The Eurasia Center/Eurasian Business Coalition (EBC)

THE 3RD ANNUAL
"DOING BUSINESS WITH THE BRICS" CONFERENCE

Brazil, Russia, India, China, and South Africa

Monday, May 18, 2015,
Washington, D.C.

Hosted by:
The Embassy of South Africa, Washington, D.C.
The Embassy of the Russian Federation, Washington, D.C.

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Executive Summary

The Eurasia Center and the Eurasia Business Coalition in conjunction with the Embassy of South Africa and the Embassy of the Russian Federation held the third annual *Doing Business with the BRICS* conference on May 18, 2014. The conference welcomed over 150 participants from the United States and the BRICS countries representing the business, finance, development, public, and other sectors.

The BRICS countries (Brazil, Russia, India, China, and South Africa) encompass 30% of the world's area and about 40% of the total population. The BRICS has seen amazing growth over the past decade with GDP increasing over 300%. As of 2013, their combined GDP accounted for over 20% of global GDP. The BRICS growing influence in the world economy and politics indicates a shift from a unipolar to a multipolar world. It is a dialogue and cooperation platform to encourage reform of the global governance and economic relations for the benefit of all regions.

The alliance has experienced successful economic and social developments. One of the BRICS greatest achievements is the creation of the New Development Bank (NDB) and the Contingency Reserve Arrangement (CRA), intended to facilitate infrastructure investment and secure member-states from the pressures in times of financial crisis. Science, technology and innovation are other key pillars of the BRICS recent implemented initiatives.

The conference sought to open dialogue among leaders, investors, and entrepreneurs in the BRICS countries, and to provide a platform for discussion on important topics such as business, trade, and economic development; financial and legal reforms; and science, technology and innovation initiatives. Experts from the BRICS countries, embassies, and institutions like the World Bank and International Monetary Fund, and the private sector provided insight into the current state of affairs within the BRICS countries. Speakers stressed the importance of multilateral institutions, such as NDB and CRA, infrastructure development, foreign direct investment, and promoting innovation to achieve success in the BRICS.

There were also several Golden BRICS awards conferred to those who demonstrated excellence in supporting global economic growth throughout the BRICS countries and a Special Recognition Award for Meritorious Service was presented in memory of Brian Sant-Angelo of the Export-Import Bank. The conference concluded with a reception at the Embassy of the Russian Federation.

Opening Address

Opening Address of the BRICS Conference:
The Honorable Mninwa Mahlangu, South African Ambassador to The United States

Ambassador Mninwa Mahlangu, The Embassy of South Africa

In his opening speech, Ambassador Mninwa Mahlangu of South Africa recalled that that this first "BRIC" Summit was convened at the height of the global financial crisis in 2009. In December 2010, South Africa was invited to join the BRIC. The rationale for South Africa was to enhance the role of emerging economies in advancing the restructuring of global political, economic, and financial architecture into one which is more equitable, balanced, and rests on the important pillar of multilateralism.

On the Fifth BRICS Summit hosted by South Africa on March 2013, was announced the launch of the BRICS New Development Bank (NDB) and Contingency Reserve Arrangement (CRA). The Headquarters of the Bank would be in Shanghai and its Africa Regional Centre would be established concurrently in South Africa.

Ambassador Mahlangu emphasized the importance of the BRICS bloc not only as a new player in the global economy, but also as a new resource for financing its members and developing countries.

The Bank will have an initial authorized capital of 100 billion dollars shared equally among the BRICS founding members. The NDB's core areas for funding are infrastructure and sustainable development projects, as well as regional and cross-border projects in energy, transport and logistics. Therefore, the Bank and the CRA will have a direct impact on the lives of people on Africa continent and South Africa itself.

At the Sixth BRICS Summit in Fortaleza, Brazil, BRICS leaders welcomed the proposals for a "BRICS Economic Cooperation Strategy" and a "Framework of BRICS Closer Economic Partnership". Both will promote intra-BRICS economic, trade and investment cooperation. On the next BRICS Summit on July 2015 in Ufa, Russia, the strategy should be endorsed. The strategy will lead to closer economic cooperation, trade and investment, and can serve as a basis for improving the lives of members' citizens.

Ambassador Mahlangu ended his speech emphasizing the role of the BRICS bloc, as a new player capable of influencing and shaping the global agenda, as well as developing and exploring new areas of cooperation, serving the national interests of its member states.

Key points:

- BRICS boosts the role of emerging economies,
- BRICS is a new player in the global economy and a new resource for financing its members and the developing countries
- NDB focuses on infrastructure and sustainable development projects
- NDB and CRA will impact the lives of people in South Africa and the continent

Panel 1: New Developments in the BRICS, Investment Enablers - New Development Bank (NBD); Asian Infrastructure Investment Bank, Governmental Support for Business in the BRICS

This panel provides a perspective on recent developments in the BRICS nations, specifically in the investment area. Initiatives have included the formalization of the New Development Bank (NDB); the Asian Investment Infrastructure Bank, and other bilateral and multilateral initiatives that act as an enabler of economic development.

Charles Sills, Vice President, Eurasia Center/EBC

Nobody would have imagined that after the economist from Goldman Sachs, who coined the term BRIC several years ago, the BRICS organization would have taken this world changing shape. Since the first summit in 2009, not one leader from the member countries has ever missed the BRICS summits. This is recognition of the importance that respective five countries put on the BRICS.

The New Development Bank has been set up with the headquarters in Shanghai, and the President from India. The BRICS countries total 40% of the population, with the combined GDP of $16 trillion. This will be extremely significant for infrastructure development on the planet. The BRICS new banks will interplay with the plans of different countries that have proposed for the Chinese One Road One Belt project.

Key points:

- BRICS is one of the global political and economic players
- NDB is an ambitious project
- Cooperation of BRICS in One Road One Belt project

Dr. Yan Wang, Deputy Director, International Financial Forum Institute

Dr. Wang opened the first panel with the discussion on the New Development Bank (NDB), new vision, and multilateralism. She emphasized that the multipolar world became today's new reality. In the beginning of the presentation, Dr. Wang explained how the flying geese model, a pattern of industrial upgrading, worked in the East Asia, and more specifically, its effect in China.

China has reached the stage, when the labor-cost is rising dramatically, and plans to relocate some of its factories and manufactories abroad, to the neighboring countries and to Africa. Therefore, China will export more of its capitol, manufacturing goods, and skills.

China is taking the lead in outward foreign direct investment (OFDI). In 2013, China invested 101 billion dollars abroad, and last year China became the third largest source of FDI. China's concessional loan goes in the areas of economic infrastructure (61%), industry (16.1%), energy and resource development (8.9%), and others.

Another key element of change in China is adoption of multilateralism. EXIM Bank and the World Bank have signed Memorandum of Understanding. Moreover, China is taking the lead in setting up the new multilateral bank - Asian Infrastructure Investment Bank (AIIB). It has 57 prospective founding members. China is also engaged in the formation of the BRICS' New Development Bank (NDB).

In 2013, China introduced a new project – One Belt One Road to promote maritime and railroad cooperation. One Belt One Road initiative is pluralistic, flexible, and promotes an open process for cooperation. Among the rationales for this initiative are: strong demand from developing countries for connectivity and bottleneck releasing infrastructure; infrastructure as a growth-lifting strategy, a countercyclical measure in a low interest and low growth environment; to reach "Win-Win" by utilizing China's comparative advantages, manufacturing and construction capacity, and capital financing; and to showcase China's development experiences on special economic zones (SEZs) and industrial upgrading via building bottleneck-releasing infrastructure.

Dr. Wang concluded, with the BRICS enhancement of their industries and the shed of labor, the outward FDI would expand and benefit the lower wage countries. China becomes a "responsible stakeholder" in global affairs, and moves from bilateralism to the new multilateralism. The One Belt One Road initiative will create business opportunities for the Eurasian community, including energy, transportation, construction, food, telecommunications, manufacturing, education, health, tourism and other services.

Key Points:

- China ready to relocate some of its factories and manufactories to the neighboring countries and Africa
- China became the third source of FDI, investing in the economic infrastructure, industry, energy, and resource development
- China embraces multilateralism, and advances cooperation with the World Bank, NDB, Silk road fund, and others
- The One Belt One Road project promotes maritime and railroad cooperation, create business opportunities, and benefit developing countries

James Lewis, Senior Export Finance Manager, U.S. Export-Import Bank

James Lewis from the U.S. Export-Import Bank described the specifics of the bank's cooperation with the BRICS nations. The Export-Import Bank is official export credit agency of the United States federal government. It has a narrow field of operations, whereas the development banks or multilateral organizations can do. However, Export-Import Bank has a meaningful impact on trade. The Bank supports the U.S. exports, provides financing to buyers who buy U.S. goods and services, and provide credit insurance to the U.S. manufactures selling into BRICS countries.

In the long term, financing focuses on transportation, infrastructure, and social infrastructure. The

Export-Import Bank's main effort is to support U.S. exports, to sustain U.S. jobs and markets.

The Export-Import Bank's total portfolio is 115 billion dollars. Brazil, India, and South Africa became a part of Export-Import Bank's priority markets in 2004. Initially, Russia and China were not included in the priority efforts list, primarily, because they were viewed as economically developed countries, comparing to other nations recipients.

Brazil represents the strongest economy in Latin America. However, it does not utilize Export-Import Bank to the full extent. The areas of operations concentrated mostly in aircraft and manufacturing sectors, and less in infrastructure. The total exposure in Brazil is two billion dollars.

China was not originally among priority countries. However, the reality dictates certain demands to reevaluate the Export-Import Bank's interest and role in China. China was added de-facto to the list. The Export-Import Bank is involved in Strategic and Economic Dialogue, a high-level dialogue for the United States and China to discuss a wide range of regional and global strategic and economic issues. A Memorandum of Understanding was signed with the Ministry of Finance of China. It provides special tax and tariffs to buyers in China looking for new high technology from the U.S. There are more business opportunities in China. However, due to complexity of rules and regulations, and the difficulties in lending process, the U.S. companies struggle to enter the market.

India ranks as the second-largest destination for the U.S. exports supported by Export-Import Bank financing. However, the bureaucratic processes in the Indian government impede operations. The Aviation sector is one of the biggest bank's exposures in India. In 2014, the Bank added the U.S. clean energy exports into the India portfolio.

Projects in Russia concentrate in the areas of railroad, combine equipment, telecommunications, and mining. The Export-Import Bank exposure in South Africa is in the railroad projects, power companies, manufacturing components, and infrastructure equipment.

The Export-Import Bank looks for more opportunities in infrastructure in BRICS.

Key points:

- The Export-Import Bank has a great interest in BRICS
- India is the second-largest destination for U.S. exports
- The Export-Import Bank looks for more opportunities in infrastructure development projects in BRICS

Brien Desilets, Managing Director, Claret Consulting

Brien Desilets continued the theme of the importance of development banks and infrastructure investment. The multilateral reform has shaped the balance at the global level. The voting systems in existing economic development institutions do not reflect changing economic realities. BRICS combined voting power in the World Bank is less than the US alone (13.48% and 16.21% of the votes respectively). Hence, the voting representation reform is stunted by current dominant economies. The U.S. Senate will not approve the change, as well as their counterparts in Europe do not want to lose their voting power.

This is also symbolic of the wider debate of U.S. leadership in the world after the foreign policy issues in Iraq, Afghanistan, and the U.S. crisis response. U.S. has refocused its monetary policy solution to the crisis, and lessened fiscal policy solutions, such as infrastructure investment. However, there are secondary effects of both solutions, especially affecting the developing economies. There were complaints from Brazil and other BRICS countries regarding the negative secondary effects of U.S. monetary policy during the crisis. It's short-time money.

Whereas, a U.S. fiscal policy of infrastructure investment would have increased demand for commodities, supported economic growth, and stabilized the economy in developing countries. Besides, direct infrastructure investment into developing countries has a longer-term impact, and helps to sustain money prices.

To date, those policies that the U.S. has missed the opportunities to implement, China has seized. Infrastructure investment became an economic policy, targeting a long-time investment. Moreover, it is projected to overseas as infrastructure diplomacy. There are many facets to infrastructural investment, multilateral reform, BRICS Bank, and Asian Infrastructure Investment Bank (AIIB). They are all interconnected.

The AIIB has a much clearer focus and mandate. It concentrates on the infrastructure finance and major programs, such as Silk Road Economic Belt and Road, a Chinese initiative to boost trade and connectivity across Asia and into other continents through land and sea routes. It is a participatory project.

At the end of the presentation, Brien Desilets exemplified programs of BRICS countries. Brazil has successfully implemented infrastructure investment programs under the Programa de Aceleração do Crescimento (PAC) focusing on logistical infrastructure, energy, and urban development.

Russia has experienced certain difficulties in investment in the face of international sanctions over the Ukrainian crisis and the oil price plummet. However, Russia attempts to diversify its economy and stimulate it through new markets, such as Asia and Africa, to overcome the aforementioned issues. Russia continues to benefit from Chinese growth, specifically from infrastructure investment, and may benefit from the lifting of Iranian sanctions.

India's new government prioritized infrastructure investment. New tax allocation procedures provide more funding for the states to empower growth. Budget allocations are set aside to upgrade schools, health, and electrical capacities. A creation of National Investment in Infrastructure Fund, with a base capital of 3.25 billion dollars, has been recently proposed.

China focuses on the neighborhood diplomacy, including the near abroad, to benefit its western regions. Assuming a new role as a global leader in investment, China offers an alternative to tired U.S. policies of confrontation. The One Belt One Road infrastructure investment program has a great potential for success.

South Africa is taking a lead in Africa's economic and infrastructure boom, particularly in finance and services. However, the internal issues holding it back, not least infrastructure challenges such as blackouts. South African success specifically depends on addressing social and political issues through more balanced and equitable growth.

Key points:

- BRICS is a Chinese-led group
- Internal issues may be more significant than external in holding back BRICS
- Need to generate internal demand, spread growth past bubble regions
- Infrastructure investment is a key part of BRICS development

Panel 1 Summary:

The BRICS nations focus on economic development with the less dependence in traditional institutions of the United States, European Union, or Japan. Creation of NDB, CRA, and AIIB is the BRICS long-term strategy to achieve such independence, promote infrastructure investment, and sustain national economies from the outside financial instability. All BRICS countries embraced the importance of adopting multilateral approach.

Each of BRICS governments struggles to improve political and economic environment and to attract foreign direct investment. In recent years, the BRICS countries have initiated a number of essential policies and reforms. Brazil and India implemented infrastructure investment programs, Russia focused on economy diversification, China introduced an ambitious One Belt One Road project, and South Africa improved its judicial system and protection of property rights.

Panel 2: Analysis of Trade Development and Trends within the BRICS

This panel looks more in detail at trade developments and trends within the BRICS. It includes overall trade trends both inter-BRICS trade as well as regional trade developments. Analysis may include sectorial analysis.

Richard Trifan, Vice President, Eurasia Center/EBC

The BRICS nations require holistic approach. Infrastructure is one of the focal points of analysis. Without infrastructure is impossible to deploy appropriate logistics. Without appropriate logistic it is difficult to attract inward investment, particularly pharmaceutical or science and technology. Any specific vertical sector needs infrastructure. For example, Brazil has a large petrochemical reserve. However, the inward investment is challenging because foreign business has difficulties to enter the market. For the last two years, Brazil had reevaluated the importance of investment in infrastructure.

The BRICS nations' local consumption is another vector for transformation. Brazil's local consumption is 75%-80% of GDP, Russia's local consumption 60%-70% of GDP, and India's local consumption - 50% of GDP. High domestic consumption does not indicate an inability to export, therefore, domestic needs must be prioritized to raise per capita standard of living. Meeting internal needs with local production keeps the price points lower. BRICS nations' export strategy must align with increasing domestic needs for goods, services, healthcare, education, infrastructure, and jobs.

There is a tremendous balance and causing effect between logistics infrastructure and vertical sectors. Russia has re-focused its internal investment into production of goods and services, which are currently under the Western sanctions and cannot be procured.

There is a list of crucial issues in the BRICS nations that should be tackled in time. Corruption and political influence peddling continue to be one of the deterrents to inward investment. Complexity of laws and regulations for inward investment hamper capital infusion (e.g. India, Brazil, Russia). Property rights issues also continue to dampen investment enthusiasm. Shortening patent registration cycle time not only will boosts inward capital investment, but encourage innovating citizens, the most valuable resource, to remain in the country.

Infrastructure sector is the most critical sector to develop among the BRICS countries. Without sufficient infrastructure, Russia cannot meet its 2020 target of more than 50% of pharmaceutical needs manufactured in country. Such companies, as Sanovi, Glaxo, or Novartis require infrastructure logistics to construct plants. Likewise, without infrastructure, port security cannot be established nor sustained. Therefore, real infrastructure (roads, ports, airports, rail) must precede secondary infrastructure (traffic management, port security, hospitals, schools) to make construction and staffing possible. Real infrastructure growth also discourages next generation from emigrating to seek better career opportunities.

Skills development and education of personnel is another essential area for improvements. For example, South Africa requires infusion of teachers, artisans, engineers, healthcare workers, I.T., project managers, etc. Currently, South Africa focuses on establishing institutions to promote innovation in education and government. Russia's Skolkovo needs more time to be expected to produce Silicon Valley-type innovative university graduates, and retain talents in country. India and Brazil need to be cautious to balance imported expertise with locally educated talents. Therefore, a student exchange program within the BRICS countries is an excellent way to grow skills through transplants and local awards, programs, scholarships.

Key points:

- Infrastructure investment and development is a focal point for all BRICS countries
- Export strategy must align with increasing domestic needs for goods, services, healthcare, education, and so forth
- Key deterrents to inward investment are corruption, complexity of laws and regulations, property rights issues, and long patent registration cycle
- BRICS nations need to focus on skills development and personnel education
- A BRICS nation's export percentage rise can work at odds with internal raising of standard-of-living; i.e. when a nation chooses to first meet internal needs before developing their export sector, a slow-growing export capability is not necessarily a negative indicator (e.g. to inward investment), and
- Exports as a percentage of GDP are only one measure of economic growth. For example, raising the internal standard of living and per capita income is almost a more significant indicator, since it would ideally occur first, for the benefit of the nation's people. And that will delay the export growth for those commodities / raw materials that are common to both markets (domestic and external).

Florizelle Liser, Assistant US Trade Representative for Africa

The United States has one of the most ambitious trade agendas in our history. The U.S. has negotiations with 11 countries in the Asia-Pacific under the Trans-Pacific Partnership (TTP), and with the European Union under the Transatlantic Trade and Investment Partnership (TTIP). It seeks to become the center of the trade zone, covering nearly the two-thirds of the global economy.

At the World Trade Organization, the U.S. continues to pursue further trade liberalization, as well as trade facilitation. The Trade Facilitation Agreement (TFA) aims to reduce global trade costs by addressing inefficient and unpredictable customs and border procedures. This agreement has the potential to be transformational and help to increase developing countries' and other emerging economies' competitiveness and attract private sector investment. African countries have the lowest level of intra-regional trade. Therefore, South Africa can play an important role in generating more intra-African trade.

The Obama Administration remains committed to deepening U.S. economic partnership with Africa and is focused on expanding the U.S.-Africa trade and investment relationship. Indeed, Africa is an important part of American global trade strategy.

The African Growth and Opportunity Act (AGOA) remains the foundation of the U.S. economic engagement with Africa. The Congress has introduced an AGOA bill, extending the program through 2025. The long-term extension of AGOA will provide greater certainty to investors who are interested in business and opportunity in the sub-Saharan Africa, as well for U.S. companies sourcing from AGOA beneficiary countries.

However, it is time to start thinking where to go next after AGOA, moving beyond AGOA's unilateral preferences to a more mature, reciprocal trade and investment relationship, that reflects the realities of today's 21st century global trading system.

Today South Africa has moved beyond unilateral preferences programs like AGOA with other key trading partners like the EU. Moreover, Africa is in the process of negotiating an ambitious series of free trade agreements (FTA) continent wide, and within and between various regional economic communities. It is important that Africa recognize the benefits and value of free trade areas and agreements.

The U.S. thinks strategically how to deepen trade and investment relationships with Africa. The U.S. and the East Africa Community (EAC), comprised of Burundi, Kenya, Rwanda, Tanzania, and Uganda, has recently signed a Cooperation Agreement on Trade Facilitation, SPS, and TBT (agricultural and industrial standards). The EAC has taken a step to establish their leadership in diminishing barriers to trade. This agreement will support the increase of regional integration, as well as greater U.S.-EAC trade and investment.

South Africa, like other BRICS, is an emerging and very dynamic economy. South Africa's trade is more diversified, and it exports more value-added products compared to its sub-Saharan African peers. In addition, South Africa is a leader in attracting foreign investment.

Under AGOA, South African exports to the U.S. have increased three-fold, helping to create jobs in many different sectors, including in both the industrial and agricultural sectors. South Africa accounts for nearly three-quarters of U.S. non-oil imports under AGOA. South Africa has moved away from the unilateral preferences in trading to FTA's with its partners. On behalf of Southern African Development Community, South Africa has taken a leading role in negotiating an ambitious regional FTA that will eventually cover the entire continent.

Key points:

- The U.S. focuses to expand and deepen trade and investment relationship within the African region
- South Africa has moved beyond unilateral preferences in the trading system
- South Africa recognizes the benefits and value of free trade areas and agreements
- South Africa plays a leading role in promoting regional economic partnership agreements

Carlos Henrique Angrisani, Esq., Economic and Commercial Affairs, Embassy of Brazil

Brazil is the fifth largest country in terms of population and territory, and the seventh largest economy in the world. The inflation rates continue to remain at the low level. Despite the slowdown of economy in the previous years, the implemented social and employment policies have created a positive effect on the income distribution and poverty reduction. Brazil has experienced an increase in the middle class numbers due to the adopted social inclusion programs. Successful promotion of consumption contributed to the boom of consumer market.

However, the increase in consumption creates a demand for all types of infrastructure, such as air travel, road traffic, vehicle sales, port trade volume, grain harvest, and railways. For the past years, Brazil has adopted a development model to attract more investment for infrastructure.

Since 2002, Brazil has shifted from the consumption-led growth to the investment-led growth policy. Most of the infrastructural investment goes to the sectors in oil and gas, energy, railroad programs, and urban mobility.

Over the past years, Brazil was among the top five places for foreign direct investment destinations. Despite low GDP growth, Brazil has an enormous potential for advancing its economy and developing infrastructure.

IMF estimates that, nowadays, all BRICS's countries are operating below their long-term output potential. However, Brazil and India represent the largest output gap, between 1% and 2% of their potential. China, Russia, and South Africa have a gap at about 0.5% of potential.

Key points:

- Brazil's social and employment policies reduced poverty and increased the middle class
- Promotion of consumption contributed to the boom of consumer market
- Increase in consumption created a demand for developing all types of infrastructure

Sandile Tyini, Minister, Economic and Commercial Affairs, Embassy of South Africa

The BRICS is a dialogue and cooperation platform to encourage reform of the global governance and economic relations for the benefit of all regions. It is aimed to promote peace, security, prosperity, and development. Among the important characteristics of the BRICS is commitment to multilateralism. South Africa, as a part of the bloc, is determined to promote not only the intra-BRICS trade and investment, but also technology cooperation. BRICS is a trans-continental body linking Latin America, Africa, Asia, and Europe.

In 2013 BRICS accounted for: 30% of the global land area, 43% of the global population, and for 21% of global GDP. In 2014, total BRICS external trade with the world was 6.5 trillion of dollars, whereas intra-BRICS trade was 653 billion of dollars. FDI inflow to the BRICS in 2013 was estimated at 322 billion of dollars.

BRICS exports to the rest of the world reached 6.5 trillion of dollars in 2014, accounting for 18% of global trade. Between 2009 and 2013, BRICS share of the world imports grew by 23.1%. The U.S. remains the BRICS's largest export market. The U.S., Germany, and Japan continue to remain the leading sources of imports to the BRICS countries. China has become the largest exporter in the world.

Intra-BRICS trade is evolving and started from a very low base, and involves countries with different demographic characteristics and economic strengths. Intra-BRICS trade increased from 593.5 billion of dollars in 2012 to 653 billion of dollars in 2014. On the other hand, the intra-BRICS exports grew from 34 billion of dollars in 2001 to 296.4 billion of dollars in 2014.

In 2013, South Africa's trade with BRICS reached R380 billion, its exports to BRICS was R155.2 billion, and imports were R255.5 billion. In 2013, India became South Africa's fifth largest export market (R28.9billion) and accounted for 4.8% of its total exports. Exports to Brazil and Russia continue to remain relatively low.

China is the largest contributor to intra-BRICS exports and accounted for 51% of the total intra-BRICS exports of $276.1 billion. It is also accounted for 36% of intra-BRICS imports. China has become the largest destination for South Africa's exports.

South Africa is a great place for business and investment opportunities, telecommunications, and others. Other important sectors for the developments are financial services industries, energy and green economy, healthcare and human skills development, and manufacturing.

South Africa has a conclusive business environment for investment, strong judicial system, and protection of property rights.

Key points:

- BRICS committed to multilateralism
- In 2014, BRICS exports to the rest of the world accounted for 18% of global trade
- China is the largest contributor to intra-BRICS exports
- India became South Africa's fifth largest export market
- South Africa has a conclusive business environment for the investment, strong judicial system, and protection of property rights

Panel 2 Summary:

The intra-BRICS trade is yet in the developing stage. From 2012 to 2014, it increased less than 100 billion of dollars. However, the intra-BRICS exports grew from 34 billion of dollars in 2001 to 296.4 billion of dollars in 2014. South Africa has moved away from unilateral preferences in trading to the multilateral free trade agreements with partners. Brazil has implemented social and employment policies to reduce poverty and increase the middle class numbers.

However, the BRICS nations have to address the challenges hampering the investment flow and business attractiveness. Corruption, complexity of laws and regulations, property rights issues, and obstacles in patent registrations impede the inward capital investment.

Panel 3: New Initiatives for Scientific and Technological Innovation, and Energy Issues within the BRICS

This panel examines new scientific and technology innovations (STI) as well as joint collaborative technology initiatives led by BRICS. STI is a locomotive of development and is highly encouraged within the BRICS nations. Energy sector and infrastructure are another essential areas for business opportunities and cooperation, particularly in Russia and Brazil. Recent political and economic developments in those countries explain the potential of business environment.

Earl Rasmussen, Executive Vice President, The Eurasia Center/EBC

Science, Technology and Innovation (STI) play a crucial role in supporting long-term economic growth and development. Recent initiatives amongst the BRICS nations both, within and in cooperation between them have highlighted their realization of the importance of STI and its role in the future. There have been several initiatives amongst the BRICS countries to encourage greater sharing and cooperation in the areas of STI.

South-South Technology Cooperation is an initiative of India, Brazil, and South Africa, or IBSA Dialogue Forum. It is aimed to identify common areas of collaboration, possess the necessary technology or scale of experience, and to understand returns to technology cooperation. The initiative's recent efforts focused on energy and medical technology cooperation.

The Skolkovo initiative intends to bring new life and growth to technology innovation within Russia. Its focus is innovation and entrepreneurship promotion. Skolkovo's technology sectors include: information technology, energy, nuclear technologies, biomedicine, and space technologies. Russia and China continue their technology cooperation in the areas of innovation, engine technology, and nuclear power sector. This cooperation saw a significant increase over the past year.

The BRICS nations took significant steps in demonstrating their cooperation and dedication to innovation during the BRICS Summit in 2014. They identified the need to address science, technology and innovation, and to establish a working group. Consequently, a Science and Technology Agreement was developed. This initiative seeks to promote the exchange of information on STI policies and strategies, and to leverage contacts and programs aimed to enhance collaboration on projects among the BRICS nations.

At the II BRICS STI Ministerial meeting in March 2015 was discussed the development of a Work Plan 2015-2018, focusing on the five priority areas and leadership established by each country: prevention and mitigation of natural disasters, to be led by Brazil; water resources and pollution treatment, to be led by Russia; geospatial technology and its applications, to be led by India; new and renewable energy, and energy efficiency, to be led by China; and astronomy, to be led by South Africa. New initiatives agreed by the BRICS countries will also be included in the Work Plan.

The Work Plan ensures the development of STI cooperation through the launch of a BRICS Research and Innovation Initiative, which will cover actions including:

a) Cooperation in the framework of major research infrastructures
b) Coordination of existing large-scale national programs of BRICS countries
c) Setting up a Framework Program for funding multilateral joint project for research, technology commercialization, and innovation
d) Establishment of a joint Research and Innovation Networking Platform

The BRICS countries also understand the importance of human capital, and specifically, the development and encouragement of future scientists. The creation of a BRICS Young Scientists

Forum, initially proposed by India, intends to establish a platform for young students of science, engineering and applied disciplines.

Although there are many challenges, including financing, corruption, culture and language, distance and trust, each nation provides strengths and a unique perspective that together enhance BRICS overall global competitiveness and growth. Long-term cooperation in these areas will help bridge the scientific and technological gap between BRICS and developed economies, and provide a new quality of growth based on economic complementarity.

Key points:

- BRICS recognizes the importance of STI
- Several initiatives were developed to promote STI in BRICS
- BRICS Young Scientists Forum is proposed by India to establish a platform for young students of science, engineering and applied disciplines

Ralph Winnie, Jr., Vice President, Director, China Program, Eurasia Center/EBC

Shale oil production in the United States has soared, reversing a decades old decline in America's crude output. North Dakota's Bakken shale could yield 24 billion barrels of oil in the decades to come. It is a huge boon both to the economic health of the Northern Plains states, but also to the petroleum balance of the USA. However, there is another oil shale play called the Bazhenov. Located in Western Siberia, it covers 570 million acres, which is the size of Texas and the Gulf of Mexico combined, and 80 times bigger than the Bakken.

Getting access to the Bazhenov is the focus of a new joint venture by Exxon Mobil and Statoil with the Russia's Rosneft to jointly develop light oil production techniques in western Siberia. According to analysts, for companies like Exxon and Statoil it would not be hard to export their shale fracking techniques to Siberia, if Russia is able to deploy 30 drilling rigs to the area. In this case, the Bazhenov could be producing one million barrels per day by 2020. Putin recently announced tax incentives for exploration of shale oil in western Siberia and is forecasting production of two million barrels per day by 2020. The potential for profit from Russia's shale gas boom is enormous. Russian oil companies, such as Gazprom Neft, Rosneft, and Lukoil have teamed up with Exxon Mobil, Total, Statoil, and Royal Dutch Shell to share costs and obtain the technology needed to explore for unconventional oil.

However, Russia's shale gas revolution could be hampered by Western sanctions. Sanctions already preventing some companies from making new investments in Russia, limiting Russia's access to advanced technology to explore unconventional oil. In fact, the U.S. and European Union could ban exports of modern technology and application for use in the Russian oil sector, hindering further oil production.

Despite the push by Western governments to isolate Moscow due to the situation in Ukraine, energy giants are deepening their relationships with Russian oil and gas companies by investing more money into the country. Exxon Mobil and Rosneft recently signed an agreement to expand joint ventures to drill offshore in the Arctic Ocean, to explore for shale oil in Siberia, and to cooperate on a liquefied natural gas plant in Vladivostok. British Petroleum and Total of France also signed contracts to explore for shale oil. Furthermore, Exxon Mobil plans to drill its first exploratory well offshore in the Russian sector of the Arctic Ocean this summer. Statoil of Norway is in talks for another shale joint venture. The main risk for energy companies is another round of sanctions, which could be broader, cutting off dealings with major sectors of economy like finance, metals, and energy.

Moscow look closer to home for partnerships and recently secured a 400 billion contract to supply natural gas to China. Over the course of 30 years, this deal will involve piping natural gas from Russia's Far East to China starting in 2018. From the Chinese perspective, natural gas is seen as vital to curbing China's pollution problem. However, some Russian analysts have criticized the China-Russia deal. It was rushed through to neutralize worries of political isolation and to convey the impression that Russia can easily switch sales to the East.

New economic data from China shows Russia's success in capturing a larger share of the growing Chinese oil import market. China's imports of Russian oil skyrocketed by 36% in 2014. The rapid rise in Russian oil exports to China is displacing other sources, such as Saudi Arabia and other OPEC members.

China and Russia have been moving aggressively on deals linking their economies together. The national stock exchanges of China and Russia have signed agreements making it easier to transact in renminbi and rubles instead of dollars on the local exchange. China and Russia have announced a joint investment bank whose first investment is in Chinese agribusiness. Furthermore, on May 9th, 2015 China's biggest hydropower developer has signed an agreement with Russian hydropower firm RusHydro to jointly build a hydropower plant in Russia.

In May 2015, series of 32 contracts totaling roughly 250 billion were signed between China and Russia. Putin further indicated Russia's interest in Chinese involvement in tapping the giant Vankor oil and gas fields in eastern Siberia. Putin and Xi also discussed the Silk Road Economic Belt. China plans to coordinate closely with the Eurasian Economic Union.

Lastly, China and India have recently signed 26 business deals worth more than $22 billion in areas of renewable energy, energy, ports, financing, and industrial parks. Indian Prime Minister Narendra Modi sought to boost economic ties and quell anxiety over a border dispute between China and India during his visit to China. He encouraged Chinese companies to embrace opportunities in India in manufacturing, processing, and infrastructure.

Key points:

- The Bazhenov oil shale has a great potential for oil giants exploration
- Energy giants deepen relationships with Russian oil and gas companies
- China and Russia move aggressively linking their economies together
- China is interested to coordinate with the Eurasian Economic Union its Silk Road Economic Belt project
- China and India increase their cooperation

João Castro Neves, Director, Latin America, The Eurasia Group

To date, Latin American countries are at the end of the economic supercycle. After the rapid period of growth in the emerging markets, the global conditions became less supportive than they were before. One of the sign of such changing environment is commodity boom. Moreover, economic supercycle has generated a political supercycle in Latin America, in terms of strong governments, strong leaders, and high approval ratings. It created L. Lula, H. Chavez, C. Kirchner, and E. Morales. The analysis of the last several years demonstrates the increase in commodity had a positive effect on the popularity of political leaders, and thus, significantly impacted policy-making. For example, Brazil adopted more state-centric policies in the oil sector.

However, the time has changed and weakened these leaders significantly. The global condition for the emerging markets became less supportive. It can instigate new political cycles and policies in the Latin America. Although the middle class has increased drastically, it will take considerable efforts from the government to answer to the people's demands, given their certain vulnerabilities. The successful formula of the majority of the Latin American leaders was to deliver more to the middle class.

In the case of Brazil, the aforementioned challenges might have a positive effect. This phenomenon is described as a "political perfect and economic storm". For several years Brazil had a steady economic growth. However, the recent years demonstrate low growth numbers, beginning of recession, and the government's low approval ratings. At the same time, Brazil is implementing a meaningful course correction on economic policies, particularly in fiscal, monetary, and macro-economic policies. Beyond economic sector, course correction also impacts infrastructural and oil sectors.

Over the last fifteen years, Brazil had a consumption-led growth model, contributing to the increase in the middle class. But, this model reached an exhaustion point. The government is facing a new challenge - how to build the access to better services. Such a demanding environment urged Brazil to transform its economic model into investment-led growth model. Transition will affect first and foremost the sectors of logistics, infrastructure, and oil.

Another pressure for policy changes emanates from the shifting geopolitics of oil. When Brazil discovered huge oil reserves in 2008, two years later it had changed the framework from the business friendly to the less competitive, giving operational exclusivity in the pre-salt basin and strategic regions to the state-controlled Petrobas oil giant. The exclusivity may deter investment by making these areas less attractive to foreign oil majors. Moreover, the booming oil and shale gas in the U.S., and the prospective energy reform in Mexico, undermine Brazil's position of the most promising oil player in the world.

Key points:

- Brazil went through economic and political supercycle
- An increase in middle class instigated an increase in public demands
- Change from consumption-led growth model to investment-led growth model
- Course correction in economic, infrastructural, and oil sectors

Panel 3 Summary:

The BRICS countries have made substantial progress in science, technology and innovation. At the second ministerial meeting on STI the BRICS countries consolidated their cooperation, and signed a Memorandum of Understanding, a strategic intergovernmental framework, to strengthen cooperation in STI, and to address common global and regional socio-economic challenges using shared experiences and complementarities.

Energy sector is an integral part of Brazil's and Russia's economies. Recent political and economic developments have significantly impacted this sector in both countries. The Western sanctions imposed against Russia have drastically limited the Western business opportunities in energy. As a result, Russia turned to Asia and Africa to diversify its economy and market, suffering from the sanctions and oil prices plummet. Russia and China move aggressively linking their economies together. Brazil, on the other hand, has changed its economic model from the consumption-led towards the investment-led model. However, the recent corruption issues with the state oil company Petrobras may resonate on the infrastructure investment climate.

Afternoon Opening Remarks

The Honorable Oleg Burmistrov, Deputy Head of Mission,
The Embassy of Russian Federation in the USA

This is the third meeting at the Russian Embassy devoted to the conference on "doing business with the BRICS". Starting from April, 2015 Russian Federation holds the presidency of the BRICS. In July, Ufa will host the Seventh BRICS summit.

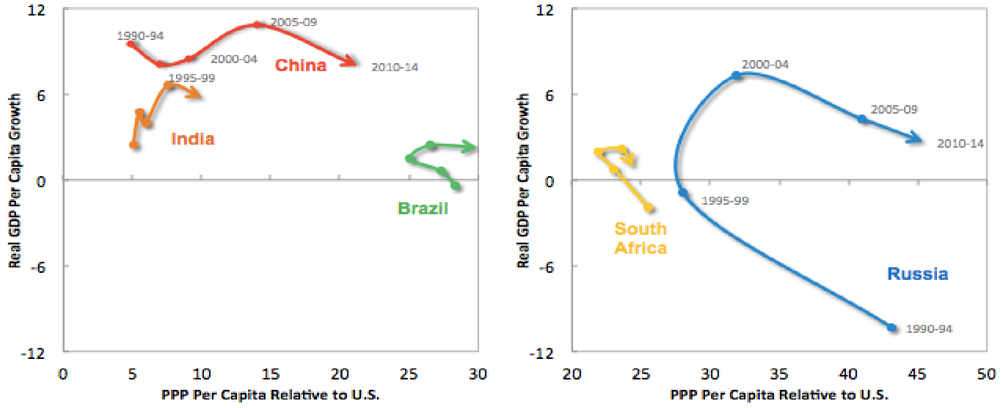
The BRICS group united five world's most influential countries. Although it is a young organization, it has already proven its effectiveness. This conference will put the BRICS countries potential into more effective use.

Afternoon Keynote Address

Min Zhu, Managing Deputy Director, IMF

Min Zhu delivered an insightful presentation on the new developments and challenges in the BRICS countries. Scientists and economists perceive the growth as a key driver of economy. However, it is not the only one important factor. The growth process is participatory: when one country is experiencing growth, others are also affected. Therefore, convergence is an essential process of comparing growth with peers.

Country-by-Country Convergence

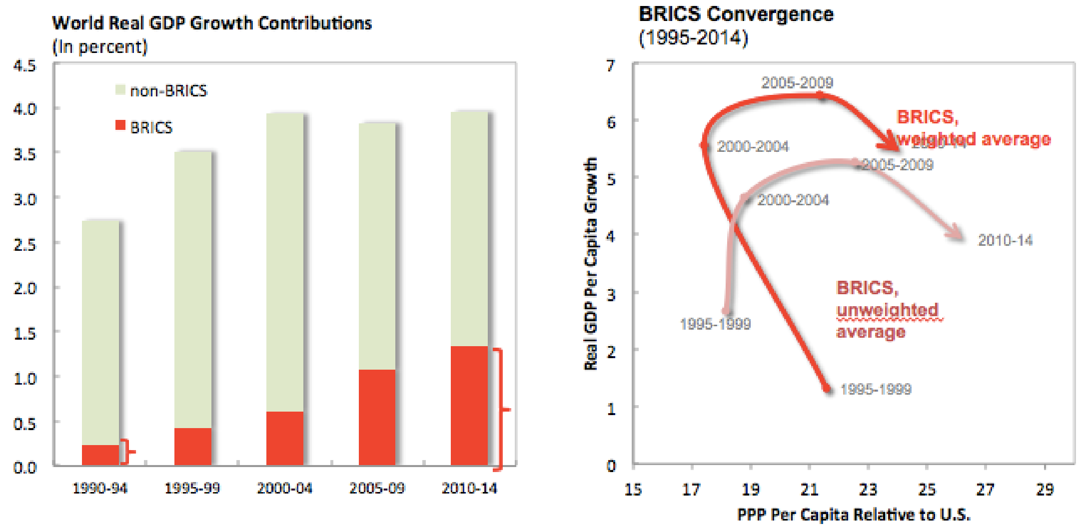


Sources: IMF WEO, PWT and IMF staff calculations.

In case of BRICS, all five countries share the same trends.

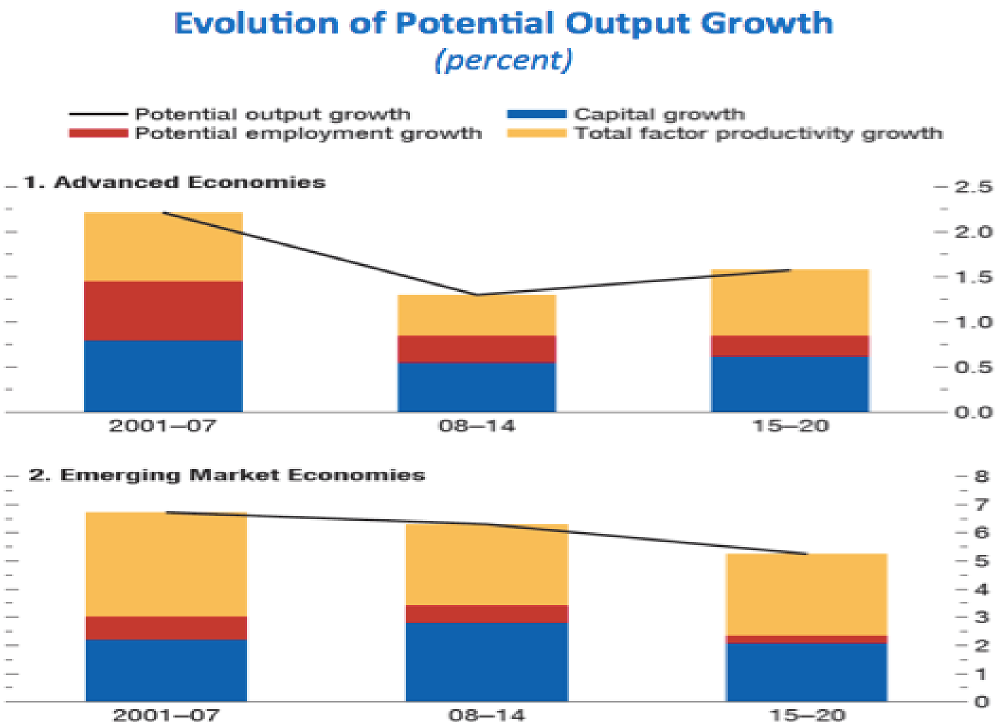
Rising Economic Standing of the BRICS

BRICS important global growth generator… **…and resumed path of income convergence.**



Sources: IMF WEO, PWT and IMF staff calculations.

Due to the growth and convergence, the BRICS countries contribute to the global growth more than 30%. They become an engine of the world's growth. Rising economic standing of the BRICS is supported by favorable external conditions. Among them are: free trade, free capital flow and easy financial conditions, and commodity prices growth. The BRICS countries succeeded in improving internal framework. In three years, flexibility in exchange rate has dramatically increased. External and public debt declined, and reserves have significantly capitalized. These improvements explain why the BRICS emerging markets have succeeded in growth and convergence in the past twenty years.



One of the challenges of emerging markets is the decline of potential output growth. In years, productivity growth, potential employment growth, and capital growth shrunk, therefore causing a decrease of potential output growth. The future growth depends on productivity growth. The slowdown of emerging markets, including the BRICS, has a direct impact on the global economy.

Facing the challenging environment, there are several recommendations for emerging markets and particularly the BRICS countries.

I. **Implement growth enhancing supply side policies**, including structural reforms, smart investment, and supply-side supporting monetary and fiscal policies. The emerging markets need to focus on promotion of product market competition and labor market flexibility, implementation of pension reforms, and improving service sector productivity. The aforementioned policies are the basis of structural reforms aimed to boost growth. Smart investment is the second essential strategy for emerging markets to advance their performance. Besides infrastructure investment, knowledge of economy and the long-term human capital formation, are critical for achieving positive growth. Smart fiscal expenditures, improved monetary policy with targeted transmission channel, and monetary and fiscal policies to maintain growth speed will be beneficial to emerging markets.

II. **Promote macroeconomic stability** and be cautious to financial market risks. Implement consistent regulatory reform and enhance supervision of the shadow banking system. Prepare for Fed's interest rate hike.

III. **Support global cooperation** by facilitating globalization (trade and capital flows), enhancing global financial safety net, implementing global regulatory reform, and practicing new multilateralism.

In order to advance the BRICS countries' economies, each of them has to focus on the mid-term priorities.

Brazil should focus on restoring competitiveness and strengthening policy credibility, shifting toward investment-led growth, while boosting savings.

Russia. Structural bottlenecks exacerbated by geopolitical uncertainty and lower oil prices. Increase competitiveness and reduce oil-dependency.

India has to address supply-bottlenecks by boosting investment; reform land, labor, and product markets; and gradually liberalize financial sector.

China needs to rebalance towards more sustainable growth model, less reliant on investment, with orderly unwinding of accumulated imbalances.

South Africa has to address deep-seated structural issues by improving electricity availability, reducing skill mismatches, boosting competition, and making labor markets more inclusive.

Therefore, the BRICS markets further successful convergence is possible, if the right policies are implemented correctly and timely.

Key points:

- Growth and convergence are two interrelated processes
- Free trade, free capital flow and easy financial conditions, and commodity price growth are external factors contributed to BRICS growth and convergence
- Increase in exchange rate flexibility, low external and public debt, and increase in reserves are key internal improvements of the BRICS countries
- Key challenges for the emerging markets is the decline of potential output growth
- The slowdown of BRICS has a direct impact on the global economy

Michael Kalugin, Head, Economic Division, The Embassy of the Russian Federation to the USA, and Richard Coyle, Emerging Markets Institute, Cornell University

Panel 4: BRICS 2015 – Ufa, Future BRICS Cooperation Initiatives

This panel provides a framework to discuss the upcoming Seventh BRICS Summit on July 8-9 hosted in Ufa, Russia. It will look at major objectives and priorities of the upcoming meeting and future cooperation initiatives.

Mikhail Kalugin, Head, Economic Section, Embassy of the Russian Federation

In 2009, the BRIC grouping was organized, and Russia held its first presidency. BRICS emerging economies comprised of Brazil, Russia, India, China, and South Africa are the world's largest market. In the last decade, the BRICS combined GDP grew 300% as opposed to 60% growth registered by the developed world.

The fifth BRICS summit of 2013 resulted in the signing of Durban declaration and action plan. Gradual transformation of the BRICS mechanisms for coordinative actions became a strategic goal of this declaration. One of the biggest achievements was the establishment of such financial structures, as the New Development Bank (NDB) and the currency reserve pool.

This year Russia holds the presidency of the BRICS. Russia has a strategic view of the BRICS: 1) BRICS countries have a common interest in conducting independent policy-making on international arena; 2) the complimentary nature of member-states economies is beneficial for business and consumers; 3) all members share and exchange an important experience from all areas, including economic, political, and social areas.

The upcoming Ufa Summit in July 8-9 will focus on drafting documents, such as the Ufa Declaration, strategy for multilateral economic cooperation, and roadmap for investment cooperation; conducting the outreach meetings with the Eurasian regional organizations member-countries leaders and closest geopolitical neighbors (Eurasia Economic Union and Shanghai Cooperation Organization); developing new cooperation formats; and discussing BRICS Virtual Secretariat.

Among strategic priorities of Russia's presidency in BRICS are to strengthen international peace and security, promote BRICS interests on the international arena; to facilitate multilateral financial cooperation and reform of international financial system; to enhance trade and economic cooperation within the BRICS; and to expand social and humanitarian cooperation in the group format, including the youth meetings.

Key points:

- BRICS combined GDP grew 300%, the developed world grew 60%
- The establishment of BRICS financial structures is a strategic achievement
- At Ufa summit will be drafted the Ufa Declaration, strategy for multilateral economic cooperation, and roadmap for investment cooperation

Richard Coyle, Executive Director, Emerging Markets Institute, Cornell University

In 2001, Jim O'Neill introduced the concept of the BRIC, identifying four global economies with a growth potential. Years later, those countries evolved in the BRICS alliance. However, the common factor between these countries of 2001 concept differs from today's reality. The World Bank forecast demonstrates the divergence of growth rates in GDP in the BRICS countries: Brazil is forecasted to grow by 1%, Russia will have negative growth outlook of 2.9%, India's growth increase by 6.4%, China's by 7.1%, and South Africa's by 2.2%. Overall, the BRICS GDP is forecasted to grow 5.1% this year. Change in growth rates is common in emerging markets.

The BRICS focus on economic development with less dependence on traditional institutions of the U.S., Europe, and Japan. The goals BRICS put forward, such as an economic growth, improving the quality of life, often are more realistic to achieve in such small organizations. Due to the size of the bloc, the BRICS has much more realistic potential to achieve its goals, if compared to the existing multinational institutions. BRICS does not have geographical advantage, like EU or ASIAN institutions, nor does not have commodity focus, like OPEC. Therefore, it is essential for the BRICS countries to support their alliance.

At the upcoming Ufa Summit, the agenda will focus on the investment cooperation, prioritization of strategic and economic partnerships, and financial cooperation, including the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA). At the previous summits, the BRICS nations had agreed on multiple issues, including reforming the United Nations, condemnation of terrorism, use of renewable energy, peaceful use of nuclear energy, importance of millennial development goals, eradication of poverty and hunger, and so forth. However, among the greatest challenges for the BRICS will be not to lose its key focus on the core subject - economic development of its member-states, and to avoid the risk of duplicating functions of other multinational institutions.

The next step for the BRICS is to make the NDB and Asian Infrastructure Investment Bank operational, because there is a strong need for infrastructure improvement across its countries. It is strategically important to slow down on additional measures of cooperation, focus on the banks development, and the CRA's effectiveness to ease the payment pressure on the BRICS countries. Additional areas for cooperation that should be highly encouraged and promoted are innovation, science, and technology.

Key points:

- Slow down on additional measures of cooperation
- Focus on the banks development
- Promote innovation, science, and technology

Panel 4 Summary:

Russia's Presidency in the BRICS in 2015 will focus on strengthening international peace and security, promotion BRICS interests on the international arena, facilitation of multilateral financial cooperation and reformation of international financial system, enhancing trade and economic cooperation within the BRICS, and expanding social and humanitarian cooperation in the group format, including the youth meetings.

During the Seventh BRICS Summit in Ufa, the following documents will be drafted: the Ufa declaration, strategy for strategy for multilateral economic cooperation, and roadmap for investment cooperation. One of the challenges for the BRICS is not to lose its main focus on the core subject, economic development of its member states, and to avoid the risk of duplicating functions of other multilateral institutions.

Panel 5: BRICS and Managing Political Risk, Legal and Financial Developments and Challenges

This panel examines the legal frameworks in BRICS emerging markets and looks at some of the potential risks and challenges as well as progress in managing those risks.

Tom Thomson, Principal, T. Thomson & Associates, LLC

The goal of this panel is to provide an additional insight to the topics and issues discussed at the previous panels, and to address political and legal risks and challenges for the BRICS economies and foreign direct investments. Among the risks and developments affecting the BRICS nations and the global community are oil prices, currency prices, protection of trade policies, data protection, corruption, international conflicts, rising Islamist extremist insurgency, and so forth.

There are also slow burning issues that influence political, economic, and social development of the BRICS and the global community, such as climate change, rapidly changing technologies, particularly in the areas of communications and Internet, aging workforces and population booms, human migration, and so on. These are some of the many factors that will have major long-term influences on the BRICS countries.

Key points:

- Among the risks affecting the BRICS nations are oil prices, currency prices, trade policies, and corruption
- There are slow burning issues that influence political, economic, and social development of the BRICS that should be addressed

Moutusi Sau, Senior Associate, Center for Financial Markets, Milken Institute

Developing countries hold about 8 trillion of dollars in foreign exchange reserves, or nearly 70% of total reserves. Their share of GDP has increased almost three times, and their share of total reserves has increased six times since 1993. The South-South economic cooperation has surpassed the North-South trade by 2.2 trillion of dollars, or 25% of global trade. China has recently displaced the United States to become the world's largest economy, yet has less voting power in the IMF and World Bank than smaller European nations, like Belgium, the Netherlands, and Luxembourg.

According to the World Bank, there is a 1 trillion of dollars gap in infrastructure investment in developing nations, a need unmet by the multilateral lending organizations. Currently, only 40% of that gap is being filled through existing development banks, indicating the need for a bank to fulfill infrastructure and financial needs of the BRICS.

The BRICS Bank was envisioned as a bank to fund development and infrastructure projects in developing and less developed countries during global financial crisis and issue convertible debt for risk sharing. An initial capital of 50 billion of dollars was set to the New Development Bank (NDB). The capital base will have equal-share voting, with each country contributing 10 billion of dollars in the beginning. Contingent Reserve Arrangement (CRA) fund will have 100 billion of dollars in contingent reserves to tide over members in financial difficulties.

The rationale to create NDB and CRA was to secure national economies from a crisis in financial markets. The developing nations have been exposed to several short-term volatile events due to interconnectedness of the markets. Quick reactions by investors to FOMC statements on tapering have hurt the markets badly (volatile currencies). Argentina, Mexico, Nigeria, Indonesia and several other countries have already announced their readiness to join the BRICS.

Although the BRICS countries have been achieving considerable levels of economic and social success, certain challenges should be addressed and taken into consideration. China continues to dominate the economic and financial markets given its power over other the BRICS members. Five BRICS nations are remarkably different from each other and their goals sometimes diverge. Lack of geographical proximity amongst the countries makes cooperation difficult, unlike the Eurozone where cooperation is inherently dependent on geographical closeness. Despite a starting capital of 100 billion of dollars, the infrastructural capital needs for developing nations would still be unmet. According to the World Bank, there is a need of 2.5 trillion of dollars over the next ten years.

Key points:

- NDB and CRA have a great potential to secure BRICS economies from a crisis in financial markets
- China dominates economic and financial markets
- Lack of geographical proximity amongst the countries makes cooperation difficult
- A starting capital of 100 billion of dollars cannot meet the developing nations need of 2.5 trillion of dollars over the next ten years

Thomas Sullivan, Senior Attorney, Marks & Sokolov

In response to Russia's annexation of the Crimean peninsula in Ukraine, and ongoing military intervention in Eastern part of Ukraine, the United States has imposed a number of economic sanctions against Russian individuals, entities, and sectors. Sectorial sanctions focus mainly on the mining industry and banking. In some cases, sanctions restrict only specific types of economic transactions.

These individuals, entities, and sectors get onto SDN (specially designated nationals) list at the U.S. Department of the Treasury. Therefore, any American bank or company has to consult with the list when doing business in Russia. If a company is not American, but has an American subsidiary, it is also at risk of violating U.S. sanctions if it does business with someone from SDN list.

The U.S. sanctions against Russia have raised concerns among American business groups. They experience certain difficulties and obstacles in doing business with Russia. One of the main concerns for the U.S. business is the economic cost of sanctions on Russia to the United States.

Russia is already seeking for alternative economic partners and enhances its cooperation with the emerging markets. The full economic impact of the U.S. sanctions on Russia's economy remains to be seen.

Key points:

- Sectorial sanctions target mining industry and banking
- Companies violating U.S. sanctions are subjected to a large fine
- Sanctions hurt domestic business

Otaviano Canuto, Senior Advisor on BRICS, The World Bank Group

The New Development Bank (NDB) and the Contingency Reserve Arrangement (CRA) are two different entities, which should not be intermingled. The NDB's role and functions can be compared to the World Bank's ones. The capital base of NDB will facilitate infrastructure investment and promote sustainable development projects in the BRICS countries. On the other hand, the CRA is designed to relieve liquidity pressures in times of crisis. However, there is a certain threshold in CRA, so it is envisaged as a complement, not a substitute, to the lines of credit offered by the IMF.

The World Bank estimated the need of more than 1 trillion of dollars per year for the infrastructure finance in developing countries. Because the BRICS countries experienced certain difficulties in the access to the required investment in infrastructure and long-term debt finance, the multilateral development banks like NDB can fill the gap to some extent. There is a need for the investor-financier relationship for the emerging markets.

The BRICS nations have to conduct structural reforms to tackle infrastructure and economic problems. For example, after 2008 global economic crisis, Brazil had successfully implemented the counter-cyclical policies, which led to the economy growth over 7% by 2010. However, in 2012 Brazil was exposed to the second wave of economic crisis. Brazilian government implemented the second counter-cyclical policy, expecting to have the same positive results. This strategy led to high inflation rates and no growth. On the other hand, crisis at the pre-salt oil basin and the Petrobras oil company has a secondary effect on Brazil's economy.

Brazil improved some of the strategic sectors, such as law enforcement, particularly judiciary, federal police, and attorney general. Today, there is a great opportunity for business to enter the new areas in regulated sectors, infrastructure related, and construction that were not opened until the recent developments.

Key points:

- NDB facilitates infrastructure investment and promotes sustainable development projects
- CRA provides short-term liquidity support to the BRICS nations
- Need for structural reforms, particularly in infrastructure sector
- More opportunities for business in Brazil

Panel 5 Summary:

Among the risks and developments, affecting the BRICS nations and the global community are volatile oil and currency prices, trade policies, corruption, international conflicts, and so forth. The BRICS nations created the NDB and CRA to protect their emerging economies from the aftermath of global financial crises, and to advance their infrastructure investment and sustainable development.

Lack of geographical proximity amongst the member countries, difference in culture and the goals setting, and the need for structural reforms, are potential challenges for the BRICS.

Panel 6: Social development in the BRICS: Education, Health, and Workforce Migration

Social development is a key enable of economic growth. There are numerous opportunities for cooperation between the BRICS countries in these areas. Key sectors for potential include in Education, Health, and Workforce Migration. This panel discusses ongoing and future initiatives to include potential opportunities.

Dmitry Beskurnikov, Representative, Chamber of Commerce & Industry of Russian Federation in the USA

At the first glance, education, health, and workforce migration do not seem to be related to the trade and investment subject. However, demographics, migration, and education are essential factors in economic development. For example, Russian Federation has lost more than 15 million people during the WWII, mostly of productive age. Twenty years later, the country faced a considerable decline in the number of births and the working class people. During the 90s, the ethnic Russians return from the former Soviet Union republics had compensated this gap. In 2000, millions of migrants from the Caucasus region and Central Asia filled the niche of manual labor.

To date, the older generation of educated and skilled workers leaves the workforce. There is a need to fill their places. It affects the efficiency and productivity of Russia's high tech industries. Moreover, the population of Russia's Siberia and Far East has been constantly shrinking.

Another example is China. The one-child policy was originally designed to be a one-generation policy. However, its inevitable implications resulted in gender imbalance. Due to increased longevity of population, the number of elderly people in China will be exceeding the workforce.

These are the examples of demographic factors that will heavily influence economic developments in the BRICS nations.

Key points:

- Education, health, and workforce migration are essential to economic development of BRICS
- Lack of workforce and skillful personnel impact productivity and technology quality

Michael Griffiths, President, TSD Knowledge Transference

Each of BRICS country has its own area of innovation in medical and technology fields. The infrastructure development, including personnel, is the underway-through public and private investment. Therefore, education of personnel is an essential component for infrastructure development. Growing an experienced workforce should be a focal point for the BRICS nations.

Protection of intellectual property is paramount to the member-states to promote and secure innovation and technology in all sectors.

Russia has set the BRICS priorities for this year. Among them are: to strengthen international peace and security; to promote the BRICS interests on the international stage; to deepen humanitarian cooperation in the format of the BRICS; to facilitate multilateral financial cooperation and the reform of the international financial system; to enhance trade and economic cooperation within the BRICS; to expand social cooperation of the BRICS. These priorities should be collaborative efforts of all member nations.

There are several powerful examples demonstrating the importance of personnel education, property rights protection, and infrastructure development to successful progress of innovation in medical and technology fields.

Brazil has a thriving biotechnology. “Acheflan” – is an anti-inflammatory drug, developed in Brazil. In 1980s, a generics manufacturer company became aware of a plant, native to the Atlantic Rainforest, which forms the basis of an anti-inflammatory remedy. Sailors, who were using it in the form of oil, have proved its efficiency. However, because of the weak intellectual property rights and the law prohibiting pharmaceutical patents, the drug has never been developed and distributed. Almost twenty years later, when Brazil reformed its patent law, the drug manufacturer resumed its work on the shelved project. When the product was launched, it received a 30% share of the anti-inflammatory market in Brazil. Today, the product is ready to launch worldwide. Brazil has also succeeded in the areas of agricultural self-sufficiency, bio-energy, and educational infrastructure to support new industries.

Russia has also examples of medical pioneering. Developed in 1920’s, Phage therapy, a viral therapy based on bacteriophages, has been used to treat pathogenic bacterial infections. It has many areas of potential applications, including dentistry, veterinary science, and agriculture. However, the treatment is approved only Russia and Georgia. Moreover, because phage therapy is nearly a century old, it would be difficult for a company to claim a treatment as intellectual property, and therefore recoup its costs.

India is expected to be the third-largest global generic active pharmaceutical ingredient (API) merchant market by 2016, with a 7.2% market share. It is also well known for the medical tourism and alternative medicine. However, there is no quality control for alternative medicine products.

Therefore, given the growing influence of the BRICS in international community on matters of addressing global health problems, there is a growing need to further strengthen the role, which Russia plays in the BRICS activities in this field. As part of Russia's Presidency, partners will be encouraged to take more systematic and concerted actions on the following tracks: a) non-communicable diseases, including cardiovascular diseases; b) infectious diseases, including HIV/AIDS, tuberculosis, hepatitis; c) malaria and dengue fever; d) healthcare systems; e) biomedical science; f) developing the most efficient mechanisms for assessing the quality and accessibility of healthcare; g) effectively promoting cooperation in the development, production and sale of means of preventing, diagnosing and treating infectious diseases (HIV/AIDS and other dangerous infections), including joint analysis of legal, economic and institutional aspects of the expansion of such cooperation; h) sharing information on achievements in the field of advanced medical technologies.

These efforts made jointly with the BRICS partners under Russia's Presidency could result in the development of a set of practical arrangements BRICS' Contribution to Improving Global Health Security to be included in the final communiqué of the Summit.

The essential areas for the BRICS countries for improvement and advancement are intellectual property protection, infrastructure development, training programs, and foreign direct investment.

Key points:

- Improve intellectual property protection
- Increase infrastructure development
- Promote training and educational programs for personnel
- Grow an experienced workforce
- Attract foreign direct investment

Panel 6 Summary:

The BRICS nations move forward in addressing the importance of education, health reform, and brain drain and workforce migration. Feeble property rights and potent registration rules and regulations force talented and educated personnel to migrate, causing a brain drain in the BRICS countries. At the Sixth BRICS Summit, five countries have agreed to collaborate and accelerate development of their education systems. Moreover, the launch of the BRICS International Youth Forum will enhance inter and intra-BRICS cooperation and exchange of young talents. However, the disproportionate migration of workforce remains one of the BRICS challenges.

Appendix A: Agenda

THE 3RD ANNUAL
"DOING BUSINESS WITH THE BRICS" CONFERENCE
Monday, May 18, 2015, Washington, DC
9:00 a.m. – 5:00 p.m.
with The GOLDEN BRICS Awards at Evening Reception (5:30 pm - 7 pm)

In Cooperation with:
The Ambassadors and Embassies of the BRICS Nations, Washington, DC

Hosted by:
THE EMBASSY OF SOUTH AFRICA
3051 Massachusetts Ave NW, Washington, DC 20008
THE EMBASSY OF THE RUSSIAN FEDERATION
2650 Wisconsin Ave NW, Washington, DC 20007

Conference Agenda

8:30 am – 9:00 am - Conference Registration at The Embassy of South Africa
9:00-9:15 am - Opening Address: Ambassador Mninwa Mahlangu from South Africa

9:15 – 10:15 am - 1st Morning Panel
New Developments in the BRICS, Investment Enablers - New Development Bank (NBD); Asian Infrastructure Investment Bank, Governmental Support for Business in the BRICS
Charles Sills, Vice President, Eurasia Center/EBC
Dr. Yan Wang, Deputy Director, International Financial Forum Institute
James Lewis, Senior Export Finance Manager, US Export-Import Bank
Brien Desilets, Managing Director, Claret Consulting

10:15-10:30 am - BRICS Networking Break

10:30-11:30 am - 2nd Morning Panel
Analysis of Trade Development & Trends within the BRICS
Richard Trifan, Vice President, Eurasia Center/EBC
Florizelle Liser, Assistant US Trade Representative for Africa
Carlos Henrique Angrisani, Economic and Commercial Affairs, Embassy of Brazil
Sandile Tyini, Minister, Economic and Commercial Affairs, Embassy of South Africa

11:30 am - 12:30 pm - 3rd Morning Panel and Awards: New Initiatives for Scientific & Technological Innovation & Energy Issues within the BRICS
Earl Rasmussen, Executive Vice President, The Eurasia Center/EBC
Ralph Winnie, Jr., Vice President, Director, China Program, Eurasia Center/EBC
João Castro Neves, Director, Latin America, The Eurasia Group

Golden BRICS Awards & Lunch

Conference Continues at
THE EMBASSY OF THE RUSSIAN FEDERATION
2650 Wisconsin Ave NW, Washington, DC 20007

Welcoming Remarks 1:30 pm
The Honorable Oleg Burmistrov
Deputy Head of Mission
Embassy of the Russian Federation to the U.S.

1:45-2:15 pm - Afternoon Keynote Address, Min Zhu, Managing Deputy Director, IMF

2:00 – 3:00 pm - 4th Panel Afternoon
BRICS 2015 – Ufa, Future BRICS Cooperation Initiatives
Richard Coyle, Executive Director, Emerging Markets Institute, Cornell University
Mikhail Kalugin, Head, Economic Section, Embassy of the Russian Federation
Dr. Xiaotong Zhang, Professor, Wuhan University, China

3:00 – 4:00 pm - 5th Panel Afternoon
BRICS & Managing Political Risk/Legal and Financial Developments and Challenges
Tom Thomson, Principal, T. Thomson & Associates, LLC
Moutusi Sau, Senior Associate, Center for Financial Markets, Milken Institute
Thomas Sullivan, Senior Attorney, Marks & Sokolov
Otaviano Canuto, Senior Advisor on BRICS, The World Bank Group

4:00 – 4:30 pm - BRICS Networking Break

4:30 – 5:30 pm - 6th Panel Afternoon
Social development in the BRICS: Education, Health, Workforce Migration
Dmitry Beskurnikov, Representative, Chamber of Commerce & Industry of Russian Federation in the USA
Roby Senderowitsch, Program Manager, Global Partnership for Social Accountability, World Bank
Michael Griffiths, President, TSD Knowledge Transference

5:30 – 7:00 pm - Evening Reception and Golden BRICS Awards

Appendix B: Opening Remarks - Ambassador Mninwa Mahlangu

Remarks by Ambassador Mninwa Mahlangu
3rd Annual Doing Business with the BRICS Conference
18 May 2015, 09h00 – 17h00

President of the Eurasia Center, Dr. Janco; Your Excellencies and Members of the Diplomatic Corps; Ladies and Gentlemen;

It gives me great pleasure to welcome you here today, at the 3rd Annual Doing Business with the BRICS Conference.

You would be aware that, the first Summit of "BRIC" took place in 2009 in Yekaterinburg and it is important to recall that this first "BRIC" Summit was convened at the height of the global financial crisis in 2009.

South Africa was invited in December 2010 by the then BRIC Chairperson, China, on behalf of the grouping, to join the BRIC.

Following from this, President Zuma attended the Third BRICS Summit that was held in Sanya on 14 April 2011.

The rationale for South Africa joining the BRICS, was to enhance the role of emerging economies in advancing the restructuring of the global political, economic and financial architecture into one that is more equitable, balanced and rests on the important pillar of multilateralism.

Through its membership of BRICS, South Africa has played a leading role in strengthening the architecture of BRICS, in launching the BRICS Business Council and the BRICS Think Tank Council and also in promoting a stronger inclusion and role for civil society.
It was during the Fifth BRICS Summit hosted by South Africa on 27 March 2013 in Durban, that the launch of the BRICS New Development Bank (NDB) and Contingency Reserve Arrangements (CRA) were announced by the BRICS Leaders.

It was announced that the Headquarters of the Bank would be in Shanghai and its Africa Regional Centre would be established concurrently in South Africa.

Addressing the World Economic Forum in Davos, Switzerland in January 2015, President Zuma stated that the BRICS bloc was *"a very important factor in the global economy and that we would have our own resources to finance ourselves and finance the developing countries."*

He further added that, "*For the first time, the developing countries are beginning to say there is a bank that is going to be doing things differently and it is going to have a branch on the African continent*."

Distinguished Guests;

The Bank will have an initial authorised capital of 100 billion dollars shared equally among the BRICS founding members.

And if it is considered that the aggregate price tag of the AU's Programme for Infrastructure Development in Africa projects will cost approximately 360 billion dollars over the next 30 years with 51 regional projects and over 400 subprojects, the NDB is a timely response to these needs.

The World Bank estimates that Sub-Saharan Africa requires 93 billion dollars per annum to meet its infrastructure needs which it only manages to raise half of on an annual basis.

BRICS is thus leading the way in this new type of alignment through initiatives such as the New Development Bank (NDB) and Contingent Reserve Arrangement (CRA) which will provide new models of international financing.

The Africa Regional Centre (ARC) of the Bank will play a strategic role in empowering the AU financial architecture and in providing confidence for investors both private and sovereign.

It would also assist in strengthening intra-regional trade and provide related opportunities for our private sector.

The Bank and the Reserve Arrangement will therefore have a direct impact on the lives of people on our Continent and South Africa.

Ladies and Gentlemen;

Infrastructure and sustainable development projects will be the core focus of funding for the NDB and an important gain is that the regional office will pay particular attention to project preparation and implementation with a special focus on regional and cross-border projects in energy, transport and logistics.

These are intended to assist in increasing intra-continental trade estimated at 12% and unleash the growth potential of the continent. It is also strategically located to meet this need since a significant number of its clients will come from the region.

At the Sixth BRICS Summit in Fortaleza, BRICS Leaders welcomed the proposals for a "BRICS Economic Cooperation Strategy" and a "Framework of BRICS Closer Economic Partnership", which lay down steps to promote intra-BRICS economic, trade and investment cooperation.

It is envisaged that the Strategy will be endorsed by the next BRICS Summit which will be held on 9-10 July 2015 in Ufa, Russia.

This strategy will lead to closer economic cooperation, trade and investment and can serve as a basis for improving the lives of our citizens.

South Africa will also utilize this strategy to interact maximally with its BRICS partners.

I have touched on only a few of the areas of cooperation which impact on the lives of our people.

There are others such as cooperation in the field of Science, Technology and Innovation, Cooperation among Cooperatives, SMEs and State Owned Enterprises, as well as Population matters and youth for example, which are being developed and which can also materially affect the lives of BRICS citizens.

In an ever changing world, our membership of BRICS allows us to influence and shape the global agenda, as well as developing and exploring new areas of cooperation which can serve the national interests of our countries.

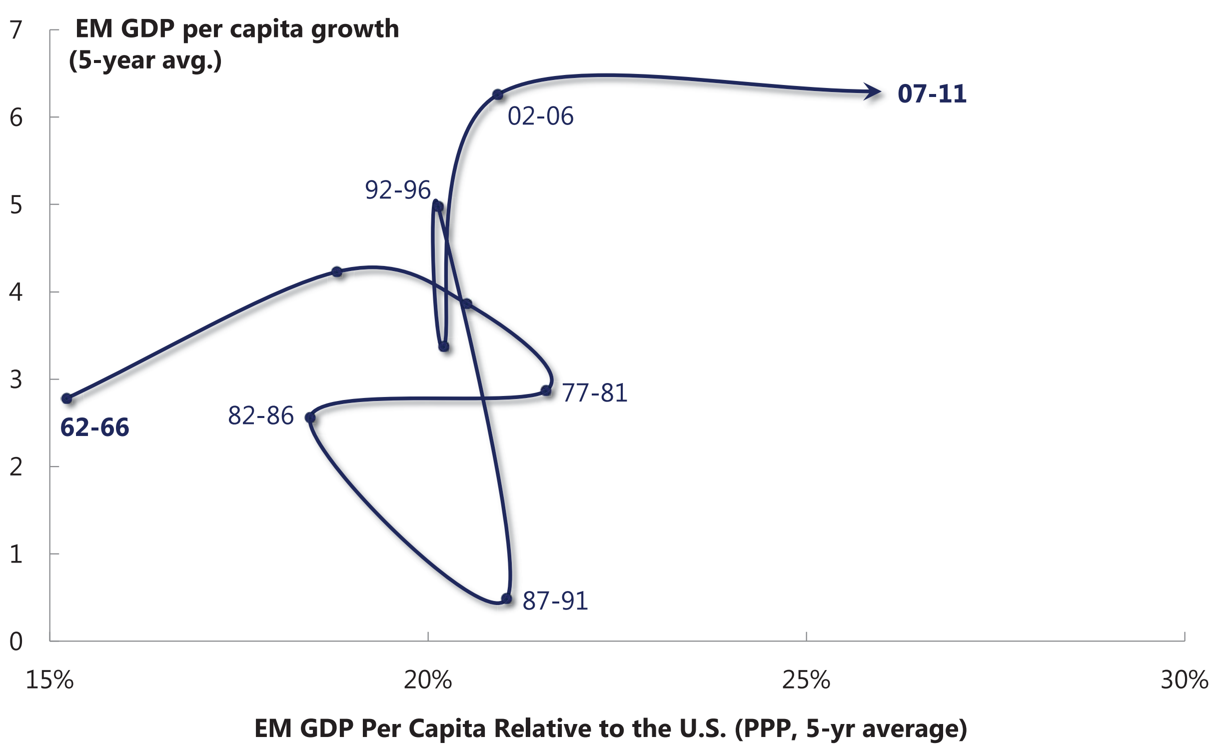
I thank you

Appendix C: Keynote Presentation - Min Zhu, Managing Deputy Director IMF

BRICS: New Developments and Challenges

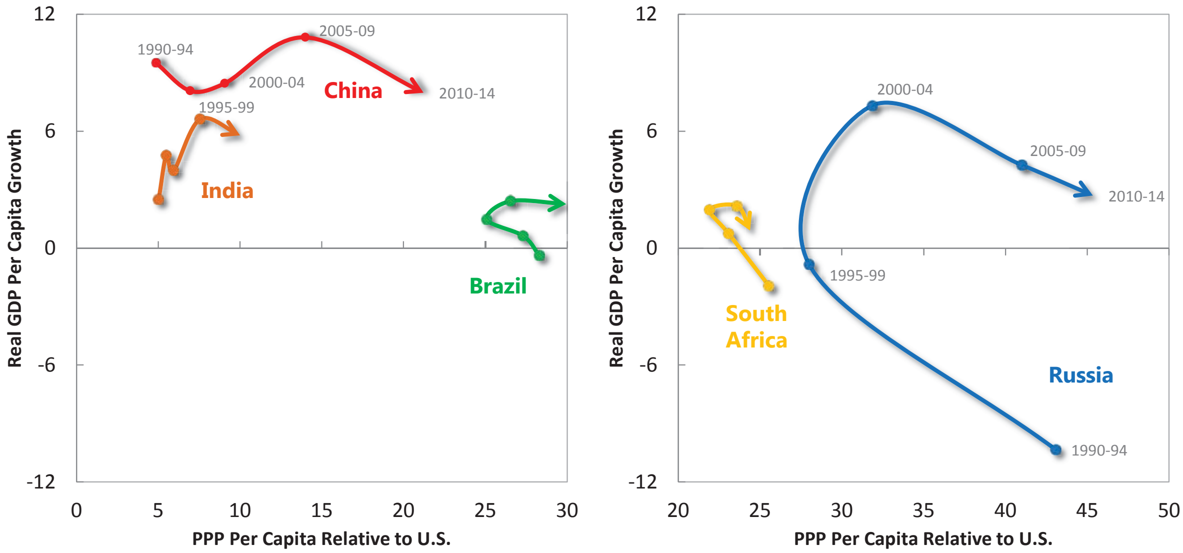
Min Zhu
International Monetary Fund

Exceptional Emerging Market Growth in the 2000s



Source: Penn Table 7.1, WEO, IMF staff calculation.

Country-by-Country Convergence



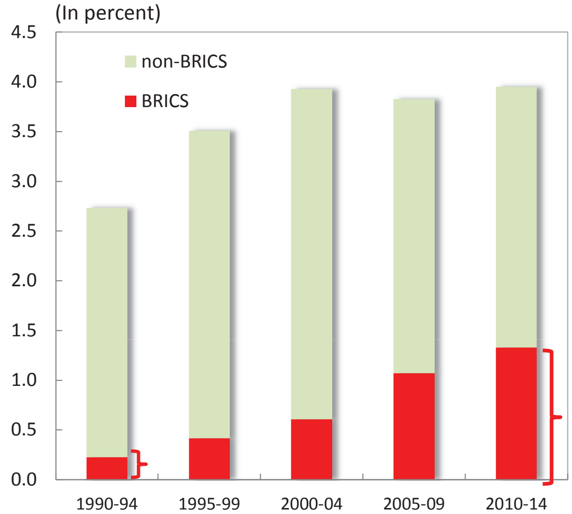
Sources: IMF WEO, PWT and IMF staff calculations.

Rising Economic Standing of the BRICS

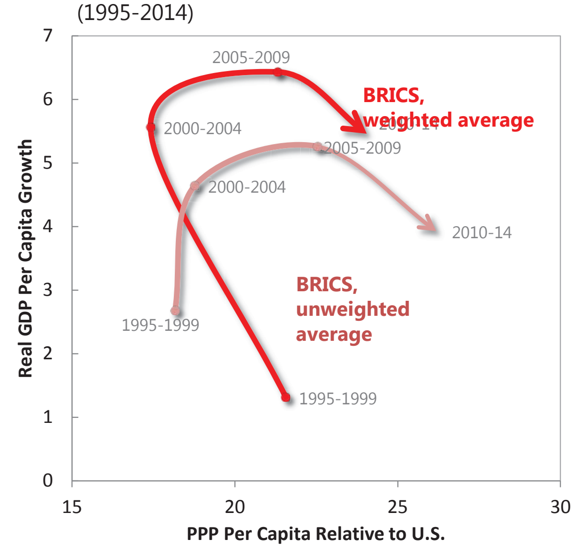
BRICS important global growth generator…

…and resumed path of income convergence.

World Real GDP Growth Contributions
(In percent)



BRICS Convergence
(1995-2014)

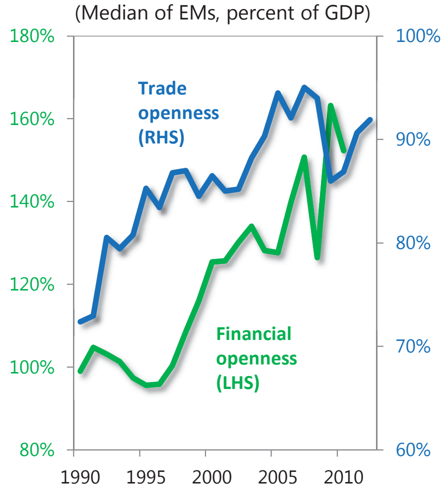


Sources: IMF WEO, PWT and IMF staff calculations.

Supported by favorable external conditions…

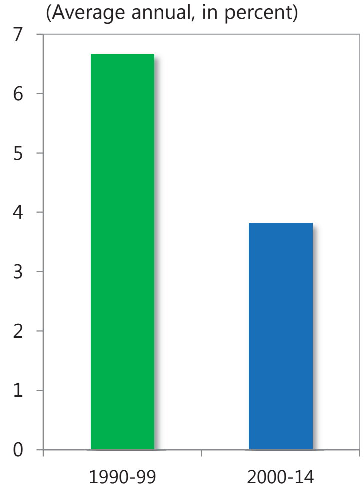
Dividends from global integration (China)

Trade and Financial Openness 2/
(Median of EMs, percent of GDP)



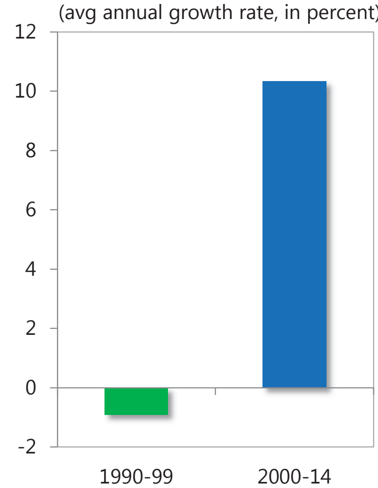
Easy financing conditions

U.S. Long-term Interest Rate
(Average annual, in percent)



Strong commodity prices (Brazil, Russia, South Africa)

Commodity Price Growth
(avg annual growth rate, in percent)

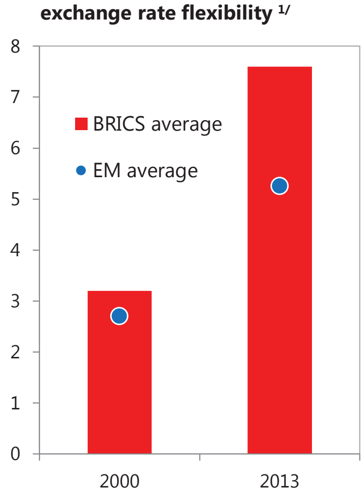


Source: IMF WEO, IMF GAS and IMF staff calculation.

…and improved fundamentals.

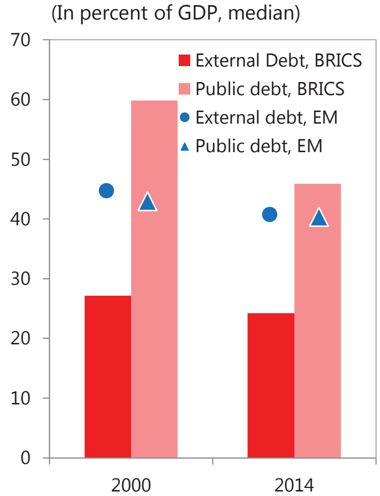
More exchange rate flexibility

FX Regime: average degree of exchange rate flexibility 1/



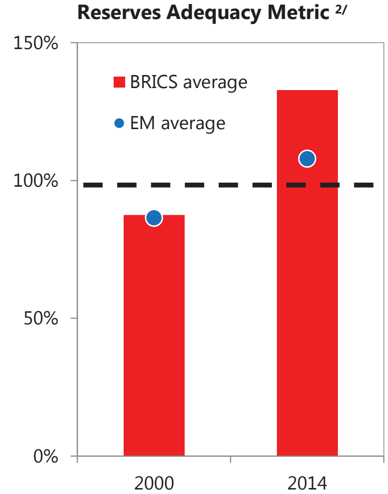
Lower debt

External and Public Debt
(In percent of GDP, median)



Higher reserves

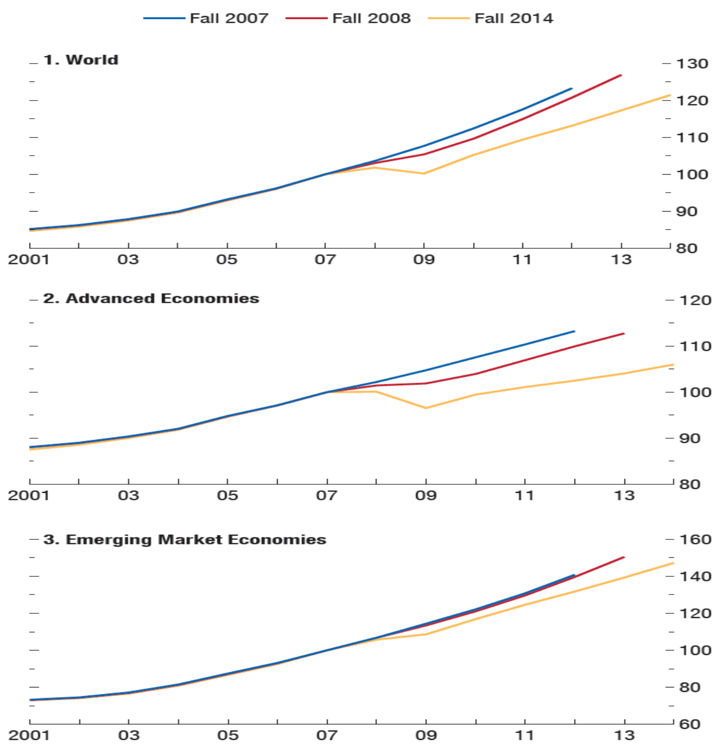
FX Reserves in Percent of IMF Reserves Adequacy Metric 2/



Source: IMF AREAER database, IMF ARA database, WEO and IMF staff calculations.
1/ FX regime index is from 1 to 10. No separate legal tender=1, Free floating=10.
2/ Reserves adequacy range: 100-150% of metric.

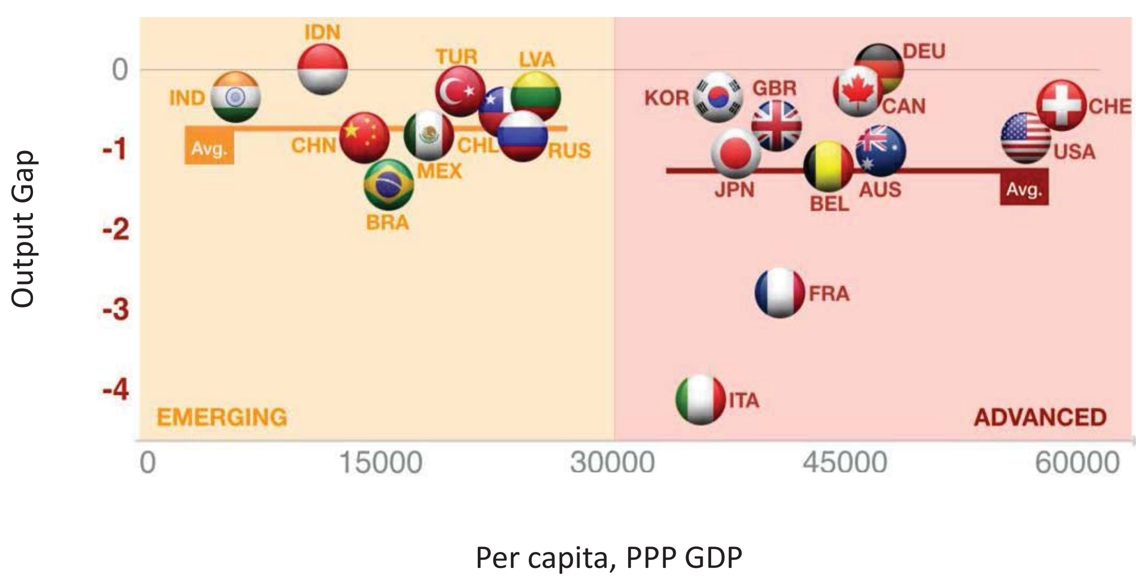
Global Output Compared to Pre-crisis Expectations

(percent, 2007=100)



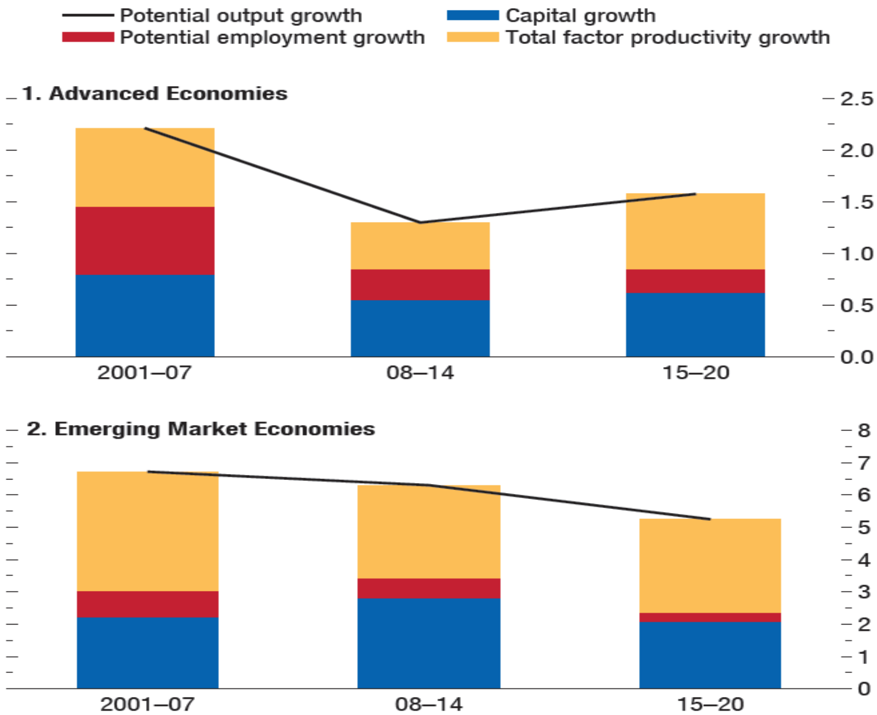
2015 Output Gaps

(percent)

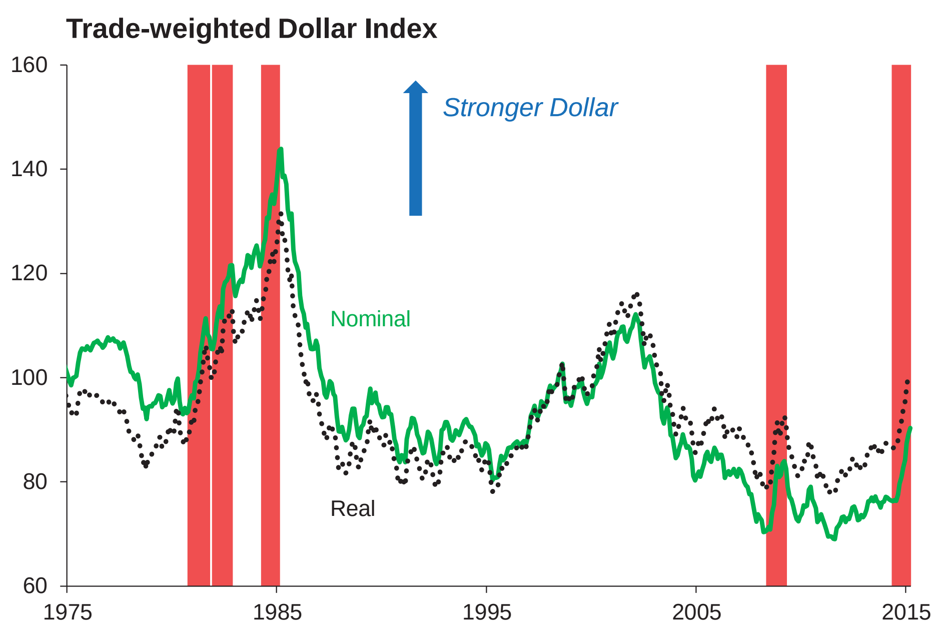


Evolution of Potential Output Growth

(percent)



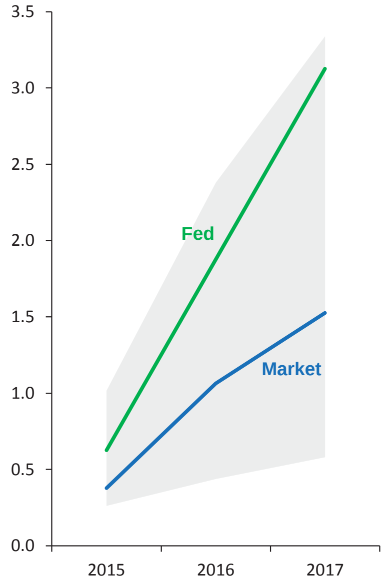
The U.S. Dollar



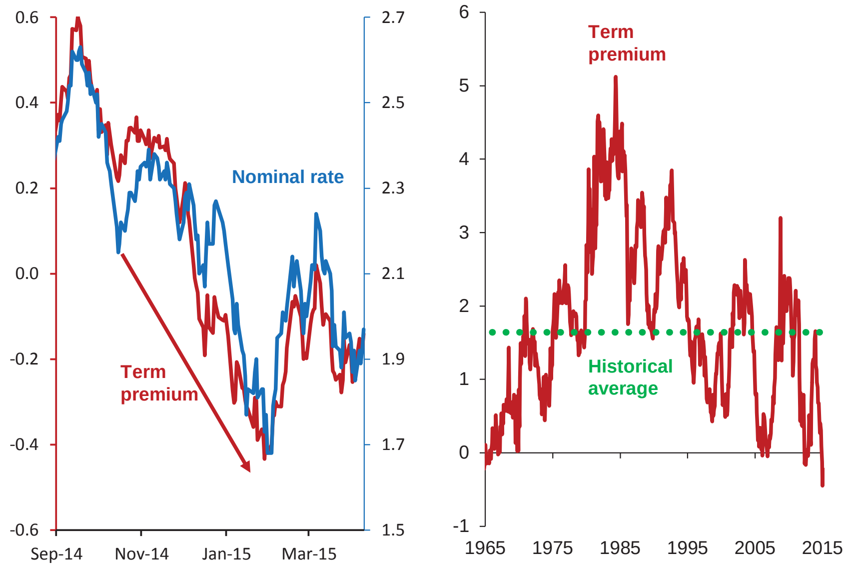
Note: Shaded areas show top 10 dollar rally episodes over 9-month period in the past 50 years.

U.S. Exit: Uncharted Territory

U.S. Policy Rate Expectations
(Mar 2015, percent)

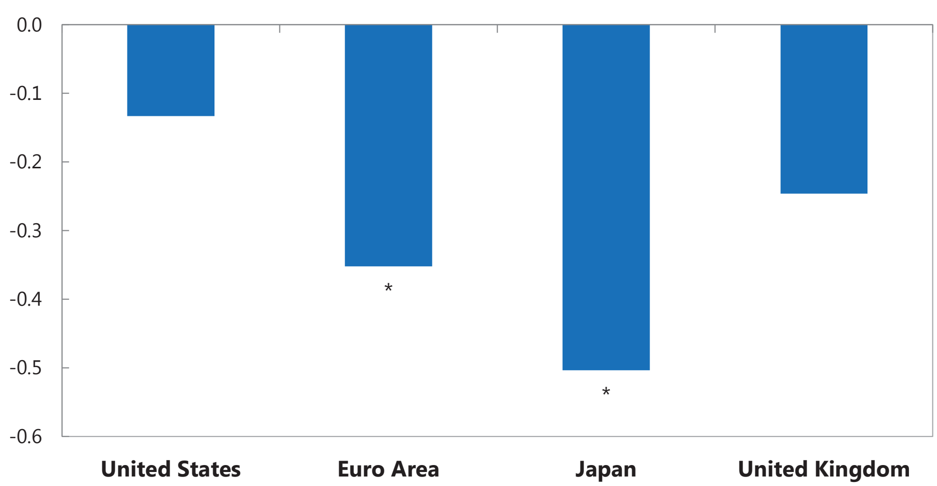


Long-term Rates and Term Premium
(percent)



Slower Growth in the BRICS is Having Global Spillovers

Cumulative Effect of a one Percentage Point Growth Shock in Emerging Market
(In percentage point)



Source: IMF staff calculations.
Note: * indicates significance at 10%. The method of estimation is multicountry vector autoregression using directed acyclical graph approach for the structural decomposition. A post-crisis dummy is included to control for the global financial crisis.

I. Growth enhancing supply side policies

a) Structural reform

i. Product market competition
ii. Labor market flexibility
iii. Increase service sector productivity
iv. Pension reform

b) Smart investment

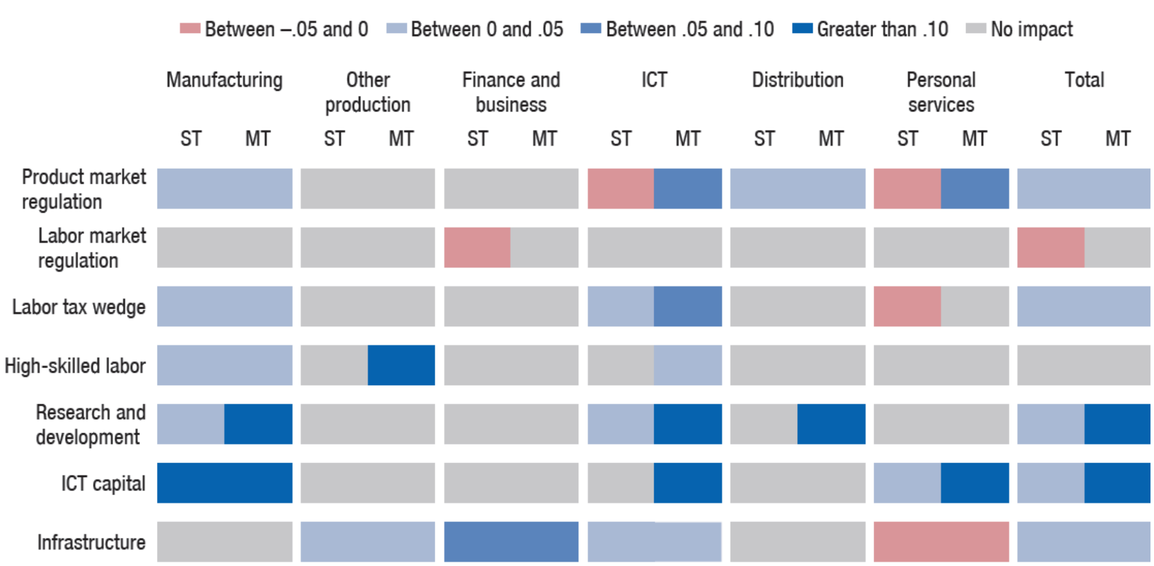
i. Infrastructure investment
ii. Knowledge economy
  a) Long term R&D
  b) Innovative SMEs
iii. Measures to move traditional sectors to their frontier
iv. Long-term human capital formation
  a) Education
  b) Healthcare
  c) Childcare

c) Supply-side supporting monetary and fiscal policies

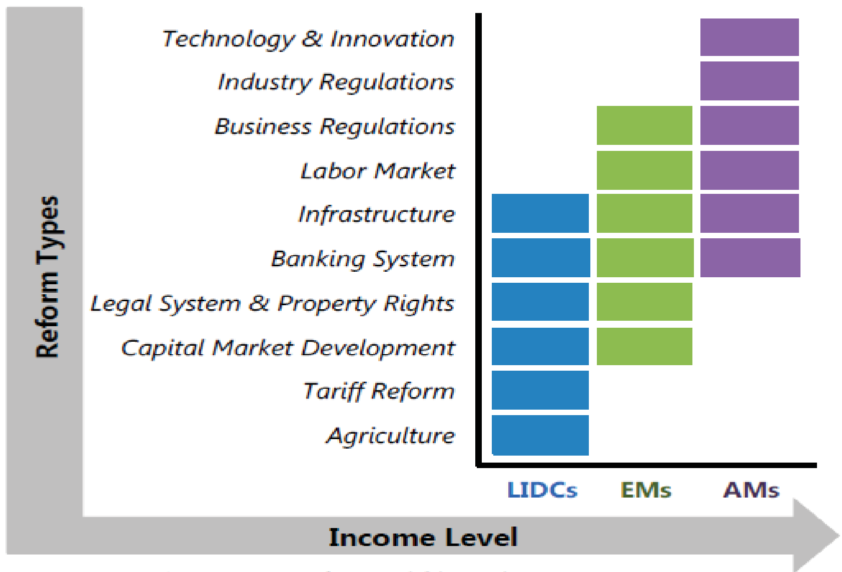
i. Smart/quality fiscal expenditure
ii. Monetary policy with targeted transmission channel
iii. Monetary and fiscal policies maintain growth speed

Short- and Medium-Term Impact of Structural Reforms on Total Factor Productivity Growth

(percent; average technological gap)



Structural Reforms with Highest Productivity Payoffs



Note: Comparisons ***across*** reforms ***within*** each country group.

II. Macroeconomic stability

a) Be vigilant in financial market risks
   i. Strengthen monetary and credit transmission to the real economy
   ii. Use macroprudential policies
b) Implement consistent regulatory reform and enhance supervision of the shadow banking system
c) Monitor of global liquidity flows and currency dynamics
d) Prepare for Fed's interest rate hike
e) Form medium term fiscal consolidation plans

III. Global cooperation

a) Facilitate globalization (trade, capital flows)
b) Enhance global financial safety net
c) Implement global regulatory reform
d) Put into practice new multilateralism

Key Medium-Term Priorities by Country

China: Rebalance towards a more sustainable growth model less reliant on investment, with orderly unwinding of accumulated imbalances.

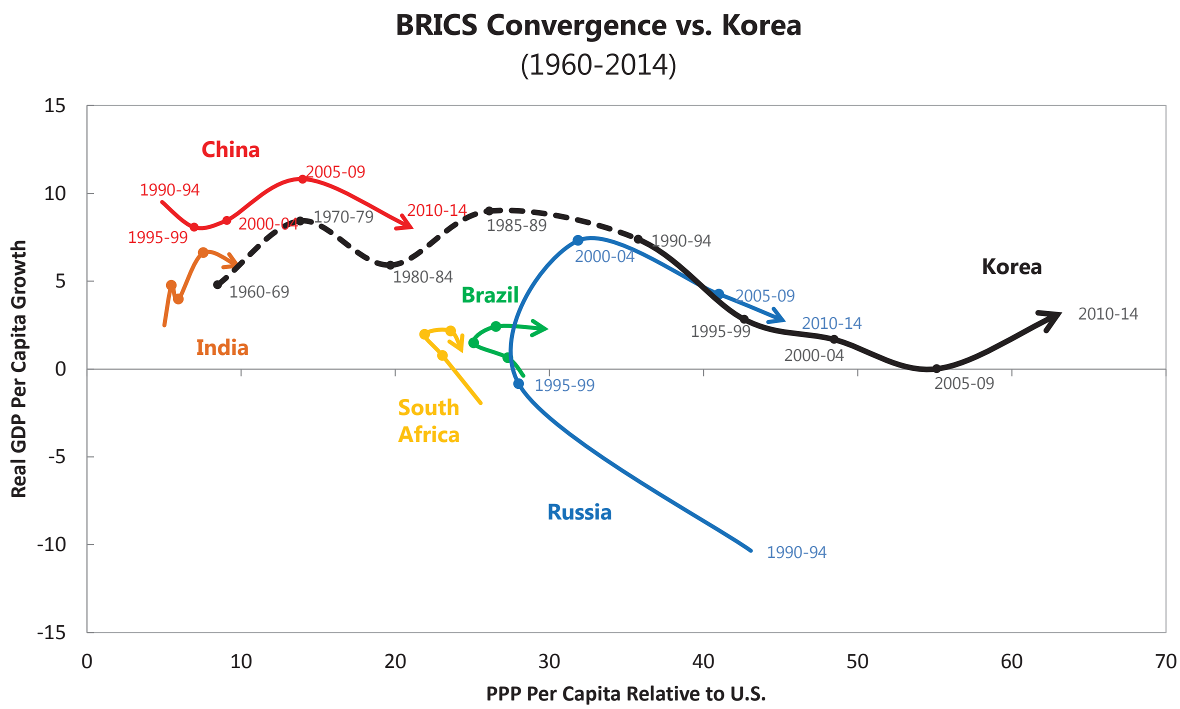
India: Address supply-bottlenecks by boost investment; reform land, labor, and product markets; and gradually liberalize the financial sector.

Brazil: Restore competitiveness and strengthen policy credibility, and shift toward investment-led growth, while boosting savings.

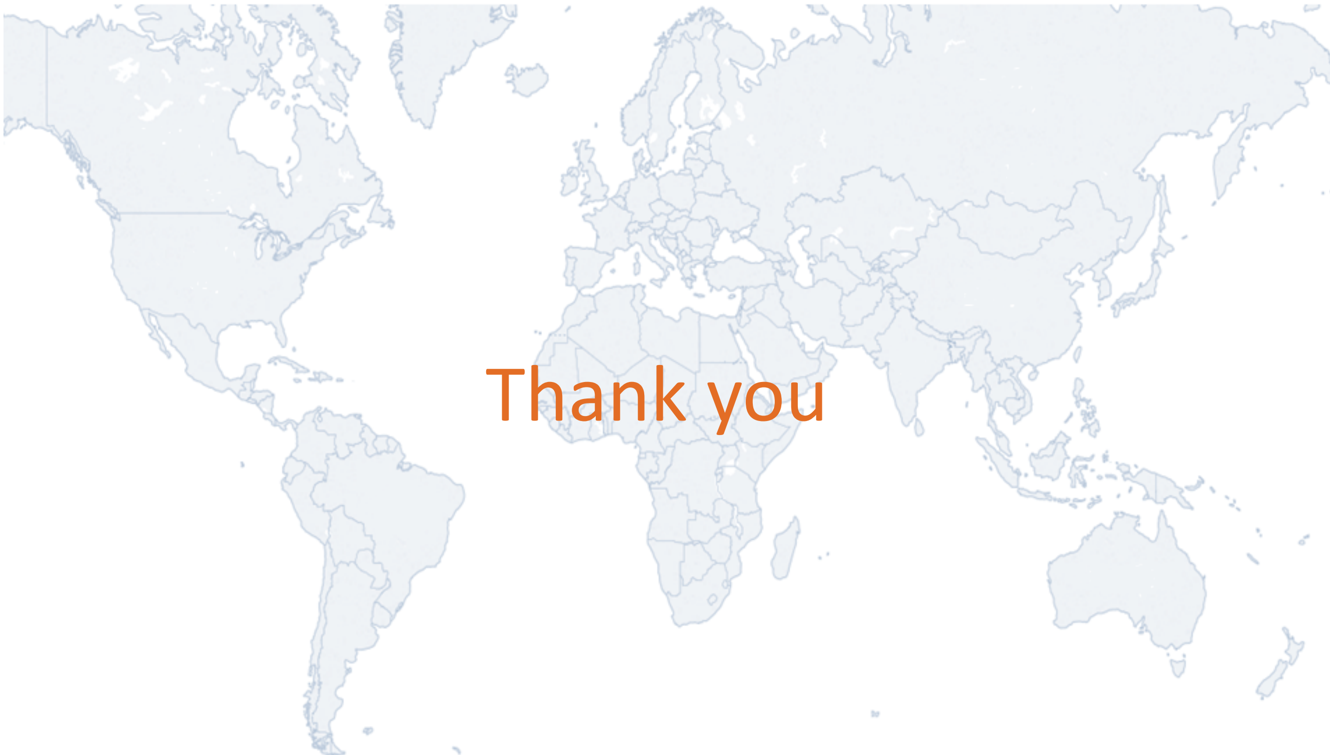
South Africa: Address deep-seated structural issues by improving electricity availability, reducing skill mismatches, boosting competition, and making labor markets more inclusive.

Russia: Structural bottlenecks exacerbated by geopolitical uncertainty and lower oil prices. Increase competitiveness and reduce oil-dependency.

Convergence is Possible with the Right Policies



Sources: IMF WEO, PWT and IMF staff calculations.



Thank you