

Trade Trends



Mr. Absar Alam is associated as a Research Fellow with Asian Institute of Transport Development (AITD), New Delhi, India. Areas of his research interest are economic dynamism, trade and transport facilitation, international relations and transport sector development in India. His latest article “Deepening Ties” on issues related to Indo-Iran bilateral relations appeared in “*Strategic Affairs*”, February 2012.

Mr. M. Absar Alam

Asian Institute of Transport Development (AITD), New Delhi
13- Palme Marge, Vasant Vihar, New Delhi

Contact: 011-41688819. Email: alamabsar@gmail.com

Big scope for SMEs to boost intra-BRICS trade

The declaration made at the recent BRICS (acronym for Brazil, Russia, India, China and South Africa) summit in New Delhi defined the common position of the group over a range of issues. The countries in the group agreed to continue the process of sustainable development in their respective regions. BRICS also agreed upon a process of developing synergies to enhance trade potential. In this regard, a preliminary agreement was made over a separate BRICS development bank. Further, BRICS also agreed to have an institutional framework for cooperation. In fact, these economies are moving towards an agreement to remove barriers and boost intra-group trade. The five emerging economies also targeted to increase their intra-group trade potential by almost doubling intra-group trade to US\$ 500 billion by 2015 from US\$ 230 billion in 2011. Also, the BRICS ministers agreed to improve their trade quality by focusing on more value added goods from major sectors like manufacturing, services and agriculture.

In view of the development, Small and Medium Enterprises (SMEs) have an important role to play for sustainable development process within the member countries of the group. Globally, SMEs have become an important segment of world economic structure, particularly in developing countries. For example, BRICS countries, emerging economic powerhouses as a group, heavily rely on the sector along with other sectors like, the large scale manufacturing sector.

The focus of cooperation within BRICS for the sector is still insignificant. To pursue a sustainable development process at the macro level there is an urgent need to establish strong linkages between SMEs and sustainable process of development. The sector needs special attention for greater intercontinental cooperation from BRICS.

Initiatives like task force, business forums and think tank dialogues have been taken so far. For example, the BRICS Business Forum was set up in 2011 as a platform to strengthen the inter-country linkages fostering business across the group. The forum has deliberated on increasing proximity among business communities of the five countries. It has been mandated to address issues of business communities and explore areas of cooperation for strengthening such ties. Such forums would also need to explore the opportunities of sustainability of economic progress through enhanced efficiency of SMEs. In fact, greater economic cooperation amongst BRICS countries would be imperative for self-reliance of the population engaged in the sector.

During the current summit there has been discussion over the positioning of BRICS focussing on issues like formulation of BRICS bank, representation for developing nations in multilateral institutions and strengthening BRICS position at multilateral forums. Further, institutionalisation of BRICS is important to these nations. Under initiatives like development banks and developmental aid, SMSEs would be benefited through special provision. Lessons may be drawn from Brazil's experiences itself. For instance, Brazilian Development Bank, Banco Nacional de Desenvolvimento Economico e Social (BNDES) disbursed close to US\$140 billion in 2011, with around 30 per cent going to the SME sector and about 40 per cent going to large infrastructure projects. The mandate for the development process, therefore, in BRICS needs to be delineated for SMEs as well.

Table 1: Some Indicators of BRICS countries

(in US\$ million)

Series Name	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Exports, goods and non-factor services (nominal)	111	117	137	167	191	222	259	299	237	284	326
Gross Domestic Expenditure (GDE) (real 2005 US\$)	40	41	42	43	45	47	49	49	48	50	51
Household Consumption (nominal)	276	285	321	359	390	422	478	526	509	556	611
Imports, GNFS (real 2005 US\$)	140	145	154	172	186	205	222	230	205	229	247

Source: World Bank, Accessed on 13th April 2012

Indicators like exports, imports, household consumption and domestic expenditure for BRICS countries are presented in Table 1. The table indicates that during the last 10 years the export of goods and non-factor services, household consumption and imports of BRICS countries have been growing at CAGRs of 11 per cent, 8 per cent and 6 per cent respectively. The higher level of household consumption also shows that there is a huge trade potential for products from SMEs which generally meet the requirement of households.

Since SMEs in these countries are flourishing with major industrial sectors, appropriate initiative would further lead to strengthening the competitiveness of the sector. In this

concern, linkages between SMEs in the BRICS countries need to be built and therefore it may be beneficial that a joint task force on the role played by SMEs should be formed.

Moreover, the industry is also negatively affected by economic crisis which has potential to increase employment opportunities. Through developmental aid, the sector could increase its export potential. Also, the sector has characteristics of environmental friendly approach of production of items. Usage of sustainable energy by SMEs could strengthen the area of economic cooperation on sustainable development process.

Finally, there are some products from SMEs in which India has potential to trade with other BRICS countries. These products are listed in Table 2. For example, in 2010, India has exported only 3 per cent of its total export of Carpet and related products to other BRICS countries and fulfilled only 8 per cent of their requirements. Similarly, there is a huge gap between demand and supply of leather products from India to other BRICS countries. Further, India exported 16 per cent of its total export of plastics items to these nations. It is evident from the table that products like, manmade filaments, footwear, silk products, ceramic products and wood articles are the main items which India may export to these nations.

Thus, through negotiations under BRICS, India would also like to look at new opportunities in China. Since India needs to offset its trade imbalance through increasing its trade with China, such multilateral forum would benefit the sector.

Table 2: Other BRICS Countries Imports from India

(in '000 US\$)

Product code	Product label	Other BRICS countries import from India			India's Export to World		
		Value in 2008	Value in 2009	Value in 2010	Value in 2008	Value in 2009	Value in 2010
'39	Plastics and articles thereof	411030	381115	588189	2816753	2331508	3630341
'54	Manmade filaments	144684	90328	227988	1587626	1783249	2183872
'55	Manmade staple fibres	129915	128319	162392	1396060	1214901	1621828
'40	Rubber and articles thereof	161814	83527	122803	1672329	1240880	1675357
'64	Footwear, gaiters and the like, parts thereof	39115	35030	56931	1581201	1481177	1642895
'42	Articles of leather, animal gut, harness, travel goods	28865	28280	42387	1622022	1417471	1446996
'57	Carpets and other textile floor coverings	37059	34326	37991	1188811	978190	1330358
'50	Silk	15397	27890	34243	359943	271135	335203

'69	Ceramic products	8956	15480	12749	214559	201038	301481
'95	Toys, games, sports requisites	7100	7750	11135	150407	126837	157841
'44	Wood and articles of wood, wood charcoal	5092	3946	4361	187034	146509	163782
'19	Cereal, flour, starch, milk preparations and products	1616	2185	2790	242929	207225	247797
'04	Dairy products, eggs, honey, edible animal products	15688	1167	2519	418537	178772	238215
'37	Photographic or cinematographic goods	900	1094	1380	33791	24702	36849
'92	Musical instruments, parts and accessories	931	406	489	11662	15115	13201
'97	Works of art, collectors pieces and antiques	4279	371	448	330402	204639	219628
'66	Umbrellas, walking-sticks, seat-sticks, whips, etc	14	20	14	1136	1365	1528

Source: International Trade Centre, Geneva, Accessed on 13th April, 2012

Note: Product code is define on the basis of HS Code from UNCOMTRADE data

Links to Alam's articles in previous issues:

http://www.fisme.org.in/newsletters/April1_2012/docs/Carpet_by_Absar_Trade_Trends.pdf

http://www.fisme.org.in/newsletters/March15_2012/docs/Carpet_by_Absar_Trade_Trends.pdf