



From left: Brazilian President Michel Temer, Russian President Vladimir Putin, Indian Prime Minister Narendra Modi, Chinese President Xi Jinping and South African President Jacob Zuma seen here in a group photo taken on Sunday during a Brics summit in Goa, India. PHOTO: AGENCE FRANCE-PRESSE

Time for leaders of emerging economies to boost global trade

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For The Straits Times

At the close of last week's Brics summit, Mr Xi Jinping, China's President, issued an unusually stark warning. "Some countries are getting more inward-looking," he said. "Protectionism is rising and forces against globalisation are posing an emerging risk."

Mr Xi is correct. The problem is that his note of alarm did not come with anything approaching remedial action – part of a worrying pattern in which major emerging markets that have benefited from the rise of globalisation seem complacent about its present decline.

The five Brics nations which gathered in India account for roughly a quarter of global output. The grouping (of Brazil, Russia, India, China and South Africa) has lost some of its sheen of late, with Brazil, Russia and South Africa struggling, in particular. As China tries to avoid a similar slump, only India looks in robust economic health. Still, these struggles should

give the Brics a taste of what is to come, if the financial integration and trade growth that supported their rise continues its current reversal. The latest bad news came last week, as new data showed Chinese exports falling sharply last month, reflecting weakness in its major Western markets. The Organisation for Economic Cooperation and Development, a think-tank, predicted last month that global growth will fall below 3 per cent this year, well below its recent average. The group blamed declining trade growth, following the World Trade Organisation's (WTO's) move last month to sharply downgrade its forecasts for next year.

Some of this decline flows from structural changes. China's declining dependency on exports alone will dent trade growth over the next decade. But much of it comes from a mix of weak demand and rising protectionism, in the form of trade barriers, which the WTO says are being re-introduced at a worrying pace.

Set against this backdrop, the Brics summit was especially

disappointing. Few economic announcements of substance emerged. India's Prime Minister Narendra Modi floated a target to double intra-Brics trade to US\$500 billion (\$695 billion) by 2020, but gave no hint as to how this might be achieved. Mr Modi's attempts to launch a Brics ratings agency went nowhere. His hopes of winning improved market access for Indian companies operating in China made little concrete progress either.

It is not that leaders of emerging markets have been silent about the growing crisis of globalisation. In addition to his remarks in India, Mr Xi highlighted the risks of declining trade after last month's Group of 20 summit in the Chinese city of Hangzhou.

In August, Singapore Prime Minister Lee Hsien Loong spoke bluntly, during a trip to Washington, about the dangers Asia faces following the likely failure of the Trans-Pacific Partnership free trade deal. Earlier this month, Mr Lee was similarly frank about India's lackadaisical approach to trade liberalisation during a visit to New Delhi.

Even so, these statements have not led to action, despite the fact that it is the larger trade-dependent emerging markets, especially those in Asia, which will be hurt most if the current slide continues.

This is especially true for the likes of Singapore, where the value of trade vastly exceeds the size of its economy. But after two decades of globalisation, even India, often viewed as a closed market, is now more open to trade in goods and services than America and most other large economies.

What might a pro-globalisation emerging markets agenda look like? First, the Brics could lead by example. This partly involves pushing forward with internal reforms to their own economies that might boost global growth, such as fixing problems in their respective banking sectors.

It would also mean measures to support trade liberalisation within the group itself. China, at least, agreed last week to look into Indian worries about market-access rules. But Mr Modi's plan to double intra-Brics trade will require

similar steps among all five nations, as well as lower trade barriers more generally. The same is true within Asia. Acting together, India and China could clear away many of the barriers stalling the planned Regional Comprehensive Economic Partnership deal among 15 Asian nations, whose latest negotiation round wraps up today in Tianjin, China.

Second, the Brics could accelerate the growth of their own institutions. Their New Development Bank (NDB), launched in 2014 as a rival to the World Bank, has had a reasonable start, and will lend around US\$2.5 billion for infrastructure projects next year.

However, that could be expanded rapidly. Inviting non-Brics nations like Singapore or South Korea to join the NDB would boost the organisation's credibility, while both increasing its capital base and improving its credit rating. It would have the added benefit of placing pressure on rivals like the World Bank and International Monetary Fund to up their game too.

Third, the Brics, along with other emerging nations, could combine more effectively to press for action on growth and trade from the developed countries.

During the Brics Economic Forum, a satellite event in Goa which I attended, Reserve Bank of India governor Urjit Patel argued that emerging nations have been ineffective in lobbying the richer countries to honour promises to provide US\$100 billion to tackle climate change.

But much the same is true on trade, where emerging economies have rarely been able to unite around a specific set of demands which could support global integration – a fact that will be especially important given the protectionist pressures that will be placed on a likely Clinton presidency in the US.

The onward march of deglobalisation is not inevitable. Global growth is not yet in dire straits. Moves towards protectionism can be reversed. But if they are not, it is major trading emerging economies like China and India that stand to lose the most. The leaders of the world's emerging economies rightly talk up the significance of their own rise, and argue that they are ready to assume a commensurate share of global economic leadership. It is time they began to act like it.

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