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SPECIAL

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EURO-BRICS

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CONTENT

Edito Euro-BRICS Partnership : The path to the world after the crisis (p.3) –
Institutions Results of the fourth BRICS summit and the outlook for cooperation between the BRICS and the European Union (p.5) – **Frame of Reference** Extract from the conclusions of the Euro-BRICS Process founding seminar (p.7) –
Strategic Partnership Prospects of a EuroBRICS strategic cooperation: a view from Brazil (p.9) – **Geopolitics** Russia and Brazil in the BRICS group - future ambitions (p.12) –
Economy The Role of Euro-BRICS cooperation (p.14) – **Trade** BRICS cooperation serving trade policy formation and the priorities of BRICS and Euro-BRICS cooperation (p.20) –
Monetary System China's Policymakers One Inch Closer to Opening Capital Account (p.22) –
Education Prospects for collaboration in the knowledge economy field (p.25) –
REPORT : Aerospace The European path to space is via China and Russia (p.27) –
Aerospace Euro-BRICS and sovereign technologies: Space (p.29) – **Aerospace** Europe, BRICS and Space: A contribution to the debate on Euro-BRICS cooperation in space activities (p.31)

Euro-BRICS Partnership : The path to the world after the crisis

by Franck Biancheri (translation: Ian Shaw)

Director, LEAP/E2020



With this special MAP issue devoted to future Euro-BRICS co-operation, LEAP/E2020 continues its exploration of the path which leads to the world after the crisis. In this case, with the Euro-BRICS partnership it's a question of anticipating the processes which will make it possible to build twenty first century governance and allow a peaceful rebalancing of relations between the planet's key powers.

If we have chosen to publish this number right after the French presidential election, it's not by chance. Indeed, Nicolas Sarkozy's defeat marks the end of France's Americanist interlude which led the country to completely align itself with the geopolitical positions of the Washington/London/Tel Aviv axis for the last 5 years. François Hollande's victory, on the contrary, marks not only the return to a Gaullist-Mitterand geopolitical vision (a vision of an independent Europe, but also the assertion of the necessity, even the urgency, for exploring new relations with the BRICS.

As one can see in this MAP number, Euro-BRICS co-operation is already well advanced in many fields (science, technology, economy...) but it is still missing a clear politico-diplomatic frame of reference which alone will enable this relationship to have a constructive impact on the world's progress. Germany already opened up the way in 2011 at the UN Security Council in connection with Libyan military intervention, with China, Russia and Brazil abstaining. But, because of the Americanist positions taken by France, nothing structural could emerge on the issue of furthering Euroland and the BRICS' common interests. However, from the world economic and financial crisis to the Euroland sovereign debt crisis via Western military adventures' obvious dead end, the areas of convergence between Europeans on the one hand, and Russians, Chinese, Indians, Brazilians and South Africans on the other, are numerous. And the change of power in France will justly allow Euroland, or at least a core of pioneer countries around the Franco-German pair, to lay down the bases of a true Euro-BRICS strategic partnership by 2013.

Of course, as in any partnership, there are also many areas of friction and disagreements exist. But it's precisely for this reason that such a dialogue is necessary. If a Euro-BRICS politico-diplomatic frame of reference existed, tensions over the European carbon tax on non-European airline companies would not have poisoned relations for months between Brussels on the one hand, and Beijing, Moscow, New Delhi on the other. Indeed, a "facilitator" would have been nominated at European level a long time ago to find common ground between the various partners, in particular at International Civil Aviation Organization (ICAO) level, instead of letting the European Commission force the EU into an intolerable position in the long term. The facilitator would thus be able to circumvent the ideological attitude of the Commissioner in charge of the case, Connie Hedegaard , and avoid the rising strength of a confrontation which can only do a disservice to co-operation between Europe and the BRICS.

Beyond this example, and those of numerous Euro-BRICS bilateral cooperation, it's certainly within the G20 that the role of such a partnership will make itself felt from 2013. On the questions of the reform of the international monetary system and in particular the world's reserve currency, just as over the problems of control of the major private financial players, Euroland and the BRICS have strongly convergent strategic interests. And together, they constitute the bulk of the G20. Therefore, it's from them and them alone that a vision of the world after the crisis can come to the fore; and the force to carry it out. Because as LEAP/E2020 has emphasized from 2009 and the London G20 summit, without a questioning of the US Dollar's role and strict control of the major private financial institutions, there will be no possible exit from the crisis.

However, in this month of May 2012, for the first time since the beginning of the world crisis, conditions appear to us to have now come together to be able to move quickly forward as regards Euro-BRICS strategic co-operation and thus to improve the chances of overcoming the current crisis.

Along with all the MAP team we hope, therefore, that this special MAP issue will help to give you an idea of the path to take in the coming years; and offer you a clearer vision of the major geopolitical changes that the next few years will bring compared to the world we have known since 1945.

One last point, this special MAP Euro-BRICS issue will be available not only in French, English, German and Spanish as usual; but also in Portuguese, Russian and Chinese.

1. About this topic, I would like to stress that the same Connie Hedegaard, Danish Minister for Environment at this time, had to leave the Presidency of the Copenhagen Environment Summit in December 2009, because of a general revolt against the way she dealt with the negotiations. A "detail" that shouldn't be forgotten by the Europeans now that they are discussing with the BRICS about this carbon tax.

Source : [Guardian](#), 16.12.09

INSTITUTIONS

Results of the fourth BRICS summit

and the outlook for cooperation between the BRICS and the European Union

by Prof. Valery Vorobiev (translation: Ian Shaw)
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The fourth BRICS summit drew to a close on Thursday the 29th March 2012 in New Delhi. In their six years of existence, the BRICS have become a factor of global importance. Made up of the largest emerging powers of the four corners of the globe, they account for 43% of the world's population and 25% of its GDP.

Traditionally, the BRICS countries focus on financial and economic matters. They are in favour of an in-depth reform of the world's economic architecture in order to put it in step with the world economy's new realities where we have seen the simultaneous appearance and development of several new centres of

influence. The global financial and economic crisis has shown that the structure of the world's financial and economic system was a factor on which not only international economic security depended, but also international safety in the widest sense of the term. The BRICS leaders expressed the intention to work together with the world community in order to ensure macroeconomic stability, to reinforce policy coordination and to develop co-operation in terms of financial regulation and monitoring. They are hoping for an improvement in the mechanism for regulating commodity market derivatives which is a key factor making it possible to avoid the destabilization of the food and energy supply system. Amongst other summit results the idea of creating a Development Bank must be mentioned, to which other emerging economies will be able to belong in the future. With its creation, member countries will be able to use national currencies for their trade and joint project financing, thus seeing their position reinforced.

Beyond the strict framework of economic activities, the BRICS are increasing, from one summit to the next, the fields of co-operation which today include coordination as regards foreign policy initiatives. The New Delhi summit reaffirmed the BRICS commitment to finding a peaceful solution to the conflict in Syria and the Iranian nuclear question. The participants discussed their co-operation in spheres as varied as the study and use of raw materials, energy policy, food safety, youth policy and demographic questions.

RUSSIA WILL BE ABLE TO BECOME A KIND OF BRIDGE BETWEEN THE BRICS AND THE EU, ENSURING COORDINATION OF THEIR POSITION, AS WELL AS THEIR ECONOMIC AND POLITICAL COOPERATION. SUCH CO-OPERATION CAN CONSTITUTE ONE OF THE CORNERSTONES OF THE FUTURE WORLD ORDER

In relations between the BRICS and the European Union, a certain number of objective contradictions exist concerning the reform of world finances, the diversification of the basket of reserve currencies, the food markets situation and the regulation of political conflicts. Whereas many EU countries had supported the humanitarian interventions in Libya and Syria, the BRICS traditionally favour pacific regulation and minimal

intervention in States' internal affairs. However, far from considering the constitution of any new "centre" which would be opposed to other State partnerships, be they economic, military or political; on the contrary, the BRICS claim to be a structure open to co-operation with a variety of partners.

As regards Russia, co-operation with the BRICS as well as the EU constitutes a major axis as regards foreign policy. In his article entitled "Russia and the world in change", Russia's president-elect, Vladimir Putin, points out that Russia attaches "priority importance to relations with its BRICS group partners", adding: "Russia is an integral and organic part of Greater Europe, of European civilization in the widest sense of the term. Russian citizens feel European. We are far from being indifferent to the development of a united Europe". With its unique position, both as one of the largest emerging economies and a country of which the European Union is the primary economic partner, Russia will be able to become a kind of bridge between the BRICS and the EU, ensuring coordination of their position, as well as their economic and political co-operation. Such co-operation can constitute one of the cornerstones of the future world order.



The BRICS Center at MGIMO

A major symposium "*BRICS, giant countries of the emerging markets: a new role in the context of international relations, global perspective on foreign policies, and comparative analysis of the national paradigms of modernization. An experiment for Russia*" took place at MGIMO University in the Russian Ministry for Foreign Affairs in November 2011. The symposium brought together experts in geopolitics and the theory of international relations, eminent researchers who work on subjects covering the five BRICS countries' development, as well as diplomats. MGIMO University, the Russian Academy of Sciences, Lomonosov Moscow State University and Moscow School of Economics, and the Peoples' Friendship University of Russia were all represented. The Extraordinary and Plenipotentiary Ambassadors of Brazil, China, South Africa and the Plenipotentiary Ambassador from the Indian Embassy in Moscow also took part in the event.

The symposium had twin objectives: first, to analyze the BRICS role in the international arena and, secondly internal developments and modernization projects in all five countries. Such an approach was embodied in the organization of two round tables: "*BRICS positioning in the international arena: global aspirations and the global projection of foreign policies*" and "*Patterns of modernization and distinctive features of BRICS socio-economic and political development: contributions to a comparative analysis*". Thus on the conceptual level the symposium's purpose was to bring to light a correlation and interdependence of events of economic, social and political modernization within the BRICS internal framework on the one hand and the principal foundation for their international activity on the other.

FRAME OF REFERENCE

Extract from the conclusions of the Euro-BRICS Process founding seminar

(full text)



For two days Russian, European, Indian, Brazilian, Chinese and South-African academics, diplomats and experts¹ met at a seminar with its core topic “What agenda for a Euro-Brics summit by 2015? The strategic Euro-Russian partnership bringing about a BRIC-EU meeting by 2015?” jointly organized by the European Laboratory of Political Anticipation (LEAP), the “Russkiy Mir” Foundation and the European Studies Institute of the Moscow State Institute of International Relations (MGIMO), in partnership with the Europe 2020 network and in co-operation with the Institute of Europe of the Russian Academy of Sciences, the Association of the European Studies and the Department of Asian and African Studies of the MGIMO University.

Nine themes for the agenda of a future Euro-Brics Summit

In the framework of this first Euro-Brics seminar, the last session consisted of a general brain-storming panel aimed at identifying themes of common interest, therefore likely to provide the basis to the agenda of a first Euro-Brics Summit. The following nine key points were identified :

1. Reforms of world governance (IMF, Security Council², WTO, World Bank,...) in order to adapt these institutions (their methods as well as their management structures) to the XXIst century
2. Reform of the international monetary system (putting in place a system managing several reserve currencies, global cohesion for the monetary and financial system, better analysis of global systemic risk...)
3. Reform of the global management of the “Trade and investment” duo (rebalancing of the rules protecting national markets)
4. Initiatives for a world social balance (determined integration of the social dimension, domestically and externally, in major international agreements)
5. Initiatives to reinforce « Human security » (protection from natural disasters, trafficking in human beings, assuring humans’ basic needs, food chain security...)
6. Initiatives to reign in world finance (limitation on pay and bonuses for financial activities, control of international financial flows...)

1. The latter were only observers via their diplomats.

2. A Euro-BRICS cooperation could help the world community to understand that it can no longer avoid reforming the Security Council by increasing the number of permanent members and by adding to them Brazil and India. Meanwhile, Euro-BRICS cooperation could help Europe finally understand that it can no longer avoid getting one common seat at the Security Council. That's also what the “world after the crisis” is about.

7. Creation of Euro-BRICS university exchange programmes

8. Scientific and technological cooperation, especially in the fight against global warming, the conquest and management of outer space, the sources of new and alternative energy

9. Improvement in the global management of people's migration and mobility

THE EURO-BRICS' POTENTIAL WOULD BE SUFFICIENT TO GENERATE AN IRRESISTIBLE MOMENTUM AT THE HEART OF THE G20, AN INSTITUTION NOW SINKING IN IMPOTENCE THROUGH THE INABILITY TO "CALL A SPADE A SPADE" AND UNABLE TO PUT THE KEY ISSUES OF GOVERNANCE OF THE WORLD-AFTER-THE-CRISIS ON THE SUMMITS' AGENDA

These issues are all undeniably important in order to organize the world in a sustainable fashion after the crisis. However, several of them would be immediately discarded or emptied of their substance via the framework of summits like the G20 because their effective treatment (that's to say, leading to real solutions and not statements of intent) requires:

1°/ the ability to analyze them without taking into account the conflicting interests of some countries that benefit in a way from the current malfunctioning: This is the familiar problem of the impossibility of implementing serious reform of global financial and monetary system as long as the US and the UK block any attempt to revise the assumptions on which the current system is based which, however, date from an era which is in the process of coming to a close.

2°/ to be able to overcome some systematic vetoes on certain issues: The social theme is typical of this category since the United States consistently opposes considering the social issue as anything other than collateral damage of an economic and financial rationale. On this subject, the BRICS undeniably have a growing convergence with the European model that attempts to address the social question as the other side of the economic coin.

The discussions which took place during the seminar showed that many topics can engender strong opposition between Europeans and BRICS; but it is also why they should be discussed, bearing in mind that to solve a problem one must first agree on its existence.

To conclude, the Euro-BRICS' potential would be sufficient to generate an irresistible momentum at the heart of the G20, an institution now sinking in impotence through the inability to "call a spade a spade" and unable to put the key issues of governance of the world-after-the-crisis on the summits' agenda.

(full text)

STRATEGIC PARTNERSHIP

Prospects of a EuroBRICS strategic cooperation: a view from Brazil

by Alexander Zhebit

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A prospect of an economic and political union between the BRICS and the Euroland may be an illusion, although not at all impossible. Instead, a road map to a Euroland-BRICS strategic cooperation or even partnership may and should be traced, if we adhere to the LEAP declared purpose and if agree with some conclusions that are made on the basis of an empirical evidence.

Those who view Europe nowadays as a scourge or a plague in terms of a risk aversion and a contagious influence on business and monetary issue in other parts of the world, mostly in growing and transitional economies, may come to an understanding that this is an inevitable and probably normal stage of the ongoing crisis of the developed world, that must be redressing itself along some reform lines. There are those who argue that the overall scene is more general and complex and the crisis is a systemic one and that is why the financial, economic and the international political order should be reformed.

There some points that should be focused on if we try to consider, at this background, the reaction by Brazil to :

- A lack of credible reforms of international financial and political institutions that would give the country a stronger support to bargain for a better future
- Changing trade patterns
- The recent currency devaluation in the developing countries and the US dollar timid recovery at the times of the present world crisis

In what degree do these developments hamper a better and closer relationship between Brazil and Europe and a consequent BRICS – Europe entente? What political or spin-off measures could be taken to boost the interregional rapprochement?

Among some important things in this respect one must consider a few of quite obvious trends. First, the BRICS are organizing themselves not only as an alternative political and ideational entity, perceived to represent the entire developing world which hopes for a better living, but also as an executive political force, initially coming out with emerging financial and monetary institutions. If in Sanya, only about a year ago, there was a timid talk about the use of SDRs as a means of boosting the intra-BRICs trade and mutual cooperation, then in Delhi the BRICS leaders signed the Master Agreement on Extending Credit Facility in Local Currency under BRICS Interbank Cooperation Mechanism and the

Multilateral Letter of Credit Confirmation Facility Agreement between their EXIM/Development Banks, and resolutely spoke in favor of setting up a new Development Bank, a joint financial institution for the deepening of cooperation. If in Sanya the IMF reform was presented as a dire wish, the Delhi Declaration is a text of grunting dissatisfaction about a slow motion of this reform, and an expression of the need for the redistribution of power in the World Bank and even in the G-20, as it can be perceived in the suggestion to back Russia for the G20 presidency in 2013. The BRICS push forward to the world financial reform may not be a sure deal, but a courageous step forward towards strengthening their role at the times of the Euro-zone crisis and of the United States decline in macroeconomic and trade issues.

Second. If the Chinese economic engine and the Asian rise have been driving motors of the world economy since 2000, then why the world trade, including the intra-BRICS-trade, should not follow this major drive¹. The fact is the Brazil-BRICS trade has been developing much faster: from US\$ 3.79 bi in 2000 to US\$ 93,55 bi in 2011. Not evident in trade in services, the merchandise trade was much ahead of the global merchandise trade rise in this respect². Except for the China factor, there was a boost in trade among Brazil, Russia, India and South Africa. The Brazilian – EU trade has been slowly decreasing since 2000, but continued to be very significant for the Brazilian economy, as well as a quite stable volume of the Brazilian – US trade. Nevertheless, there was a redistribution of the Brazilian structure of merchandise exports from the Atlantic axis to the pivotal Asia-Pacific region. At the same time the Brazilian dependence on the imports based on technology and services and a small share of its high technology exports are still significant factors of its close and sustained trade relations with its major partners - the European Union and the USA.

Third. The so-called “financial tsunami”, or “the war of currencies”, which reached Brazil by virtue of the US and European monetary injections, amounted to US\$ 366,8 bi of its foreign currency reserves, by the first quarter of 2012, and US\$660,5 bi of the accumulated FDI as of December, 2011, together with growing speculative swaps, caused the adoption of various financial protection measures by the Brazilian government to sooth the effect of the currency onslaught on its economy and on those of the BRICS and other developing countries. Brazilian interest rates are among the highest in the world and also among the BRICS – 9% as compared to India (8,5%), Russia (8%), China (6,56%) and South Africa (5,50%) and they are gradually decreasing. Its prospects of development (PAC – Program of Speeding Growth), the huge estimated oil reserves, a favorable investment climate and a potential for a green economy attract serious investors and easy money as well.

What are the ways to build a bridge between the BRICS and the Euroland, using a Brazilian pillar?

First of all, political mechanisms must reoccupy the scene, such as the Mercosur – European Union talks on commercial agreement, severed in 2004 and resumed in 2010. Non of Nicolas Sarkozy to a interregional trade agreement, a would-be biggest in the world trade system, and the Cristina Kirchner protectionist and interventionist policies would constitute the most difficult obstacles to overcome, but Brazil will also have to make sacrifices, regarding a broader openness of its industries and services. Instead, the Brazil – European Union strategic partnership, dated back to 2007, may be of great help in terms of political influence over uncompromising attitudes of some more conservative leaders in the negotiations. The European Parliament, favorable to the interregional process, is much more than only an important ally in this respect.

1. International Trade Statistics 2010. See Tables. 1.6, 1.7 World Merchandise Exports / World Merchandise Imports, respectively, seen during a long cycle of more than 60 years, WTO

2. Balança comercial brasileira: Países e Blocos Econômicos, Ministério do Desenvolvimento, Indústria e Comércio Exterior

Second. Helping to boost the Brazilian – Russian trade, which is slowly recovering from the 2009 drop, while using European credit lines and mutually agreeing on the terms of the trade with a new WTO member, may be of a significant value to the whole process, regarding the Euroland - BRICS strategic cooperation. It may be a link that would help recover the whole chain.

THE ROADMAP TO THE BRICS - EUROPEAN UNION STRATEGIC PARTNERSHIP THROUGH A STRATEGIC COOPERATION MAY AND MUST BE TRACED TO CONFIGURE ONE OF THE MEANS TO RESTRUCTURE AN OLD GOVERNANCE

Third. The G-20 platform may well serve for the European Union in order to compromise with the BRICS on the issues of the IMF reform and the IBRD redistribution of power, though it should naturally mean concessions. The same behavior is tenable in discussing the United Nations reform.

Last but not least. The South-South movement and the European Union politics towards the developing world should come closer one to another, so that a better mutual understanding help overcome a post-colonial critique of the developed world.

The roadmap to the BRICS - European Union strategic partnership through a strategic cooperation may and must be traced to configure one of the means to restructure an old governance. Brazil is a major player in this effort, considering its traditional closeness to Europe, its democratic essence, its industrial and agricultural development and its pedigree influence over the developing world.

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GEOPOLITICS

Russia and Brazil in the BRICS group - future ambitions

by Ludmila Okouneva (translation: Ian Shaw)

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The Russian case

Russia regards its participation in the BRICS group as one of the fundamental directions of its long-term global strategy. The principles shared by the BRICS (and stated in March 2012 at the five countries' summit in New Delhi), such as the necessity for overhauling the international and economic financial system, these countries' right and proper role in the world economy as well as the principles of non-alienation, from the free choice of priorities in international policy, the refusal of force, to diktat and coercion - all that corresponds to the general direction of Russian foreign policy and fulfills the international positioning of the country's interests. Russia has economic and commercial ties with all the BRICS, it takes part in all activities including summit meetings,

those of the Foreign, Finance, Economy, and Agriculture Ministers, not to mention meetings of High Representatives for security matters, heads of BRICS states' personal representatives and their subordinates and the G-20 etc. The BRICS' full agenda is fully accepted and approved in Russia.

THE PRINCIPLES SHARED BY THE BRICS: THE NECESSITY FOR OVERHAULING THE INTERNATIONAL AND ECONOMIC FINANCIAL SYSTEM, THESE COUNTRIES' RIGHT AND PROPER ROLE IN THE WORLD ECONOMY AS WELL AS THE PRINCIPLES OF NON-ALIENATION, FROM THE FREE CHOICE OF PRIORITIES IN INTERNATIONAL POLICY, THE REFUSAL OF FORCE, TO DIKTAT AND COERCION

Russia-China. The relationship's general direction is one of strategic partnership. In Russia, China is seen as a very important centre of a polycentric and multi-polar world. Despite certain fears, a large majority are in favour of the reinforcement of this alliance's huge potential. Litigation related to border problems have been resolved, confidence exists between the leaders and in shared interests. Amongst negative features one can cite the trade balance which is sometimes unfavourable to Russia, the distribution network for goods, illegal immigration and resulting criminality.

Russia-India. This relationship is one of a privileged strategic partnership and bonds of traditional friendship. Cooperation is expanding in the fields of high technology, science, innovation and armaments.

Russia cooperates with China and India at the core of a "RIC" geopolitical triangle (forged by the former Russian Foreign Minister E. Primakov) seen as a single vehicle for three Asian powers with comparable economic potential. However, the RIC's performance doesn't eliminate existing contradictions between China and India and China and Russia in Central Asia, etc.

Russia-South Africa. In the 1990s the low level of co-operation was due to diplomatic relations established with the apartheid regime, but after 1994 the situation started to change, especially after the visit of the Russian president, Vladimir Putin (2006). The two countries have common positions at the UN (on the non-proliferation of nuclear weapons, combating terrorism, the Iranian nuclear issue and a Middle East settlement). Russian imports lean towards agriculture and food products; one is starting to note a growing interest in the energy market (including nuclear power), uranium, space navigation and for marine biology and biotechnology.

Russia-Brazil. Brazil is seen as Russia's major strategic partner in Latin America. The increase in trade in the context of complementary economies, the diversification of commercial ties, the reinforcement of political links and the build-up of political contacts, co-operation on the world stage, the coinciding of some reactions to current problems (which doesn't exclude divergences).



The Brazilian case

Brazil's position in the BRICS group testifies to its foreign policy's global aspirations. Brazilian diplomacy today is marked by the convergence of tradition and the 21st century's current traits. The priority of regional integration in foreign policy and traditional "economic diplomacy's" structure as a cornerstone for Brazil's presence in the world is complimented by new ideas in order to ensure the country's growing role on the international stage: multilateralism, South-South cooperation, efforts to reform the UN Security Council.

Brazil has a well diversified system of bilateral relations with all the BRICS in many fields - economy, trade, science, innovation, political elements. Brazil's economic and commercial cooperation with the BRICS has reached an unprecedented scale which fulfils one of Brazilian diplomacy's key elements - to guarantee the country's economic interests in the world.

The objective interests of the two countries as well as their governing elites' positioning (considering the obvious difference of their origins and the essence of their strategies) creates an environment where their foreign policies' global ambitions and their desire to ensure a presence in the world economy will demonstrate a trend to the upside. As regional powers, the two countries - each in its own way - will demonstrate their ongoing commitment to forge the overall direction of the new order world, will steadily pursue the strategies of expanding their presence in the world economy and the system of international relations (Brazil - by guaranteeing its economic interests in all the parts of the world and its IMF presence as well as hoping to join the Security Council as a permanent member; Russia - while trying to restore its political prestige of a major power lost after the USSR's fall).

ECONOMY

The Role of Euro-BRICS cooperation

by Chandrasekharan Jayanthi

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If we are looking ahead to a strong future for Indo-European Union (EU) relations, it has to go beyond crystal-ball gazing. The EU is now a conglomerate of 27 members and, come July 2013, it will have 28 members with the inclusion of Croatia. The European Union is the single largest economic player in the world today with considerable economic weight and global influence.

Collectively, the EU generated more than \$16.07 trillion in 2010 making it the largest economy in the world. The EU also accounted for about one-fifth of world's trade in goods in 2010.

Traditionally, India has had strong bilateral relations with individual European nations, including the UK, France and Germany, but the EU as a whole hasn't shown particular interest in India, except as a soft power. Be that as it may, in the last 15-20 years, rapid globalization and financial markets integration have fostered growing links between the developed and developing countries or more so between the former and the emerging economies. In the emerging economies category, Brazil, Russia, India, China and South Africa (BRICS) or BRIC if we leave out South Africa have done extremely well.

A communications and technological revolution has redefined the rules of the game in international trade. It has opened the gates to economic development for the developing countries of Asia, Latin America and Africa. These regions are witnessing the rise of new economies whose role is rapidly expanding in the international economic arena.

The Brazil Russia India China South Africa (BRICS) Business Forum 2012 meeting, organized last month in the Indian Capital, New Delhi by the Federation of Indian Chambers of Commerce and Industry, the Associated Chambers of Commerce and Industry of India, and the Confederation of Indian Industry, assumes importance as the BRICS nations -- Brazil, Russia, India, China and South Africa – have established themselves as drivers of growth that helped the global economy emerge from the shadows of crisis.

Intra-BRICS trade is increasing at an average rate of 28% annually and currently stands at about \$230 billion. Bilateral investment flows among BRICS members are also increasing. Consumer expenditure in BRICS countries as a percentage of gross domestic product ranges from 35% to 61%, and there is a strong and growing middle class, with rising levels of income. The BRICS countries today comprise new growth centres in a multipolar world and are distinguished by their large economies and significant influence on regional and global affairs.

Although Europe acknowledges the emergence of new global players, namely the BRICS in a rapidly-changing scenario, it has to adapt and deal with the change. BRICs account for 25% of the global land area hosting 40% of the total world population. The BRICS Business Forum

was created in 2011 as a platform for the business communities of Brazil, Russia, India, China and South Africa to address their issues and explore areas of cooperation among the group for strengthening business ties and investment opportunities. It has to be remembered that the BRICS together make up 40% of the world's population and have a combined GDP of over 18% of the world GDP. According to Goldman Sachs, by 2050 the combined BRICS economies could eclipse the combined economies of the world's current richest countries. With the US and the European Union markets growing annually at 3-4%, BRICS nations offer a greater opportunity over the next five years with an expected growth rate of 9% or more.

Trade Pie

While the European Union leads world trade with a 15.6% share, the BRIC nations without South Africa together account for about a 19.5% share. Talking of India, India-EU trade stands at roughly 67 billion Euros according to Government of India figures, whereas China-EU trade is worth as much as 423 billion Euros. The Indian government has projected an increase in India-EU trade to the tune of 150 billion Euros by 2015, which is still way below the current EU-China trade figures.

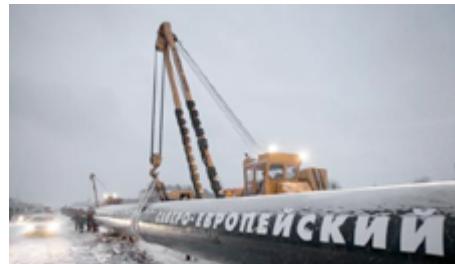
There is, perhaps, a perception in India of the EU as a group with few teeth and too many disparate countries, some big, some small, and with an inward focus, given the current Euro debt crisis. The perception is that China is eager to buy up Greek assets, and move its currency reserves from the dollar to the euro. This Chinese hard-nosed attitude will gain it more kudos from the EU than India, notwithstanding the shared democratic values.

There are growing trade and investment linkages between the EU and the BRIC countries. The BRIC countries together constitute 27 per cent of EU trade and are amongst its top 10 trading partners.

Migration and technological transfers have created huge employment opportunities in the BRICS nations. Rising incomes and growing consumerism created a new economic class in these economies, which has now become indispensable for transnational corporations especially consumer goods companies.

The European Commission Country Strategic Paper for Brazil (2007) for the 2007-13 period has marked 61 million Euros for enhancing bilateral relations and environmental issues between the EU and Brazil. 41% of Brazilian exports to the EU are exports of agricultural products such as coffee, cocoa and sugar; while the EU exports 10% of its agriculture exports to Brazil. If you look at the size of Brazil's economy, it's the world's sixth largest and is expected to become the fifth by the end of 2012. Brazil's Gross Domestic Product (GDP) expanded 0.30% in the fourth quarter of 2011 over the previous quarter. Historically, from 1996 until 2011, Brazil's average quarterly GDP Growth was 0.80% reaching an historic high of 4.50% in September 1996 and a record low of -4.20% in December 2008.

The core issues of the EU-Russia relationship are stable energy supply, economic and political stability, environmental and nuclear safety and geopolitical stability in the Commonwealth of Independent States (CIS) region. EU and Russia have a very complex relationship as Russia is mainly interested in guaranteeing security of demand, by controlling its natural resources and its export market and entering the lucrative EU



market. This strategy is perceived as a threat by the European Commission which in turn puts conditions on Russian entry into the EU market.

Russia's formidable science establishment made the country a leader in technologies ranging from metallurgy to computer software. This also applies to space technologies, aircraft construction, precision instruments, and hi-tech defence equipment among others. This development was based on mass education and also an extensive network of research institutes and experimental laboratories, and the coordination of their activities on a national level. During the Soviet era, the high quality of human capital needed for the success

of these research efforts was attained first, by guaranteeing the labour force a high level of general education and second, by creating a special system of non-market incentives (high social status, higher standard of living, fringe benefits) for the country's intellectual elite. During the early years of transition, there was a decline in public expenditure on education and research activities but thanks to the solid foundation, highly skilled human capital is still a comparative advantage for Russia. The exodus of scientists and researchers to different parts of the world after the fall of the Soviet Union has also stopped. As a former global superpower, Russia's large technological research infrastructure, the world's largest pool of scientists and engineers, are strengths that will continue to reap benefits for the country in the years to come.

The European Commission Country Strategy Paper on India (2007) for the 2007-13 period focuses on providing support for social sectors (health and education), and support to the economic, academic, civil society and cultural activities foreseen in the Action Plan.

The European Commission Country Strategy Paper on China (2007) focuses on providing support to the Chinese reform programme covering global concerns and challenges regarding the environment, energy and climate change. Funding assistance to the tune of 224 million Euros has been earmarked by the EC for the period 2006-13. Both the EU and China are economic giants and the biggest traders in the world. China is not only Europe's largest source of imports but also the single most important challenge to its trade policy.

The transformation that the Chinese economy has undergone over the last few decades is an exemplary story and one which can be a source of inspiration for all those countries that aspire to accelerate their development process and break the double digit growth barrier. Before 1978, when China initiated its reform programme, the country faced several critical challenges: high unemployment, large scale poverty, sluggish growth and a restrictive business environment. However, since then, China has turned itself into a nation that is not only economically advanced but also socially progressive.

The Chinese government's decision to initiate institutional and structural changes in their economic system, moving it away from rigid central planning to a more decentralized framework has resulted in these developments. As part of this overall change in managing the economic system, the Chinese government introduced pro-industry policies to support investments at all levels, built a large scale physical infrastructure that matched the best in the world, encouraged foreign direct investment flows, improved the banking system's financial capacity and kept interest rates at low levels. There was also a continuous focus on improving technology capabilities both through domestic innovation and technology transfer.

These policies have helped the Chinese economy to rapidly move up the growth ladder and today it occupies the coveted position of the world's fastest growing economy. Further, post the 2008 global economic crisis, China has also emerged as the main driver of global economic growth drawing in large amounts of imports of all kinds of products as well as exporting a vast range goods and services. Although the Chinese government is making a deliberate attempt to moderate the pace of its economic growth and make the growth process less dependent on exports while propping up domestic demand, it is expected that the space which China occupies on the global economic landscape will continue to increase over time and that this country would emerge as the world's largest economy by the middle of this century.

South Africa is the economic powerhouse of Africa, leading the continent in industrial output and mineral production and generating a large proportion of Africa's electricity. The country has abundant natural resources, well-developed financial, legal, communications, energy and transport sectors, a stock exchange ranked among the top 20 in the world, and a modern infrastructure supporting efficient distribution of goods throughout the southern African region. It is known for its pharmaceuticals, Information Technology, agri-food, mining, hospitality and banking and financial services. As such, it is a key country of the African continent and Europe cannot afford to ignore it.



Each country belonging to the BRICS has its own areas of strength. Brazil is an agricultural powerhouse and a large producer of several commodities. Russia holds one of the largest reserves of oil and gas in the world. India has acknowledged strengths in the services sector. China is a manufacturing superpower and has emerged as the largest exporter of goods. South Africa is home to huge mineral reserves. With such diverse areas of strength, each country can support the other and take part in each other's respective growth and development programmes.

Looking at just the BRICs, EU exports to the BRICs over the ten years from 2001 to 2010 have grown at an average of 11.1%, whereas EU imports from the BRICs grew at an average of 12% per year. Taking growth in EU exports to the BRICs of 34% in 2010, EU imports bounced back by 30% compared to a decline in 2009. According to the EU trade commissioner Karel De Gucht, EU-BRICs trade will continue to grow.

The objective of various strategies by the Reserve Bank of India (RBI) had been to provide sufficient Rupee liquidity, ensuring comfortable forex liquidity and sustaining a favourable market environment for the continued flow of credit to productive sectors. In the recessionary phase, the RBI was sharp enough to reduce policy rates, both repo and reverse repo rates. It has helped to provide liquidity to the economy by reducing reserve ratios and offering adequate support to the banking system. In addition the RBI sold foreign exchange and made a forex swap facility available to banks; the interest rate ceilings on non-resident Indian (NRI) deposits were raised; and the all-in-cost ceiling for external commercial borrowings (ECBs) was raised.

But is this enough to forge and strengthen links? While India dithers, China continues to shift gears, and focus on the EU. The Ambassador of the European Union to India, Mr. João Cravinho, said that although it had become a tradition to look at the EU as a power in decline, figures show just the opposite.

The EU constitutes 7% of the global population and 20% of the global economy. It is the largest economic bloc. The US comes second with a 19% share of the global economy, China 14% and India 7%.

India-EU FTA

India and the EU are expected to sign a Free Trade Agreement, but then the question is, are India and the EU engaging each other beyond trade? There appears to some recognition of this aspect, and the fact that India is a democracy committed to an open society. There's no doubt that as countries queue up to become members of the EU, its economy is likely to expand further. If the India-EU FTA that is in the pipeline comes through, it will be to the mutual benefit of both regions. India should leverage its economic might for political clout, as China often does. The recession of 2008-09 that affected numerous banks and financial institutions of different countries across the globe has left the Indian banking system as one of the least affected in the whole world. Many economists and financial experts have admired a well regulated banking system that shielded India against the impact of global economic recession. It has been accepted that the Indian banking system has successfully managed to navigate through the financial windstorm experienced by the global economy due to sound central bank policies and complementary fiscal stimulus packages implemented by the central government.



The central bank or the Reserve Bank of India (RBI) uses manifold instruments as its diktat such as repo and reverse repo rates, cash reserve ratio (CRR), statutory liquidity ratio (SLR), open market operations, including the market stabilization scheme (MSS) and the liquidity adjustment facility (LAF), special market operations, and sector specific liquidity facilities. The accessibility of multiple instruments and their use in the execution of monetary policy has enabled the RBI to adjust the liquidity and interest rate situations even in hesitant global macroeconomic conditions.

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The RBI shifted its policy stance from monetary tightening in response to elevated inflationary pressures to monetary easing in response to abating inflationary pressures. Following the RBI's monetary easing, most banks have reduced their deposit and lending rates. Despite the global financial mayhem, the Indian banking sector continues to be healthy. Coupled with the central bank stance mentioned above, a couple of fiscal stimulus packages by the government relaxing requirements for certain sectors like real estate and allowing the banks to restructure its advances, also helped Indian banks to ride the crisis with conspicuous impact.

It is important to mention here that in spite of the rigorousness and multiplicity of unfavorable surprises, India's financial markets have shown commendable buoyancy which was largely because of India's sound and healthy banking system that is well capitalized and prudently regulated, in addition to the comfortable reserve position providing confidence to overseas investors.

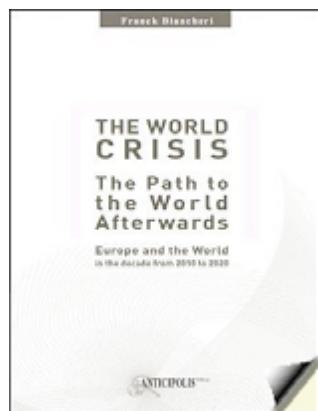
The three Indian Chambers of Commerce and Industry mention that close cooperation is a distinct possibility among the BRICS member countries and this can prove to be advantageous for all India and China's increasing demand for oil and natural gas can be catered for by Russia and Brazil. We should see more equity participation in developed fields, the securing of exploration and production contracts and the pursuing of transnational oil and gas pipeline projects in the near future.

IN A SCENARIO IN WHICH COUNTRIES ARE INCREASINGLY INTERDEPENDENT FINANCIALLY, ECONOMICALLY AND POLITICALLY, DOMINANCE BY ONE OR TWO NATIONS IS A THING OF THE PAST. THIS, THEREFORE, PUTS MAJOR GROUPINGS SUCH AS THE EU AND THE BRICS IN A POSITION OF STRENGTH

An energy cooperation mechanism can be developed to promote and strengthen energy partnership between the BRICS to improve the overall energy security scenario. Companies from the four countries can undertake joint projects in offshore oil exploration, development and refining domestically as well as in third countries. A common area for cooperation between all the five BRICS could be pharmaceuticals and biotechnology. A system of collaborative research and development where new drug discoveries are outsourced to India and Russia by China, Brazil and South Africa and further drug development and clinical studies take place in the five countries simultaneously will prove beneficial for all.

For Euro-BRICS trade to grow, the EU has to focus on areas in which the BRICS need investment and support and, conversely for the Euro-zone, the BRICS should invest in their key areas and help in reducing the Euro debt crisis.

In a scenario in which countries are increasingly interdependent financially, economically and politically, dominance by one or two nations is a thing of the past. This, therefore, puts major groupings such as the EU and the BRICS in a position of strength.



World crisis The Path to the World Afterwards Europe and the World in the decade from 2010 to 2020

by Franck Biancheri

ORDER ON-LINE

In this uncompromising book, Franck Biancheri (born in 1961, Director of Studies at the Laboratoire Européen d'Anticipation Politique) attempts to address the lack of anticipation of European leaders and elites when it comes to the crisis and presents a concrete vision of the future in France, Europe and the world by 2020.

"Because this crisis we are experiencing is not only the end of the "world before", it is also an unprecedented opportunity to rebuild a "world after", provided not to be mistaken about the dangers, challenges and opportunities that lie ahead."

TRADE

BRICS cooperation serving trade policy formation and the priorities of BRICS and Euro-BRICS cooperation

Dr. Tatiana M. Isachenko
MGIMO University



Trade policy is generally understood as a complex of measures that permit the most effective use of economic development's external factors to increase a country's share in world trade and investment. Understanding this proves the necessity of Russia's participation in trade negotiations and the setting-up and implementation of favorable agreements. Three main strategic areas can be identified as trade policy priorities: further development of the European route, close and fruitful BRICS cooperation and the use of WTO accession advantages.

Russian companies must access global markets, not only as exporters but also as investors. It means that Russian companies need to become more involved in international trade, as are their counterparts in China, India and other developing countries. Cooperation between BRICS could significantly stimulate emerging economies' participation in international trade by starting the reform of the multilateral trading system, strengthening bilateral trade regimes with main partners, mainly the EU, and promoting common positions in the WTO.

All BRICS summits have addressed trade policy issues and shared the idea of sustainable trade. The way forward to cooperation between BRICS countries has been clearly set out in the Sanya declaration: "...We reviewed the progress of the BRICS cooperation in various fields and share the view that such cooperation has been enriching and mutually beneficial and that there is a great scope for closer cooperation among the BRICS. We are focused on the consolidation of BRICS cooperation and the further development of its own agenda. We are determined to translate our political vision into concrete actions and endorse the attached Action Plan, which will serve as the foundation for future cooperation..."

THE SUCCESSFUL ELIMINATION OF TRADE CONFLICTS BETWEEN EUROPE AND BRICS IN THESE AREAS WOULD SERVE AS AN EXAMPLE FOR A MULTILATERAL TRADING SYSTEM, PRESENT A NEW INITIATIVE FOR ITS REFORM AND THE IMPLEMENTATION OF THE DDA

In the Ministerial Declaration of the BRICS Trade Ministers (2011) the establishment of a contact group entrusted with the task of proposing an institutional framework and concrete measures to expand economic cooperation both among BRICS countries and between BRICS countries and their partners was named as one of the successful outcomes of previous cooperation. BRICS unconditionally supported Russia's WTO accession process and the Ministerial Declaration congratulated Russia on its successful conclusion. This would enable countries to coordinate positions on future WTO rule making. The common view of BRICS countries is that the WTO plays a decisive role in keeping protectionist forces at bay. They agreed that the DDA (Doha Development Agenda) negotiating stalemate should not discourage countries from seeking

results in specific areas where they agree that progress is possible. There are issues of interest which should constitute an integral part of early agreements (duty-free-quota-free initiative, as well as topics like cotton and agriculture), but these efforts (as well as others) must be wholly consistent with the existing mandates and observe the principles of transparency and inclusiveness.

The 2012 Joint Press Release of the 2nd Meeting of the BRICS Trade and Economic Ministers noted with concern the continuing difficulty faced by many countries and underscored the need for greater policy coordination to ensure a stable and thriving global economy. With a strong belief that a balanced DDA outcome will strengthen and further develop the multilateral trading system, the Ministers agreed to coordinate their positions at the WTO and in other multilateral fora such as UNCTAD XIII and the G20 Trade Ministers meeting. The Ministers directed their officials to explore ways and means for enhancing and furthering intra-BRICS cooperation especially in the areas of customs cooperation, exchange of experiences in trade facilitation, investment promotion, SME cooperation and trade data collection and harmonisation, e-commerce cooperation and intellectual property rights cooperation.

There is one area where the BRICS definitely have a common interest and also could constructively participate. Three-quarters of Russian trade is with Europe; there are several scenarios for global economic development and in each Europe will, remain a priority for Russian trade policy. More or less the same scenario is valid for China and the other BRICS countries. Long term, the European share of global GDP could fall to 20 per cent, but it will remain one of the main players in the international commodity and services business. At the same time, Europe and Asia's share of global GDP could reach 70%. Russia is a large country, which has deep-rooted, almost equal, economic interests in both. This defines the new goal for Russia: to become a driver of a productive dialogue with both Europe and the BRICS and provide a best practice for settling all possible trade conflicts and the use of trade instruments for fostering rather than hindering trade. The following are among the areas of common interest and prospective cooperation with the EU: the improvement of anti-dumping rules, technical regulation and trade facilitation. The successful elimination of trade conflicts between Europe and BRICS in these areas would serve as an example for a multilateral trading system, present a new initiative for its reform and the implementation of the DDA.

MONETARY SYSTEM

China's Policymakers One Inch Closer to Opening Capital Account

by Zhu Changzheng

Senior Editor of Caixin Media and Deputy Editor-in-Chief of [Caixin.com](#)

Recent proposals issued by China's central bank point to substantial shifts in plans for capital account convertibility. Will it be a step on the long march towards more Euro-BRICS cooperation to get out of a Dollar dominated global monetary system?



In the first half of this year, a research group from the People's Bank of China (PBOC) released two reports on the opening of China's capital account. With this, the central bank has offered a signal that it is ready to promote or accelerate the opening of China's financial sector, along with a cluster of policies to further liberalize the exchange rate, capital account convertibility, and cross-border trade settlements in Renminbi, which will make the Renminbi an international currency¹.

The reports outline a three-stage approach to capital account liberalization over the course of ten years. In the first three years, regulations on direct investment and capital controls are loosened. In three to five years, we would see deregulation of commercial credit controls and an increase in foreign Renminbi-denominated lending by Chinese banks. And within five to ten years, China would gradually open up trading of real estate, stocks and bonds to foreign investors. By the end of this approach, China would have achieved a great degree of Renminbi convertibility.

The reports, written by the Statistics and Survey Bureau of the PBOC, and not its research department, were published in a domestic financial newspaper instead of the official website of the central bank. Actively presented to a wider audience, the reports generated an enormous amount of public discussion on capital account liberalization, considered by bank officials to be a precondition for internationalizing the Renminbi.

However, there exists a sharp divergence among senior central bank officials and economists over which reforms should come first.

Some researchers in financial institutions and the Chinese Academy of Social Sciences suggest that Renminbi flexibility stands as a prerequisite to capital account opening. They argue that China's economy faces larger risks in accelerating capital account convertibility, as witnessed in Mexico and South Korea at the end of the last century. Without the pro-market reform of the exchange rate, hot money inflows and

1. The Renminbi exchange rate is determined with reference to an undisclosed basket of currencies. Previously, daily fluctuations in the Renminbi-U.S. dollar exchange rate used to be limited to +0.3% around a central rate set by the People's Bank of China based on the previous day's market closing rate . In 2007, the trading band widened to +0.5%. In April 2012, it was raised by +1%. Daily Renminbi fluctuations against other currencies are limited to +3%.

currency speculation could create fluctuations in China's capital markets and entail risk of financial crisis.

There are also calls by some bankers saying that liberalization of the financial sector should get a final push in one year [Michaël – is this one year or year one?], and a trial-and-error mechanism should be implemented prior to the introduction of a fully-convertible capital account system while maintaining the current monetary policy system.

Radical pro-market reforms in the Chinese economic and financial system are typically the result of untenable economic situations. When the system is headed toward a crash or comes under pressure from the external environment, policymakers can move at a startlingly brisk pace. The most obvious examples of this so far have been the reform of the Renminbi exchange rate in 1994 and China's WTO entry in 2001. In the Eurozone, we have seen in 2011 how the crisis led to big leaps towards budgetary integration. Is China now getting ready to go forward with greater financial liberalization?

Unlike in the process behind China's World Trade Organization entry, the central government and monetary authority have more reason to adopt a gradualist approach to generate reform. The central bank papers suggest that reforms should advance side-by-side, in tune with many reform measures issued by the State Council in the past 30 years. Were China's new leaders to raise reserve currency status for the Renminbi to a political priority, it would amount to the most significant economic reform since China entered the WTO in 2001.

Yet, there doesn't appear to be a broad spectrum of views on capital account opening. There are neither hugely conservative nor radically liberal policy proposals circulating among academics. It's possible this is due to differences in the understanding of freely-convertible capital accounts and an independently floating exchange rate.

Chinese Premier Wen Jiabao and PBOC Governor Zhou Xiaochuan said in March that the Chinese currency may be near an "equilibrium", and market forces are playing a bigger role in determining the nation's exchange rate.

To some extent, it is echoed outside China. In the April 2012 edition of the World Economic Outlook, the IMF revised its forecasts for China's medium-term current account surplus down from more than 7% to around 4 to 4.5%.

The revision removed a key assumption behind the allegation that the Renminbi is substantially undervalued. Fred Bergsten of the Peterson Institute for International Economics, one of the key critics of China's exchange rate system, suggests that the Renminbi should appreciate by more than 10% in real terms and more than 20% versus the U.S. dollar in the next two to three years. His main assumption for China's high current account balance can be traced back to the WEO's estimate.

In fact, China's current account surplus was 2.8% of GDP last year after peaking at more than 10% in 2007.

THIS EVOLUTION WILL REINFORCE CHINA'S WILL, TOGETHER WITH ITS BRICS PARTNERS, TO SECURE RADICAL CHANGES IN THE INTERNATIONAL MONETARY SYSTEM IN A NOT SO DISTANT FUTURE. A RADICAL SHIFT WHICH CAN ONLY BE ACHIEVED WITH A GENUINE INVOLVEMENT OF EUROLAND COUNTRIES, IN ORDER TO MOVE THE WORLD AWAY FROM A US DOLLAR CENTRIC SYSTEM



The IMF's previous projection not only ignored the fact that Renminbi appreciation would lead to an effective reduction of China's current account balance, but had also overlooked the country's shift from an export-oriented economy to one based on domestic consumption.

China's share of labor intensive products has been declining in recent years due to wage increases. This is a long-term trend that occurred after the economy crossed the Lewis Turning Point. With the increase in prices of land, labour, raw materials, energy, and compensation for environmental and ecological damage, export promotion as a growth strategy will have a diminished impact. So it should come as no surprise when we see China's trade surplus drop to around 2% of GDP in the near term.

This evolution will reinforce China's will , together with its BRICS partners, to secure radical changes in the International Monetary System in a not so distant future. A radical shift which can only be achieved with a genuine involvement of Euroland countries, in order to move the world away from a US Dollar centric system.

If the new system being formed is dominated by the US Dollar, Euro and Renminbi, it may be more stable than the old one. Meanwhile, the Eurozone and other parts of the world will surely face greater two-way currency risks in Renminbi-US Dollar and Renminbi-Euro trading.



A Manual of Political Anticipation

by Marie-Hélène Caillol

ORDER ON-LINE

On many occasions during the last 25 years, the sphere of influence focused around the personage of Franck Biancheri has, de facto, provided fertile ground for the correct anticipation of major historic events: the fall of the Iron Curtain, the crisis of the European Commission, the collapse of the Dollar and the global systemic crisis... are some of the most striking predictions in the story (which is still unfolding) of this sphere of influence whose very diverse features (European context, network organisation, political objectives, independent state of mind...) allows one to suppose that they play some role, without doubt, in this "ability".

Indeed, if one's correct anticipation is the result of chance, the second can be good luck, but by a third, it becomes possible to hope that some rules and a rational approach are at play.

The work done within this sphere of influence, among which the most illustrative is that conducted by LEAP (Laboratoire Européen d'Anticipation Politique) through its monthly publication, the GEAB (GlobalEurope Anticipation Bulletin), has even forced the respect of academics, giving rise to a need for a contemporary approach, which is the purpose of this manual: What is political anticipation (and what it isn't)? What is its use? What are the tools, principles and rules which shape it? What are its limits?

These are the questions which this small manual will try and answer.

Prospects for collaboration in the knowledge economy field

by Anna Makarenko (translation: Ian Shaw)

professor, chair of Economic Theory, MGIMO University



The BRICS' rapid development is closely related to world development, from the active control of emerging markets' development strategies to integration in the world economy.

On 1st February 2012 Catherine Ashton, EU High Representative for Foreign Affairs and Security Policy, stated in Brussels that the EU should reinforce its relations with the economic participants in the emerging countries markets, in particular the BRICS countries. She also noted that, even though BRICS countries differ in many respects, they are strategic partners for the European Union and maintain close relationships with it.

The knowledge economy must become one of the fields of interplay between the EU and the BRICS. The knowledge economy is an economy which creates, circulates and uses knowledge to ensure growth and competitiveness. It not only uses knowledge in all its forms, but also creates new "high-tech" ones, in the form of highly qualified specialised services, of research and education products. At this stage, fundamental knowledge and cultural traditions are central to the knowledge economy. Just as knowledge and skills are essential elements of human capital, their role in economic development can be assessed according to their share of national wealth. The treatise of the Institute of Economics of the Russian Academy of Science "*The characteristics of national wealth reproduction at the beginning of the 21st century*" provides data on the size of national wealth and human capital in the world, in Russia, in the CIS countries, and in those of the G7 and the EU. According to the quoted statistics, human capital accounts for approximately 66.4% of national wealth throughout the world. In the G7 and EU countries this share is larger at 78.2%. In Russia, as in all other CIS countries, it's 50%¹.

In the knowledge economy, the human factor becomes an essential resource. However, its' potential in the BRICS countries still remains under-exploited. It must be used more, thanks to significant reform of the education system and by guaranteeing employees adequate access to new technologies. In this respect, co-operation between the EU and the BRICS would be very beneficial. Currently, the EU attaches great significance to the improvement of national education systems' quality, each citizen having a right to access education and the opportunity of developing their abilities.

1. Economic Almanac. Moscow University Economic Science Faculty, Issue 2, 2007, p.74

Among the BRICS, India and China are currently seeing rapid growth in the level of education. In continuing to develop strategies which focus on new knowledge (i.e. the knowledge economy), India, equipped with a sufficient scientific potential, will undoubtedly have great success leading to an increase in economic productivity and an improvement in the standard of living. The appearance of technology parks (or technical centres) grouping large companies together, the attraction of foreign investors and liberalization of the law has already led to the emergence of a middle class of millions. Indian industrial parks are can be found in about fifty localities throughout the country, including cities like Bangalore,

Hyderabad, Mumbai etc. The creation of a high-tech sector in India will make it possible to reduce unemployment and create an environment favourable to entrepreneurs.

The Chinese knowledge economy is officially recognized as a State strategy. The country's leaders intend to transform the country into a "world laboratory", stopping borrowing foreign technology to become a full participant in scientific and technical progress. Over the centuries Chinese culture has formed the idea that education makes the man. The number of Chinese university qualified engineers is double that of the United States. The long term programme to create "the knowledge economy" aims at reducing China's dependency on foreign technology by 30% in 15 years.

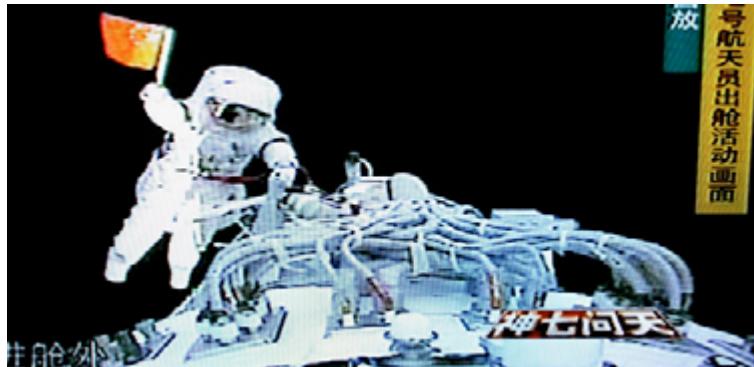
EU AND BRICS INTERACTION IN THE KNOWLEDGE ECONOMY AND, MORE PRECISELY, IN THE CREATION OF UNIVERSITY EXCHANGE PROGRAMMES, WILL ACT AS A BASIS FOR LONG TERM MUTUALLY ADVANTAGEOUS CO-OPERATION

The competitive advantage in the knowledge economy is time, i.e. the speed of the cycles of technological change. Russia's advantage is the culture of fundamental research and universal education. European universities specialize in applied teaching whilst Russian universities offer mainly fundamental education. Optimally, we are mutually complementary.

EU and BRICS interaction in the knowledge economy and, more precisely, in the creation of university exchange programmes, will act as a basis for long term mutually advantageous co-operation. It could be a question of developing and initiating a complete education programme cycle beginning with the school leaving certificate (baccalaureate), with the option of creating double diploma courses, two year masters degree courses and joint research courses leading to a doctorate, as well as the organization of conferences, round tables and scientific seminars.

The European path to space is via China and Russia

by Stefan Hilgermann (translation: Ian Shaw)
journalist, Cologne



The most powerful rockets, boundless motivation and streams of funding - whoever wishes to get to grips with the idea of which nation is best equipped to pass the winning post in the medium term among the space nations should look towards China. In any case this is Thomas Reiter's opinion¹, one of the ESA directors, who has just visited the Peoples' Republic and who was deeply impressed by what he saw².

Or that of Peter Hintze³, Chancellor Angela Merkel's official representative for space affairs, who regards China as an asset for European aerospace and wishes to enhance Sino-European cooperation⁴.

Times have certainly changed! If even a former general secretary of the German CDU party, therefore of the political party for which trans-Atlanticism and a policy in the United States' wake is almost inscribed in its founding document, looks initially and in priority to China in an area with a future.

The United States isn't the outright champion any more. But in truth this isn't surprising. China has colossal financial resources that it was able to accumulate thanks to many years of trade surpluses with the West and the United States in particular. But, several years back, the Chinese introduced a policy to transform their economic system which now favours domestic consumption to the detriment of the former priority for exports⁵.

And which field would be best able to create top quality jobs than space research, which is regarded as the precursor of innovation and high technology? Thus, China kills two birds with one stone: it invests its money in a technology of the future, reduces its gigantic assets which nobody can predict for how long they will keep their value being given the US economy's clear signs of weakness, create well paid jobs whose wages will stimulate domestic consumption and, moreover, thanks to research and innovation, set the stage for future economic growth.

1. See Thomas Reiter's very impressive biography on the [ESA site](#)

2. "Rendez-vous dans l'Espace", [Der Spiegel](#), 30.01.12

3. See Peter Hinze's biography on [Wikipedia](#)

4. See note 2

5. Read "Chinese Industry is secure", [Handelsblatt](#), 01.09.11, and, more generally, this article "From a model for exports to that based on domestic demand" in [Weltwirtschaft](#)

The future is clear for all those who choose not to cloud the issue :

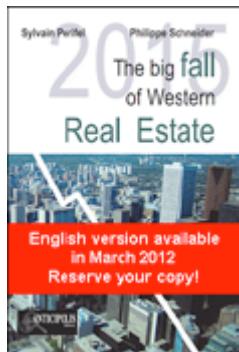
- The Americans are reducing their aerospace budgets⁶; the Chinese are making this field one their priorities.
- The Americans have cancelled their involvement with the ExoMars mission⁷; the Russians are replacing them⁸.
- The Americans are stopping their space shuttle programme without any substitute lined up; to supply the ISS, they now want to use flights operated by private companies.

In the space sector, the new world order is already taking shape. The unipolar world of crushing American domination is giving way to a multipolar world built around the new heavy-weights - BRICS, Europe and the United States, always of course but even more as "primus inter pares", just one amongst others. Let's be happy that in the aerospace field at least, the Europeans seem to have understood that co-operation is preferable to confrontation. This makes it possible to be optimistic as regards a peaceful swing from yesterday's world, that of before the crisis, to the world of tomorrow.

6. Source : [Die Stern](#), 14.02.12

7. Source : [Die Zeit](#), 14.02.12 (a former NASA employee speaks of "national shame").

8. Source : [Russland Heute](#), 16.04.12



New at Editions Anticipolis The big fall of Western Real Estate

by Sylvain Perifel and Philippe Schneider

ORDER ON-LINE

The crisis has demonstrated the fragility of Western real estate markets, raising many questions amongst the large audience that is interested in the residential real estate market, either as a buyer, seller, owner, tenant, business or private individual. It has also allowed everyone to become aware of the complex links between the different national real estate markets and international developments in the economy, finance, foreign exchange and interest rates. Finally, it makes sense to many that real estate markets have reached an historic turning point.

But this awareness is usually a victim of the shortage, even the lack of analysis, enabling the inclusion of a far-reaching and material era, a necessary condition of any credible attempt to forecast future real estate market developments in one's own country. And these forecasts are dependent on fundamental questions: when to sell? when to buy? should one rent?

With this book the two authors, Sylvain Perifel and Philippe Schneider, fill this gap in the Western world real estate market, for which they have indisputably discovered common trends. They successfully mix, with an easy style which is always easy to follow, accurate analysis, critical data, closely reasoned argument, forecasts with not only dates but numbers, and useful tips for the individual, the professional or the business, making this book a real decision-making tool.

Euro-BRICS and sovereign technologies: Space

by Jean-Paul Baquast (translation: Ian Shaw)
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Sovereign technologies are those which make it possible for a geopolitical power to assert its desire for independence and power in a now multipolar world. For that, they must be developed by this power with its own resources.

An example of such a sovereign technology is the French Rafale combat aircraft. Carried out in the true Gaullist tradition by France alone; today it enables it to escape the domination at which the United States aims by obliging most armies of the world to be equipped, during at least first half of the 21st century, with the Joint Strike F 35 Fighter. Incidentally, this latter programme is failing.

The field of space must be regarded par excellence as that of sovereign technologies. They are vital for survival, for civil as much as military use. Financing is predominantly public. The principal features of space power are known; we won't repeat them here.

The Euro-BRICS can become THE big 21st century player in space

Since the beginning the United States decided that it should fully dominate space, by guaranteeing itself several years advance over other States. It's the concept of full space dominance. The European States have, not without discussions or reserves, agreed that they should, independently or through the European Space Agency, ensure a presence in certain niches: launch rockets, civil and military satellites, the Kourou space centre ... China, followed by India, seems determined to build its own resources on the American model including the riskiest, that of interplanetary missions. Russia is in the process of rebuilding its former potential, mainly within the framework of co-operation with Europe.

As regards the future, could Europe, China, India and the other BRICS nations alone, and without calling on the United States, carry out the great spectacular missions which will characterize the space challenges of the next decades: permanent inhabited lunar base, around 2025, landing crews on Mars' satellite, Phobos or on Mars itself around 2040, possibly a permanent base on Mars later? The answer is no; they won't be able to.

But why not ask the United States? Because they would require their "partners", as they have always done, to abandon their sovereignty on unacceptable terms. But also because today, their lack of finance seems to have vetoed for them the ambitious projects that NASA had planned. At most one speaks of resorting to private operators for terrestrial orbit flights.

Co-operation prevails

Within Euro-BRICS, the members of the European Space Agency (led by France) have “historical” skills enabling them to consider landings on the Moon, even Mars. But the ESA has hardly any more big ambitions, apart from interesting but specific programmes. The most eventful should be the sending of a “space rover” to Mars (the Exomars Mission) around 2020. This could be the beginning of a wider Martian robotic exploration (the Aurora programme). Russia could re-qualify itself within the framework of a lunar mission but a number of recent incidents, including the loss of a probe (Phobos-Grunt) heading for Phobos, have caused it concern.

ONE CAN PICTURE WHAT THE SETTING-UP OF A LUNAR BASE IN THE NEXT FEW YEARS, OR EVEN ONE ON MARS IN THE LONG TERM, CARRYING THE EURO-BRICS COLOURS, WOULD REPRESENT IN THE EYES OF THE WORLD

As regards China, it has trodden a faultless path up until now, steadily increasing its ambitions. A five year White Paper published at the end of 2011 is considering a low-orbit space station and perhaps a specific human Moon landing. Nevertheless the technologies used, as far as one can tell, are still quite rustic. Weaknesses are likely to appear. India wants to follow the Chinese path, but with fewer resources. Currently, Brazil can only consider an auxiliary role. One can thus think that, national pride apart, the only sensible technological solution for Euro-BRICS members would be to cooperate. It's largely the choice which the Europeans and Russians have decided to make.

As regards budget, it's difficult to estimate the costs. However, agreeing that the equivalent of the old American Apollo programme would exceed 300 billion dollars today; it's within the reach of a big country. However, taking into account the crisis, with the exception of China, none of the Euro-BRICS members would like to finance it alone. The prospects would change if these countries decided to pool their efforts. Industrial and scientific fields of co-operation would lower the costs and decrease the risks, whilst respecting the essence of partners' sovereignty.

In the event of success one can picture what the setting-up of a lunar base in the next few years, or even one on Mars in the long term, carrying the Euro-BRICS colours, would represent in the eyes of the world.

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Introduction

At the 5th Global Europe EU-Russia Seminar, held in Moscow in 2011, several themes for the agenda of a future Euro-BRICS Summit were identified¹. One of these was “Scientific and technological cooperation, especially in the fight against global warming, the conquest and management of outer space, the sources of new and alternative energy” (emphasis added). The BRICS are indeed fast becoming the space powers of the new millennium² and ‘Europe’ needs to continue and intensify its already existing cooperation with the BRICS countries, both in the framework of ESA and the EU. This paper addresses current Euro-BRICS cooperation in the field of space activities, and argues in favour of its further intensification.

BRICS and space: a brief overview

A few words are due about the current state of space activity and cooperation in the BRICS countries. First of all, it must be acknowledged that Russia, China and India are recognised space powers, with launch capability and ambitious programmes to explore other planets, build space stations and put humans into space. Each of them has extensive international cooperation programmes with other states. [Russia](#) has been one of the space ‘super powers’ since the beginning of the space age in 1957, when the former USSR was the first state to launch an object into an orbit around the earth, the famous Sputnik 1. Russia is currently the only ISS partner capable of sending humans into space on its Soyuz rocket, after the US Space Shuttle was withdrawn in 2011. [China](#) also has a long history of space activities. In 2003, it became the third country capable of sending humans into space. The [Indian space program](#) also started already in the 60s and the country has developed an ambitious space programme. It sent a mission to the Moon and has advanced plans for human

1. BRICS refers to the countries Brazil, Russia, India, China and South Africa, which are all developing or newly industrialized countries with large, fast-growing economies and significant influence on regional and global affairs. Source : [LEAP/E2020](#), 05.2012

2. See a brief overview in S. Firsing, ‘Space, Brics’ next frontier, [Daily Maverick](#), 10.10.11

missions. [Brazil](#) also has a long history of space activities and cooperates extensively with countries like China and Russia. The Sino-Brazilian CBERS remote sensing programme is an excellent example of fruitful cooperation between two BRICS countries³. Although Brazil's own launch programme has suffered some setbacks, it will without a doubt be joining the ranks of launching states in no time. [South Africa's space programme](#) is more recent, but already promising, with several satellites launched and cooperation with Russia and Brazil amongst others.

Euro-BRICS cooperation in space activities: a bright future

Both ESA and the EU have established close cooperation with the BRICS countries over the years.

To begin with ESA, its recognition of the importance of cooperation with the BRICS is clearly visible in the Director General's 'Agenda 2025'⁴.

Below are a few examples to illustrate this:

"Especially the interest and investment by BRIC (Brazil, Russia, India and China) countries create competitors and opportunities for European industry".

"China is only the third nation to develop independent human launch capabilities, is currently experimenting with the building blocks of a space station and has announced ambitious lunar exploration plans. While close cooperation in some domains might prove complex, ESA should be ready for increased cooperation with China in the domain of human spaceflight".

"Considering that China is becoming one of the strongest economic powers of the world, significant cooperation should be developed between ESA and China, in particular in scientific missions and in human spaceflight, with the objective to reinforce the current ISS partnership".

"In economic terms, the centre of gravity of world production is expected to shift towards Asia with increasing competition from India, China and others".

It is noteworthy that ESA's Director General identified the USA, Russia and China as its three main strategic partners.

ESA cooperation with Russia is intense. Very recently, the launch of the first 'European Soyuz' from Kourou, French Guyana was a major milestone⁵. ESA also recently sought cooperation with Russia on the Exomars programme, which intends to launch a Mars rover, after the USA pulled out of the programme due to budget cuts⁶.

3. Source : [CBERS](#)

4. Agenda 2025, a Document by the ESA Director General, ESA Doc. BR-303, 11.2011

5. Source : International Cooperation, ESA launchers, [ESA](#)

6. Source : "Russia and Europe to meet on Mars?", [Russia beyond the Headlines](#), 13.02.12

China and ESA cooperate for instance on the Dragon project, a wide-ranging research initiative employing ESA Earth Observation data to focus on China⁷. Just last month, China and ESA discussed the potential for a Chinese Shenzhou spacecraft to dock with the ISS⁸.

Cooperation between India and Europe started in the 1980s and continues today for example with India's lunar mission Chandrayaan-1⁹.

ESA had already signed a cooperation agreement with Brazil in 2002, and in 2011 Brazil joined the International Charter 'Space and Major Disasters' that had been initiated by ESA and others in 2001.

But the EU also cooperates with the BRICS countries. For instance the EU 7th Framework Programme has generated considerable Russian and Chinese participation in research projects in space science and technologies. But cooperation also takes place with the individual BRICS countries. A few examples are highlighted below.

Cooperation with Russia covers the fields of navigation, communication, earth observation, science and technology, launch systems and human spaceflight, and took off in 2006¹⁰. Progress is monitored in annual meetings of a Steering Group. Priorities identified by the Steering Group for the 2010/2011 period include cooperation in Earth observation for the monitoring of greenhouse gases; negotiation of an overarching agreement for Global Navigation Satellite Systems and closer cooperation in the field of human space flight.

7. "Enter the Dragon: ESA and China's joint Earth watch begins", [ESA](#), 27.04.04

8. "ESA, China Discuss Shenzhou Docking at ISS", [Parabolic Arc](#), 27.03.12

9. "India-Europe Cooperation", [ESA](#), 20.10.08

10. "Space: International cooperation with Russia", [European Commission](#)

11. Source : Joint Press Communiqué of the 14th EU-China Summit, [European Commission](#). See also the useful note on 'Enhancing EU-China Space Cooperation', [Leuven University](#), 2011

12. "China and India back EU's space race against US", [Telegraph](#), 31.10.03

13. "Space: International cooperation with South Africa", [European Commission](#)

With regard to China, at the 14th EU-China Summit in Beijing last February, both sides reaffirmed that they will continue co-operation on satellite navigation following a 2003 Agreement, with an effort to make positive progress in that cooperation, and to seek and foster new cooperation areas in satellite navigation science and its application¹¹.

India also has concluded cooperation agreements with the EU in various fields of activity, such as Galileo. It may further intensify this cooperation in the future¹².

The 'EU-South Africa space dialogue', held for the first time in 2009, is to foster long-term strategic relations with South Africa and to initiate concrete actions of common interest in the space area. The main fields identified are earth observation, navigation and research¹³.



As far as Brazil is concerned, in October 2011 a letter of intent for a space policy dialogue was signed between the Brazilian Minister for Science, Technology and Innovation and Mr. Tajani, Vice-President of the EC¹⁴. It stated that Brazil and the EU “acknowledge the mutual benefits of enhancing Brazilian - EU co-operation in the field of space science and its applications”. The parties intend to establish a structured dialogue on space cooperation, involving ESA and the Brazilian Space Agency, in particular in the fields of earth observation, navigation, communications, science and exploration.

SEVERAL YEARS FROM NOW, THE SCIENTIFIC AND TECHNOLOGICAL SUPREMACY OF THE US AND EUROPE IN SPACE EXPLORATION AND USE WILL HAVE MADE WAY FOR THE BRICS COUNTRIES. IT IS BEYOND DOUBT THAT EURO-BRICS COOPERATION IN THIS FIELD, AS IN OTHERS, IS URGENT AND OF VITAL IMPORTANCE – FOR BOTH.

Conclusion

Today, not a single ambitious space exploration programme can be carried out by a nation on its own, because of the technological challenges as well as the financial implications. International cooperation, as promulgated already by the founding fathers of the law governing space activities in the 1967 Outer Space Treaty, is even more important today. To quote Article III of this ‘Magna Charta’ for outer space:

14. “Space: International cooperation with Russia”, European Commission; Brazilian Economic News Update, 08.10.11

“States Parties to the Treaty shall carry on activities in the exploration and use of outer space, including the Moon and other celestial bodies, in accordance with international law, including the Charter of the United Nations, in the interest of maintaining international peace and security and promoting international cooperation and understanding”.

Several years from now, the scientific and technological supremacy of the US and Europe in space exploration and use will have made way for the BRICS countries. It is beyond doubt that Euro-BRICS cooperation in this field, as in others, is urgent and of vital importance – for both.

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