0.4	0.7	4.8
China	Total	29.0		68.0	42.8	14.8	154.6
	Primary commodities	1.1		2.6	2.5	0.8	6.9
	Manufactured goods	27.9		65.4	40.2	14.0	147.5
India	Total	2.9	12.5		2.1	4.1	21.6
	Primary commodities	0.2	6.1		0.6	1.3	8.2
	Manufactured goods	2.7	6.1		1.5	2.7	13.1
Russia	Total	2.0	37.5	5.4		0.2	45.2
	Primary commodities	0.4	32.9	2.3		0.1	35.7
	Manufactured goods	1.6	4.5	2.5		0.1	8.6
SouthAfrica	Total	0.4	8.7	4.1	0.4		13.6
	Primary commodities	0.2	7.5	3.6	0.3		11.5
	Manufactured goods	0.2	1.2	0.5	0.1		2.0

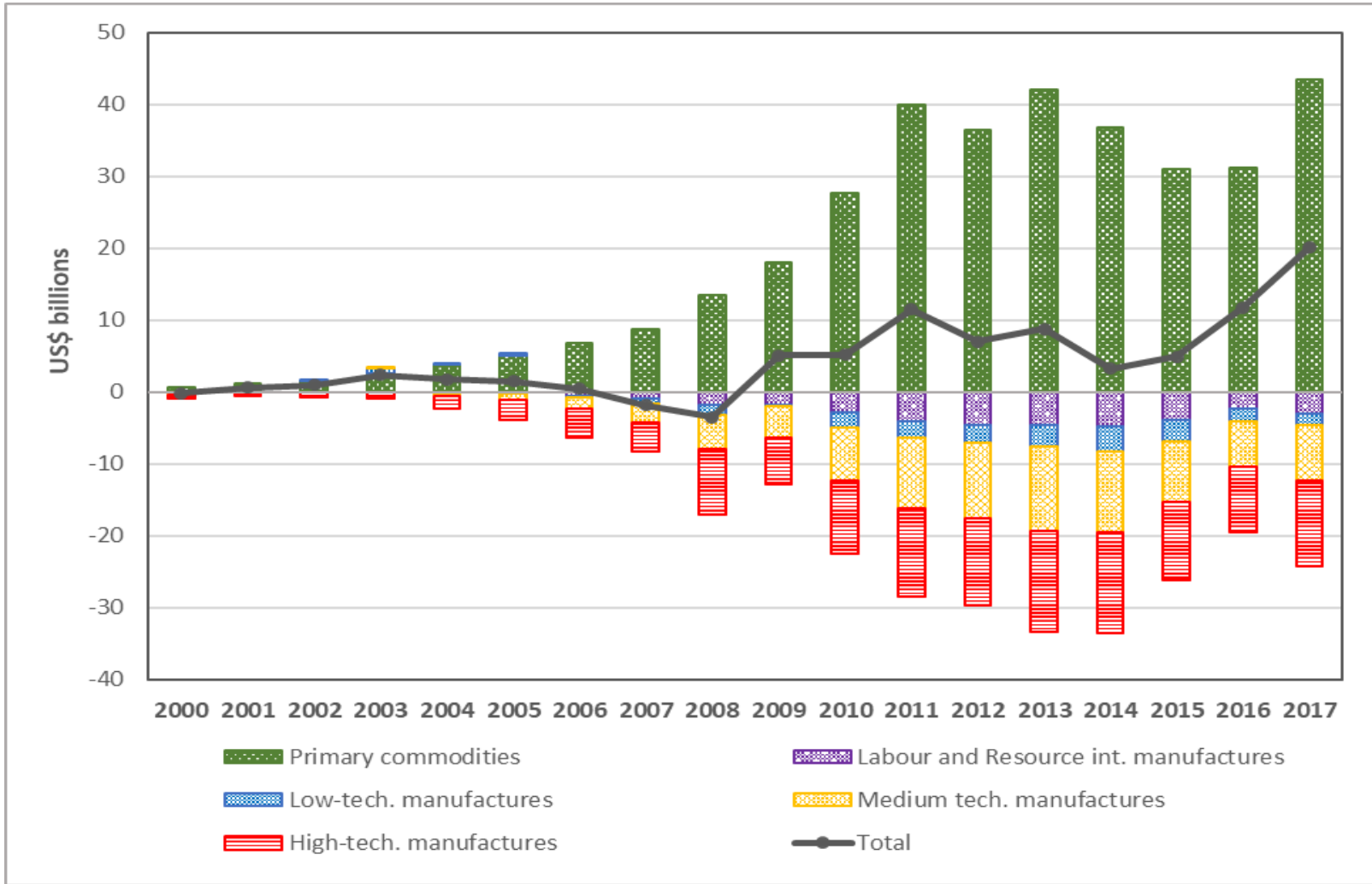
Intra BRICS Exports Composition. 2017. In % of the Partner

ECONOMY	PARTNER PRODUCT	Brazil	China	India	Russia	S. Africa
Brazil	Primary commodities		94%	80%	84%	51%
	Manufactured goods		6%	15%	16%	49%
China	Primary commodities	4%		4%	6%	5%
	Manufactured goods	96%		96%	94%	95%
India	Primary commodities	7%	49%		27%	31%
	Manufactured goods	93%	49%		72%	68%
Russia	Primary commodities	21%	88%	42%		66%
	Manufactured goods	79%	12%	45%		34%
SouthAfrica	Primary commodities	44%	86%	86%	82%	
	Manufactured goods	55%	14%	13%	18%	

Trade Balance with China. 2017. US\$ billion

Brazil	Total	20.2
	Primary commodities	43.5
	Manufactured goods	(23.3)
India	Total	(60.9)
	Primary commodities	3.2
	Manufactured goods	(63.8)
Russia	Total	(9.2)
	Primary commodities	30.3
	Manufactured goods	(39.6)
South Africa	Total	(6.6)
	Primary commodities	6.6
	Manufactured goods	(12.9)

Brazil and China. Trade Balance by product group, classified by technological intensity. 2000 to 2017. In US \$ billion



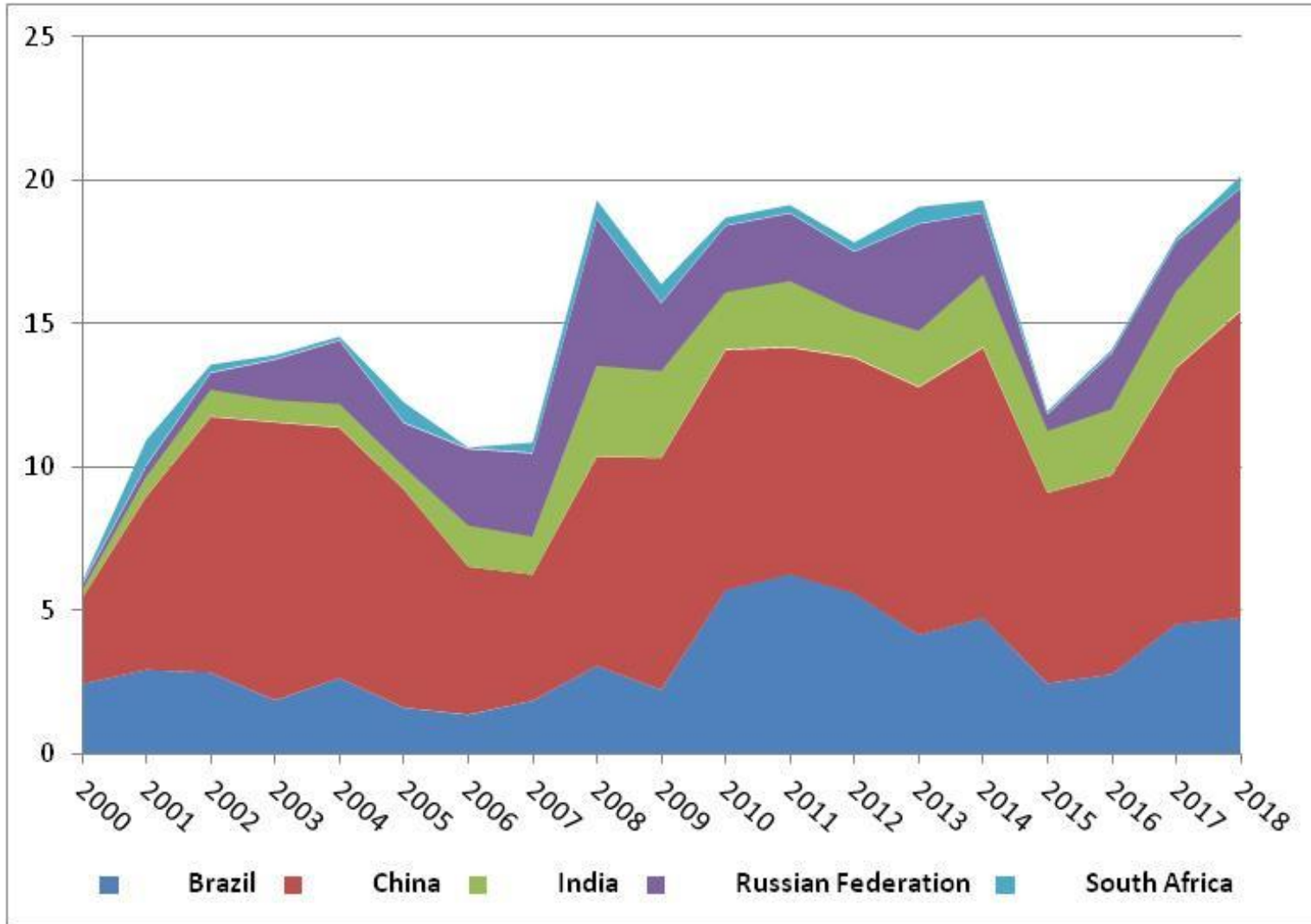
Source: Unctad

- Intra-BRIC trade grew more than the world average, and gained space in the total trade of member countries, mainly between 2000 and 2011.
- After 2011 the Intra-BRICS trade growth has been slower
- In addition to the challenge of resuming trade growth, the trade profile between countries should be less asymmetrical
- Changes in trade composition, with more intra-industrial trade would be important to consolidate relations between countries.
- FDI flows also have a capacity to foster integration and trade flows between countries

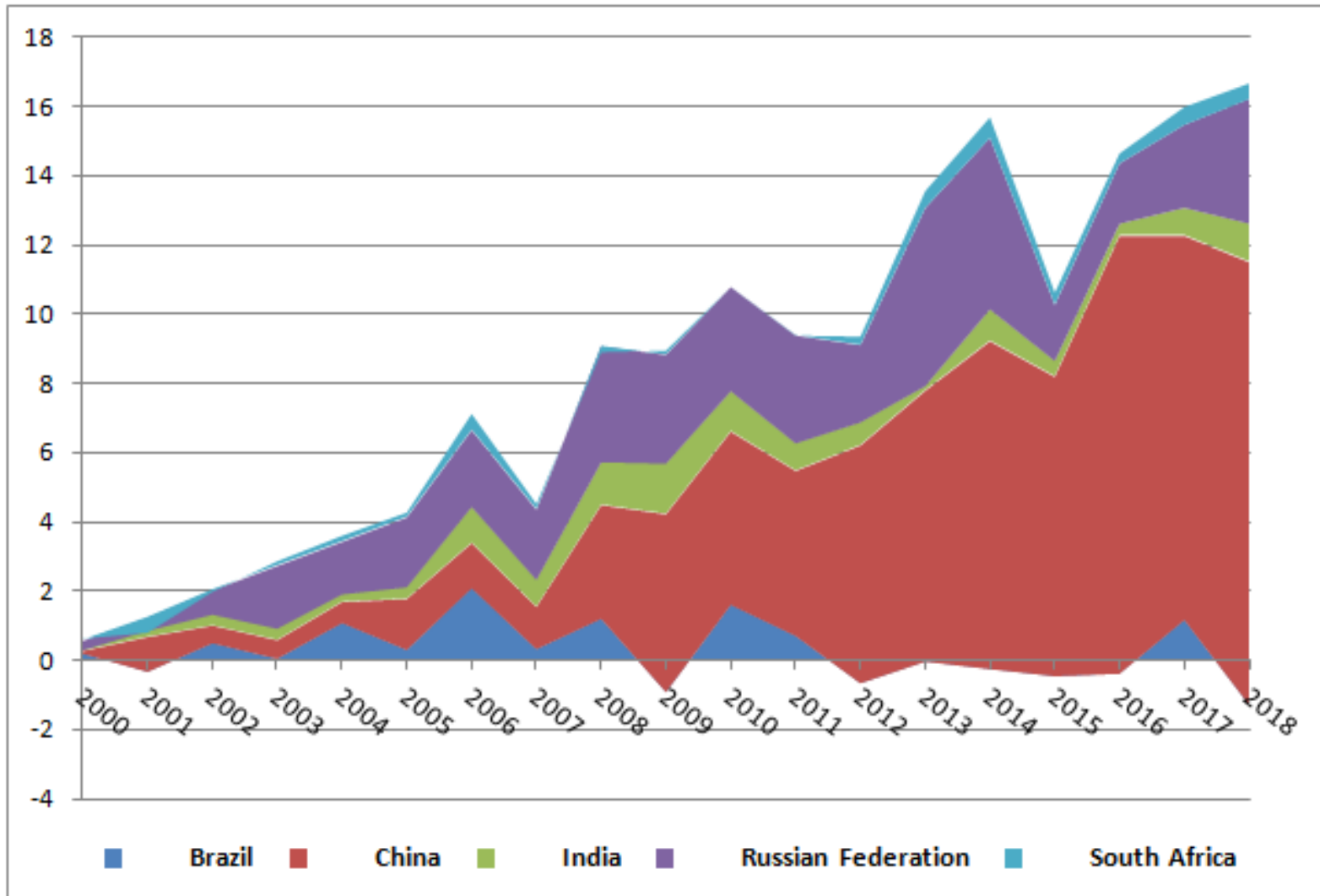
FDI Flows

- It involves a longer-term commitment and requires closer ties with the business environment and partner countries' culture.
- Can contribute to capital formation and job creation
- Depending on the sectors, technology transfer can also be stimulated.

BRICS FDI Inflows – 2000-2018. % do World



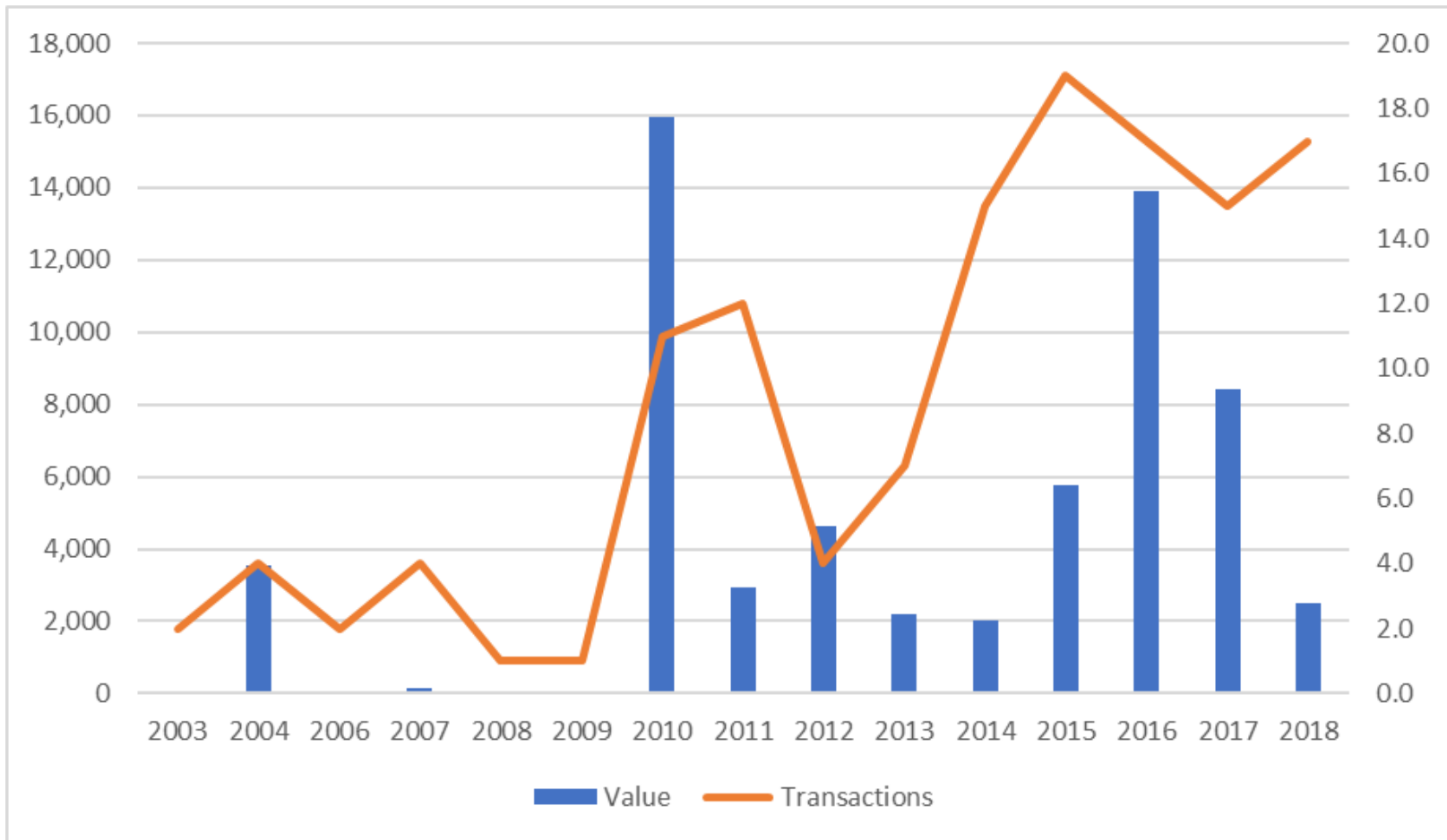
BRICS FDI Outflows – 2000-2018. % do World



Intra BRICS FDI Stock – 2012. In US\$ million

Outward	Total	Brics	Brics/ Total
Brasil	266.252	364	0,1%
China	531.941	12.282	2,3%
India	79.857	2.384	3,0%
Russia	406.295	1.524	0,4%
South Africa	111.780	24.639	22,0%
Total BRICS	1.396.125	41.193	3,0%

Chinese investments announced in Brazil. US\$ mm and number of transactions

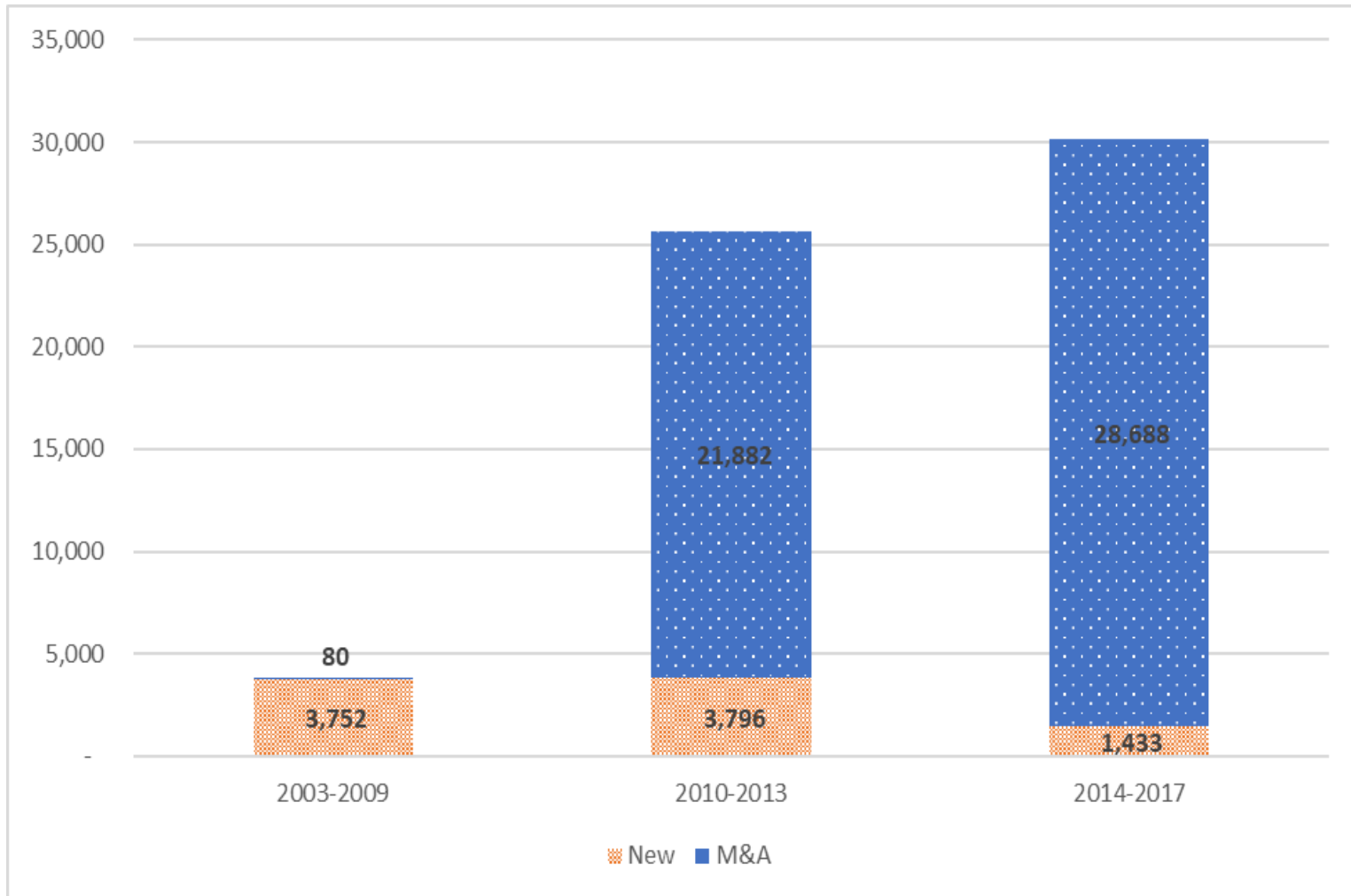


Source: OFDI Monitor of China in Latin America/LAC-China Network

Chinese investments announced in Brazil

Sector	Value (US\$ million)		
	2003-2009	2010-2013	2014-2017
Agriculture	0.0	59.5	400.0
Mining	3,960.0	21,630.0	9,564.0
Manufacturing	166.0	2,593.8	1,330.4
Infrastructure	257.7	3,318.4	16,728.0
Electricity and Water	0.0	3,087.4	14,754.0
Telecommunication	18.7	1.0	0.0
Construction	239.0	0.0	0.0
Transport / Storage	0.0	230.0	1,974.0
Financial Services	85.0	1,904.0	842.5
Trade	0.0	120.0	218.7
Other services	0.0	2.8	453.5
Total	4,468.7	29,628.5	29,537.1

Brazil: Chinese investments by type of transaction. In US\$ million



Final Remarks

- There are important spaces for deepening economic relations between the BRICS countries.
- Regarding trade flows, resuming growth among member countries, while stimulating intra-industrial trade could help in facing a challenging global scenario.
- Investments between BRICS countries are still relatively small and can increase in the future.
- The Chinese international expansion can be an important vector, especially because it is accompanied by the international expansion of Chinese banks. The regional banks (e.g. New Development Bank – NDB and Asian Infrastructure Investment Bank – AIIB) that could also stimulate investment projects.
- Special attention should be given to sector profile and type of investment (M&A X Greenfield) to assess impacts on recipient countries.