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Pierre van der Spuy / WOSA


S&S/446367/E/Corp/SKA Eskom Holdings SOC Limited Reg No2002/01527/06
The universe may have started with a big bang, but learning more about it starts with some quiet innovation.
Eskom is proud to have contributed to South Africa's winning bid to be part of building the world's biggest radio telescope, The Square Kilometre Array (SKA). This powerful telescope will collect radio signals that will provide the world with valuable information relating to the existence and formations of the universe. One of the key components of the SKA, is the 132 kV power supply. This is needed to reduce the electromagnetic noise drastically so as not to interfere with the sensitive SKA equipment. Eskom was the key contributor in the conceptual design of this electromagnetic-quiet substation.
By utilising a technique found in the antenna industry, Eskom was successfully able to develop a method to drastically reduce the amount of electromagnetic noise in the SKA area. Eskom is excited that this method will pioneer a new era of science and discovery right here in our back yard.
Eskom

Nu-Hold's vision for the future

The Nu-Hold group of companies has a presence in every aspect of property development

Luxury high-end living facilities are a focus for Nu-Hold

Comprising of three subsidiary companies, Nu-Way Housing Developments, Krisp Properties and Krisp Properties Commercial, the Nu-Hold Group has a presence in every aspect of property development, from affordable social housing to upmarket hotels, and everything in between. Under the guidance of Managing Director Laki Constantinides, Technical Director Jordan Mann, Financial Director Fulli Demetriadius and Legal Director Neels Serfontein, Nu-Hold is exerting influence in some of the country's fastest growing economic hotspots.

Eastern Cape – Nu-Way Housing Developments

Currently in the planning stages, the Coega Ridge development is a 3 200 hectare site that promises to be the company's flagship project. The Coega site will help to meet the housing requirements of the Nelson Mandela Metro, as well as the new Coega Industrial Development Zone (IDZ) and the country's first deepwater port in the heart of the Eastern Cape.

Located 20 kilometres north of the economic powerhouse Port Elizabeth, the Coega project will consist of ± 40,000 houses, catering for all tenure groups.

Coega will be the largest development of its type anywhere in Southern Africa. A regional shopping centre, university, technical college, schools, sports facilities, hospital and light industrial units will be constructed around a substantial transport network. Effectively, Coega Ridge will be a new, self-contained city on the outskirts of Port Elizabeth.

Along with the affordable housing and community infrastructure, Nu-Way is planning the integration of a golf and equestrian eco-estate with its own hotel, set in the grounds of a game reserve.

Clearwater Estate/OR Thambo Aerotropolis - Krisp Properties

Krisp Properties, Nu-Hold's upmarket housing division, has developed the high-end Clearwater Estate, situated adjacent O R Tambo airport. The 80 hectare eco estate centres around nine hectares of wetland, with 721 residential stands, 200 clusters, a lifestyle centre, well-equipped gymnasium, restaurant, day spa, 40,000m^2 AAA grade office park, future hotel and conference centre, offering a 'world-in-one' community lifestyle.

The development of the Aerotropolis at O R Tambo, is designed as a vital economic hub. South Africa's largest international airport will become a self contained unit, based on the live, work, play principle as contemplated in Coega, and complemented by the luxury high-end living quarters at Clearwater.

Krisp Properties Commercial is currently developing a business park within the Aerotropolis node. Eight office buildings have been completed thus far, a further 30 000m^2 GLA planned with a 120 room Boutique Hotel and Conference Centre on the cards.

Blueprint for the future

Already a significant player in both the commercial and residential property market, the Nu-Hold Group boasts the development of more than 65,000 houses and a retained portfolio of office parks, shopping centres and restaurant. Nu-Hold has over the years become intrinsically linked with South Africa's economic vision for the development of integrated projects in sought after geographical areas. Working in unison with local and provincial government, with local industries and resident associations, Nu-Hold is changing the way people will live and in the way they conduct their business.

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Prospects for the BRICS summit

Alamy

Representatives of the BRICS countries gathered before the summit in Durban, South Africa, which will host the summit for the first time in March 2013

John Kirton and Marina Larionova, co-directors of the BRICS Research Group and editors of this section, on this year's summit

The summit of the BRICS countries – Brazil, Russia, India, China and South Africa – due to take place in Durban, South Africa, on 26-27 March 2013, promises to be a significant event in several ways. It is the first time that the BRICS summit will be held in South Africa and completes the first full hosting cycle among the rapidly rising powers that belong to this now solidified club. It marks the third appearance at the summit for South Africa, the newest member, and the first time the country will serve as host, with all the rights and responsibilities that brings.

The African location of this BRICS meeting will broaden and balance summit-level global governance in 2013 beyond the European location of the G8 summit on 17-18 June in Lough Erne in the United Kingdom, and the G20 summit on 5-6 September in St Petersburg, Russia. With established economies still struggling to cope with sluggish growth, high fiscal deficits, debts and substantial unemployment, the emerging powers in the BRICS – representing about a quarter of the world's production – and their vibrant African partners will have a key role in governing the global economy and much else in 2013. They offer attractive opportunities for investors and exporters globally.

The Durban Summit will address and advance many key global issues through the topics on its built-in agenda, while adding the priorities of the South African host. These priorities begin with infrastructure, investment and regional integration – above all in Africa – and global governance reform, including through the launch of a new South-South development bank by the BRICS. The Durban Summit agenda extends to the global priorities of economic growth, job creation, employment, trade and poverty reduction. It embraces global security subjects such as cyber-crime and cyber-terrorism, current conflicts in the Middle East and North Africa, reform of the United Nations Security Council, health and disease, food, agriculture, energy and minerals, the environment and climate change, and the building of the BRICS institutions themselves.

The prospective birth of a new South-South development bank by the BRICS is the central challenge by which the success of the summit will be judged. If such a bank comes with a sufficiently large capital base, balanced contributions from the five BRICS members and an expansive, inclusive orientation, it would significantly benefit countries such as India, South Africa and their neighbours that have large needs for infrastructure investment from international sources. China and other countries with massive foreign exchange reserves, seeking to grow markets in which to invest, would also benefit, as would the broader G20 and global community pursuing new sources of finance and growth.

In all, the Durban Summit should show that the BRICS is an outward-looking group able and eager to cooperate and contribute to the global community, at a critical and uncertain time. ■

BRICS membership: South Africa and the wider continent

The African focus of the fifth BRICS summit is widely considered to be inevitable, as South Africa assumes its role as representative of the region and discussions on more coordinated terms of engagement with the continent gear up

The fifth BRICS leaders' meeting, which South Africa will host in Durban, is a landmark summit. For the first time, it will depart from a purely global economic governance script to consider a more targeted regional focus: how BRICS members should relate to the African continent and vice versa. While this question has drawn some controversy from BRICS academics beyond South Africa, the African focus of the fifth summit was inevitable considering South Africa's membership against the backdrop of the larger African landscape. South Africa's membership in the BRICS group meant that this forum could no longer be perceived as a purely 'big country' club of aspiring great powers, given South Africa's relative small size and economy compared with those of Brazil, Russia, India and China.

While South Africa's membership did not accord with the promotional agenda of some of Wall Street's emerging market investors, it gave the BRICS group the inclusive geopolitical spread that it had lacked as a quartet, and that had diminished the group's credibility as so many of these countries began descending on Africa's own newly emerging markets and treasure trove of resources. What sets South Africa apart from other BRICS countries and their continental settings, in relation to its home continent, is that Africa is not home to a great power-aspiring mega-state economy. South Africa, as a smallish middle power, is as close as Africa gets to being the home of a great power – a status that Tshwane-Pretoria shies away from even contemplating.

On top of that, the continent overall suffers from fragmentation as a legacy of colonialism. It is therefore urgently in need of one of its member states assuming the lead on the international stage, even if this leadership is, by default, in the absence of a mandate from the African Union (AU). South Africa is that leader by default. Brazil, Russia, India and China do not share similar relationships in their regional neighbourhoods.

Apart from what the membership of South Africa means for the BRICS grouping, the question debated since long before and after its ascension to this forum has been what BRICS membership means for South Africa and the African continent. This is the ongoing debate animating the discourse surrounding the BRICS group in South Africa. From Tshwane-Pretoria's strategic perspective, BRICS membership affords South Africa a pivotal role as the leading interlocutor interacting with Brazil, Russia, India and China and other emerging powers as they ramp up their economic, trade and investment strategies on the continent.

Developmental imperatives

The BRICS grouping reinforces South Africa's continental leadership by default – a leadership augmented by the election of one of its own citizens as chairperson of the AU, and also by South Africa, over the next two years, co-chairing the Forum on China-Africa Cooperation (FOCAC). China is by far Africa's largest development partner. The extent to which these roles converge in synergy will be on full display in Durban, where President Jacob Zuma will host the leaderships of the AU and the major regional economic communities who will be attending as invitees on the sideline of the summit. How will this synergistic leadership be parleyed at and beyond Durban?

At the top of the BRICS agenda leading into the summit is the launch of the South-South development bank, also known as the BRICS development bank. It was unveiled as an institutional vehicle within the BRICS inter-bank mechanism at the fourth summit, hosted by India in 2012, in New Delhi. Indian thinking was that the inter-bank mechanism needed institutional substance beyond being a purely local currency transactional facility, which seems to be uppermost in China's calculus as it seeks to advance the internationalisation of the Chinese yuan.

However, within the BRICS group, the IBSA countries of India, Brazil and South Africa (which have their own trilateral forum) have individual domestic and regional developmental imperatives. Hence, for South Africa especially, the development bank is a major priority in how it navigates the 'African agenda'. Funding infrastructure development within the IBSA members of the BRICS and, for South Africa, within Africa, particularly within the Southern African Development Community (SADC), is critical to advancing their internal and external developmental trajectories. In South Africa's case, there is the planned mega-trading bloc in need of infrastructural connectivity – the COMESA-SADC-EAC grand free trade area that would comprise the Common Market for Eastern and Southern Africa (COMESA), the SADC and the East African Community (EAC) with its corollary, the North-South corridor infrastructure initiative. Envisioned as a 'Cape to Cairo' free-trade agreement, it would consolidate a potential market of 800 million people on a continent expected to grow to two billion by 2050.

It will take some time to get the BRICS bank off the ground, although it will reportedly be launched politically, on paper, in Durban. Apart from the feasibility study findings, which are yet to be released, there are numerous questions pertaining to its governance structure and leadership, shareholding and funding levels, and how it will relate to existing development finance institutions in different regions. The impetus behind the BRICS development bank is the need for a specialist infrastructure bank argued for in 2012 by Nicholas Stern and Joseph Stiglitz: a new development bank for infrastructure and sustainable development.

President of Brazil Dilma Rousseff, President of South Africa Jacob Zuma, and Prime Minister of India Manmohan Singh at the IBSA summit. The development objectives of these three states would benefit from a BRICS bank

PA

Devising strategies

However, in Africa alone, the terms of reference of the bank need to be smoothed out in relation to the African Development Bank, COMESA's PTA Bank, Ecobank in West Africa and the Development Bank of Southern Africa (South Africa's signatory to the inter-bank mechanism) – among others – especially by South Africa. The infrastructure needs of Africa, including the urgency of bringing forward currently scarce preparation capacity for generating 'bankable projects', will not await the operationalising of a BRICS bank. Thus, the Development Bank of Southern Africa will, sometime in the next year, launch its international arm, DBI, while also teaming up with the China Development Bank to launch a joint infrastructure-development drive.

South Africa will have to devise a BRICS-Africa strategy. One interesting idea recently acknowledged by Sudan's ambassador to South Africa was an Africa-BRICS forum. Not only would this further anchor South Africa's BRICS leadership on the continent, but it would also introduce a much-needed element of coordinated African proactivity in setting terms of engagement for the BRICS and other emerging powers that are entering Africa's rising economic sweepstakes.

Such a forum might also facilitate the emergence of a diaspora component for channelling investment into BRICS initiatives on the continent. Within the diaspora, there are pension funds of possible deployment in infrastructure and project-preparation initiatives. There is also the potential for diaspora mobilisation in support of regional economic communities linked to BRICS initiatives. Such possibilities are merely the tip of the iceberg as to how BRICS membership might benefit both South Africa and the wider African continent. ■

By Francis A Kornegay, senior research fellow, Institute for Global Dialogue

South Africa's continental agenda for the BRICS Durban Summit

The 2013 meeting of the BRICS countries in South Africa could reshape the entire dynamic of the group, pushing a more regional agenda than those that came before

South Africa, host of the fifth BRICS summit in March 2013, has made Africa the main topic on the meeting's agenda. If it succeeds in getting BRICS leaders to embrace this regionalisation, the country will have helped push BRICS one level up from a club of significant states seeking to harmonise their national interests and global ambitions towards becoming an inter-regional global platform with significant influence in changing global affairs.

When South Africa wrote to the ministers of foreign affairs of Brazil, Russia, India and China just after the launch of the BRIC forum in 2009 to "indicate her desire" to be involved, it stated that Africa needed to be included because it was a significant member of a changing global order and a key player in shaping discussions about the future form of global governance.

The letter elaborated South Africa's record in championing Africa's interests and its pursuit of an equitable world order. It thus sought to link the politics of global reform, which it thought the BRIC grouping was established for, to the representation of Africa as one region that is most adversely affected by the current world order. Thus, reformist aspirations and a pan-African agenda were joined in making the case for South Africa's participation.

In December 2010, as chair of the forum, China formally invited South Africa to join the BRICs, following successful consultations with the other members. South Africa's president, Jacob Zuma, was invited to the Sanya Summit. All the BRICS countries were on the United Nations Security Council (UNSC) at the time and the council was seized with turbulence in the Middle East and North Africa as well as conflicts in West Africa. On top of consensus on avoiding the use of force to solve political problems, especially in Africa, the Sanya Summit called for multilateral organisations, especially the UN and the African Union (AU), particularly the AU High-Level Panel Initiative on Libya, to resolve these problems. As a key member of the AU panel, Zuma had pushed hard for cooperation between the UN and AU in resolving the African conflicts on the UNSC agenda.

South Africa could thus claim to have succeeded in championing the African agenda right from the start by persuading the BRICS group to endorse the official AU position and mechanism. In subsequent public engagements, Zuma repeated that with South Africa's membership in the BRICS group, Africa – a fast growing economic region – was "part of the alternative voice[s]" shaping a new economic order. "Therefore", he told South African business on the sidelines of the Sanya Summit, "it is important that we are a country that represents our continent".

Representing Africa

Many South African analysts warned the country not to assume that it represented Africa without canvassing African political structures and that it needed to lower its ambitions as the BRICS grouping was primarily a geopolitical one concerned with the intangible politics of global reform. South Africa has continued to trumpet its representation of Africa, despite these contestations, hoping to silence critics through concrete successes in agenda setting within the BRICS.

Since 2009, South Africa has further refined what it means by its Africa agenda in the BRICS grouping. At the University of Pretoria in late 2011, Zuma said: "South Africa uses its membership of BRICS as a strategic opportunity to advance the interests of Africa in global issues such as the reform of global governance, the work of the G20, international trade, development, energy and climate change." This suggested a complete overlap between the country's own global ambitions and Africa's interests.

The solution of critical challenges of unreformed and inadequate global governance is a strategic opportunity to position Africa favourably in world affairs. Africa is South Africa's strategic neighbourhood; therefore, South Africa often wishes for Africa what it desires for itself, knowing that it stands to gain the most from an improved Africa, as the continent's most diversified economy and a global actor.

Success in getting Africa to transform itself would be a major source of soft power for South Africa, enabling it to become a fully responsible global citizen. The country understands that the gains it has made in international affairs to date have very little to do with its hard power, for its economy is relatively small and its military might is miniscule on the global scale. It has benefitted immensely from the power of its reputation since the advent of democracy and the iconic leadership of people such as Nelson Mandela, enabling it to be invited to participate in or to host major global platforms. This prestige has also made South Africa a suitable African power to include in the BRICS forum in order to enhance the group's legitimacy in all developing regions. The BRICS group still lacks members from the Middle East and Central Asia to become a premier platform of the full emerging world.

At the Durban Summit, this overlap of national and continental interests finds expression in the plan to persuade BRICS countries to use Africa's infrastructure financing, an AU/New Partnership for Africa's Development (NEPAD) priority given to South Africa to champion in 2009, as a pilot case in the process of establishing the BRICS development bank. South Africa has invited leaders of the NEPAD Infrastructure Initiative to interface with BRICS leaders for this purpose.

The host has also made arrangements for BRICS leaders to interact with those of Africa's key regional economic communities, at the host country's expense, and with several key African political leaders, including the AU Commission head, the AU chair, and heads of state and government of countries that South Africa regards as key drivers of African economic integration. The African delegation thus may be three times larger than the BRICS delegation as a whole. This may overawe the BRICS leaders, accustomed to meeting only among themselves without such regional outreach. Even side events such as academic forums, think tanks and business will have a broader African participation at Durban.

Seizing the opportunity

It is an open question whether the BRICS members, which with the exception of South Africa are global powers that tend to represent their own interests, will learn to integrate regional interests, thus creating a precedent that might be replicated in Asia and Latin America. Much will depend on the extent to which BRICS leaders seize the opportunity to become a truly global forum attending to the global commons. If this happens, South Africa's shuttle diplomacy will have succeeded in nudging BRICS one step towards becoming an inter-regional platform. Its legitimacy among 55 African countries will go far in establishing the BRICS as a significant global forum in the eyes of poor, smaller and largely sceptical developing countries. ■

By Siphamandla Zondi, director, Institute for Global Dialogue, and honorary professor of politics and development studies, University of South Africa

Durban ICC

When South Africa hosts the BRICS summit at its International Convention Centre in Durban, it will be an opportunity to bring Africa's interests to the fore

Enhancing investment among BRICS members and beyond

The majority of foreign direct investment inflows to the BRICS countries originates from traditional powers, but this trend may change as members focus on how they can help each other

The Goldman Sachs research that propelled the original BRIC grouping of Brazil, Russia, India and China into the spotlight identified these countries as future economic powerhouses. The trade and economic statistics since then have been impressive and promising. Consequently, the BRIC countries continue to garner much interest, both politically and economically. They are attractive investment destinations and among the top host countries of foreign direct investment (FDI) worldwide. South Africa, as the latest addition to the group, is one of the preferred investment destinations in Africa, completing the BRICS circle. Proposals for a BRICS development bank have recently made the group all the more interesting, with the prospect of a BRICS institution to facilitate financing for development among the member countries and beyond.

Looking specifically at investment, FDI flows in and out of the BRICS countries have been growing significantly since the early 2000s. The BRICS countries have become more active as investors, with statistics indicating that FDI outflows from BRICS states have increased from $10 billion in 2002 to $146 billion in 2010. China and Russia have contributed more than 75 per cent, while Brazil and India have accounted for around 10 per cent each. In terms of inflows, global trends show an increasing share of FDI into developing countries overall, with the emerging economies making up half of the global total. China, in particular, was the largest recipient of FDI in the first half of 2012.

Intra-BRICS investment

Despite notable increases, BRICS FDI transactions have largely been with the traditional powers, particularly European Union countries. When it comes to intra-BRICS investment there has not been as much activity. One exception has been increased levels of investment by China, India and Brazil into South Africa. Statistics show that in 2010, only 1.8 per cent of total FDI inflows to BRICS countries originated from fellow BRICS members, while only 1.2 per cent of FDI outflows from BRICS countries were to other BRICS members. Most of that activity takes place outside of the BRICS framework at a bilateral level, which is not surprising given the young age of the group.

Intra-BRICS trade has grown in leaps and bounds, with an 11-fold growth since 2002, and is estimated to have reached $310 billion in 2012. Coupled with the above cited figures on investment, this indicates that intra-BRICS investment is currently insignificant at the global level and requires more drive to keep pace with expanding levels of intra-BRICS trade and greater political cooperation among the members. The BRICS leaders have identified the need for increased intra-BRICS trade and investment for enhanced economic growth and have set up the Contact Group on Economic and Trade Issues in order to advance this agenda. The focus to date has been on more traditional trade-related matters, such as customs cooperation and data exchange, but there is a growing interest among the BRICS members in discussing investment.

The real question is how better to harness the opportunities that the BRICS group has created for itself. For instance, BRICS countries signed two agreements in 2012, designed to facilitate trade and investment in local currency: the Master Agreement on Extending Credit Facility in local currency and the Multilateral Letter of Credit Confirmation Facility Agreement. There is also the proposed BRICS development bank, which is still very much under consideration. The BRICS New Delhi Summit in March 2012 directed that a feasibility study be undertaken and an announcement is expected at the 2013 summit in

Durban. All indications are that the idea has found political favour, with the bank expected to fund and invest in development and infrastructure projects in developing countries. Of course, many questions still exist with regard to funding, operations, governance and location. As such, the BRICS members are still a long way from realising the dream of a BRICS bank, but this could become an important vehicle for intra-BRICS investment in the future. A good starting point would be the BRICS bank investing in the BRICS countries as a way of strengthening cooperation.

Displaying commitment

Whether through a multilateral mechanism or bilaterally, a stronger show of commitment towards the grouping would be the BRICS countries investing in each other, especially through priority development projects that governments have identified. For instance, South African President Jacob Zuma has been vocal regarding the need to encourage greater BRICS investment in African infrastructure. This is clearly reflected in the theme for the 2013 BRICS summit: 'BRICS and Africa – partnership for development, integration and industrialisation'.

It goes without saying that FDI needs a suitable environment in order to thrive and this speaks to the investment climate in the BRICS countries. The legal and regulatory environments wherein investment occurs vary among the countries; some issues are specific to individual countries and some are common to all the BRICS. According to the World Economic Forum's *Global Competitiveness Report 2012-13*, individual BRICS countries have particular challenges in areas such as labour market efficiency, infrastructure, institutions and financial market development. Overall, the World Bank's *Doing Business 2012* report finds poor performances in Russia, Brazil and India, which were ranked 120th, 126th and 132nd respectively. South Africa and China did relatively better than their counterparts, scoring 35th and 91st.

The BRICS leaders have recognised the need for increased trade and investment among member states

epa/Corbis

Addressing these fundamentals will go a long way to assuaging intra-BRICS investor fears as much as those from traditional partners. Ultimately, there is a need for the BRICS countries to be economically stable and to have consistent policies and transparent governance. This is, of course, in addition to the implementation of measured investment incentives that are appropriately applied in given sectors.

Lastly, existing mechanisms could also be utilised to enhance intra-BRICS investment. The BRICS members are already involved in sectoral discussions for peer learning and exchange of best practices. These discussions could be used to identify investment opportunities in each BRICS country, playing to members' strengths and circumstances. While awaiting the BRICS development bank, funds could be set up to rally retail and institutional investors in identified projects. Also, the dialogue among countries should include business leaders who have experience of the investment climate in the BRICS countries and who contribute through private investments in addition to public-private partnerships.

There is massive potential for growing intra-BRICS investment, and putting it on the same platform as intra-BRICS trade in increased cooperation, a willingness to address business barriers and a shared approach to development. ■

By Catherine Grant-Makokera, economic diplomacy programme head, and Memory Dube, senior researcher, South African Institute of International Affairs

Tackling the challenges of ICT and the internet

The rapid development of the internet and a sharp increase in user numbers are causing cybersecurity to gain prominence globally, and the Durban Summit may see the BRICS countries discuss the harmonisation of cyber legislation

The BRICS activities in the field of information and communications technology (ICT) are based on the role of the forum and its potential as a market. With 700 million internet users, the BRICS economies account for 29 per cent of the global user audience, a share that will rise due to the massive growth of their internet penetration rate. This is a colossal asset in terms of economic and social development, but making this asset work in the BRICS countries requires investing in it heavily.

A major thrust is intercontinental (or inter-regional) infrastructure projects aimed at developing bandwidth in remote regions, such as South Africa. One such project, aimed at developing broadband not only in South Africa but also among its neighbours, was presented at the 2011 Sanya Summit in China. The South Atlantic Express submarine cable was designed to link South Africa and Angola to the GlobeNet cable through the United States and Brazil. A year later, an even larger BRICS cable project was announced, envisaging a 34,000 km fibre-optic cable that would link all the BRICS economies to the United States, from Vladivostok to Miami through China, India and Brazil. With more than $1.5 billion required, the project is still waiting for the investors' green light, but the prospects are promising. Africa is the most rapidly growing internet market in the world, but it is also one with a great lack of infrastructure for broadband access. The BRICS cable is thus in very high demand, with its potential to provide more than 50 million people in the southern African region with broadband internet in the coming years.

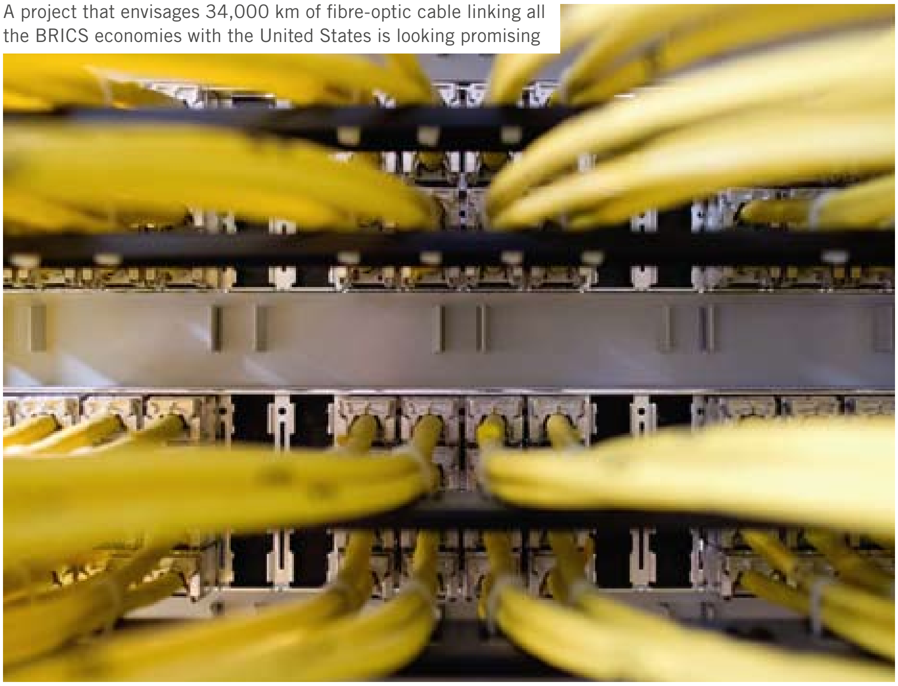
Global cybersecurity

However, tackling the digital divide is not the only mainstream ICT-related activity within the BRICS. Steadily going beyond the economic dimension, the forum is showing increasing interest in global cybersecurity – or international information security, depending on the approach. The latter, focused on content-related security aspects of internet communications, is advocated by Russia and China. In 2011, Russia presented two major initiatives: the conception of a convention on international information security and, in cooperation with China and two central Asian states, a draft code of conduct in the field. Since then, Russia and China have put much effort into securing support for these initiatives among their BRICS partners. India and Brazil showed interest and supported crafting an international legal regime of cyber and information security, probably extending beyond the scope of soft law and involving content-related aspects. However, these ideas met strong criticism from the US and Europe, so now the BRICS leaders are focusing more on soft law approaches and emphasising cybercrime and cyberterrorism.

ICT will mainly arise on the agenda of the Durban Summit in its security dimension – namely cybersecurity. One of the top issues is the exchange of best practices of national cyber emergency-response teams (CERTs). This again proves that the approach pushed by Russia and China in the global arena, focused on content-related aspects of international information security, is not yet dominant within the BRICS.

Developing cooperation on CERTs is very much a technical exercise in trust building, typical for such international forums as the Asia-Pacific Economic Cooperation forum, the Association of Southeast Asian Nations, or the Organisation for Security and Cooperation in Europe. Moreover, Durban is focused on countering cybercrime rather than dealing with cybersecurity challenges of a military, political or strategic nature. In some ways that is reasonable, as it is

A project that envisages 34,000 km of fibre-optic cable linking all the BRICS economies with the United States is looking promising



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cybercrime – not hackers or politically motivated cyber activities – that are a particular headache for countries that have a rapidly rising ICT sector. In 2012, the BRICS states reportedly accounted for around 50 per cent of global economic losses related to cybercrime (worth around $55 billion).

Addressing cybercrime

The BRICS group started addressing cybercrime and cyberterrorism at the beginning of 2012, and the issue will be an increasing priority in coming years. Practical activities, such as joint training and expertise sharing, and legal initiatives, such as crafting a new global regime to fight cybercrime or harmonise national cybercrime legislation within the BRICS countries, could be anticipated and discussed at Durban.

Unlike cybersecurity, however, internet governance is not a top priority at Durban. Shortly after the International Telecommunication Union's (ITU) conference in Dubai in December 2012, which almost became a point of division for internet governance, it is now not easy for BRICS leaders to reduce their ambitions to the lowest common denominator. In Dubai, a group of states led by Russia and China launched a campaign to introduce major changes to the International Telecommunication Regulations – a treaty signed in 1988 to govern international telecommunications.

Moscow and Beijing sought to include the internet as a separate type of telecommunications, thus bringing global internet governance under the intergovernmental ITU. Today, internet governance largely centres on the Internet Corporation for Assigned Names and Numbers (ICANN), a non-governmental corporation often criticised for being accountable to the US Department of Commerce. Thus, the 'reformers group' in Dubai wished to bring key issues of internet governance under intergovernmental control, as a more appropriate form of responsibility and representativeness.

Those efforts split the BRICS members. Russia and China headed the campaign, while India reportedly supported it and South Africa abstained. Brazil initially backed the campaign, but later denied its support for changing the regulations. At Dubai, more than 50 states refused to sign the final updated treaty, which introduced some amendments that Russia and its allies called for. Discussing further steps in internet governance is now quite problematic, as no one seems to have a clear vision of how to interpret the outcomes of Dubai and set a global agenda. Even if the subject arises at Durban, the BRICS leaders will likely gloss over its rough edges.

The largest internet market

Still, on global ICT development, the BRICS potential is even greater than in general economic development. Destined to govern the world's largest internet market, the BRICS leaders will have to make this issue one of the forum's top priorities. They realise this. At the same time, the turbulent and intensely dynamic realm of ICT and the internet reveals, better than anything else, the weak points of the BRICS forum, such as diverging social and economic trends and a general lack of internal consonance. Although Durban might not be a litmus test for the future of the BRICS forum, it will likely be a milestone in the development of its ICT agenda, which will more closely relate to security aspects than to more traditional financial and economic areas. ■

By Vladimir Orlov, president, PIR Center, editor-in-chief, *Security Index Journal,* and director, Centre Russe d'Etudes Politiques; and Oleg Demidov, NET Project Coordinator, PIR Center

Creating a BRICS development bank: prospects and possibilities

The feasibility of a BRICS development bank has been widely considered. This year, the Durban Summit will see discussions on the practicalities, from conceptualisation to the future contributions of the bank to the global economy

One of the major decisions taken at the fourth BRICS summit in New Delhi in March 2012 was to explore possibilities of establishing a BRICS development bank. The leaders' declaration said: "We direct our finance ministers to examine the feasibility and viability of such an initiative, set up a joint working group for further study, and report back to us by the next summit." Ever since, there has been considerable speculation in the media on the desirability, feasibility and the viability of such a bank. Arguments have arisen both for and against the idea. Even as the status of the project will become known at the summit in Durban, certain contours are becoming clear.

The concept of creating a BRICS development bank arose in the address by Indian Prime Minister Manmohan Singh at the 2010 G20 summit in Seoul, when he said that considerable savings in the emerging economies had not been utilised. He suggested that a way should be found to recycle these savings for the benefit of everyone, particularly the developing world. Later, eminent economists Nicholas Stern and Joseph Stiglitz wrote a paper expressing similar views, and the BRICS development bank proposal was born. The BRICS group constituted a new formation that was in a position to take the idea forward.

Global context

There has been some criticism that the new bank aims to supplant the existing development banks. Nothing could be further from the truth. The Delhi Declaration is very clear on this point. It mentions the "possibility of setting up a new development bank… to supplement the existing efforts of multilateral and regional financial institutions for global growth and development". The need for such an institution has become critical since disbursement of funds for development activities by the World Bank and regional banks has not kept pace with the growing requirements. Take the Millennium Development Goals (MDGs). Most developing countries are nowhere near achieving the goals by 2015, as was envisaged in 2000.

One of the main reasons for the failure has been the unavailability of funds for vital sectors such as infrastructure, health and education. That is why the World Bank and its regional counterparts have welcomed the initiative. While endorsing the proposal for a BRICS development bank in Delhi on 2 April 2012, the World Bank's then president, Robert Zoellick, said: "I'm enough of an economist that I'm not a monopolist." In a letter to the *Financial Times* a few days later, Mattia Romani, Nicholas Stern and Joseph Stiglitz expressed explicit support, saying that such a bank would "play a strong role in rebalancing the world economy by channelling hard-earned savings in emerging markets and developing countries to more productive uses than funding bubbles in rich-country housing markets".

Having attained a conceptual acceptance, the main issues for the bank will lie in the details. The first is the question of capitalisation. Will it follow the current pattern of other development banks or have a new model? It has been argued that capitalisation need not unduly stretch the resources of the five countries. Even if each contributes $10 billion, the paid-up capital will amount to $50 billion, against which additional capital can be raised from open-market operations. In the case of the World Bank, the total paid-up capital is only 10 per cent. The rest is AAA-rated callable capital, which has never been requisitioned. Some elements of this model could be adopted by the BRICS members.

The BRICS development bank would require a judicious mix of currencies to make the venture both viable and practical

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They could also agree to co-opt other multilateral banks with minority stakes to enhance the overall credit worthiness.

The bank must be commercially viable. That would be the only guarantee for it to grow and augment its activities.

Points of discussion

Another point of discussion has been the disproportionate influence that China could exercise, given its stronger economic weight with regard to the other BRICS members. With the above model of capitalisation, this fear can be taken care of. Furthermore, there could be a system of a rotating presidency alongside other checks and balances. Questions of organisational structure and location of the headquarters are matters of detail that could be decided by the five members through discussions.

The question of the preferred currency of transactions is also important. One idea is to conduct business, as far as possible, in the local currencies of the five BRICS members. However, the group may not at present be in a good position to restrict business to those currencies. Hence, a judicious mix would be needed to make the venture both viable and practical.

What will the mandate of the bank be? The dominant view is to concentrate on vital areas such as infrastructure and small and medium enterprises (SMEs) in the five countries, which would then be extended gradually to other emerging economies and developing countries. If successfully implemented, this would be a shining example of South-South cooperation. The BRICS development bank could take some useful ideas from the Brazilian Development Bank (BNDES). It has experienced remarkable recent success with disbursements of $140 billion in 2011, 40 per cent of which were for large infrastructure projects and 30 per cent for SMEs.

Once the BRICS bank is well established, it could also play a role in a financial-support mechanism to deal with periodic crises in the global economy. This approach fits in well with the overall concept of the BRICS, which has come to signify an alternative narrative for growth and development. The old paradigm of aid with international assistance based on the donor-recipient principle has not proved successful. A BRICS development bank holds the ability to create a new model for meaningful cooperation among the individual stakeholders.

A cooperative approach

There is a general feeling among economists and development strategists that the time has come for the establishment of a development bank by the emerging powers. To achieve success, it must be conceptualised correctly. Furthermore, the BRICS development bank should have a non-confrontational and cooperative approach with regard to existing institutions, and should follow a gradual, practical and incremental path in its evolution. ■

By H H S Viswanathan, distinguished fellow, Observer Research Foundation

The BRICS group as a crucial locomotive of G20 development

In many respects, the G20 agenda is a search for compromise among developed countries and emerging market economies, which is reflected in the increasingly common approach adopted by the BRICS members towards G20 topics

There is a profound correlation between the BRICS group and the G20, based on the evolution of a multipolar global economy in the 21st century.

The role of the G20 as a tool to combat the global financial and economic crisis and its consequences was strengthened by the position of the emerging market economies. The BRIC countries, joined by South Africa in 2010, played a leading part. Their political and financial support of the anti-crisis measures taken by the G20 and the International Monetary Fund (IMF) helped to prevent the crisis from escalating, and mitigated its consequences. BRICS members reasonably regard the G20 as a critical platform for coordinating global stabilisation measures and for promoting their own programme of reform of the international financial and economic architecture. Therefore, the G20 agenda is, in many respects, a search for compromise among developed countries and emerging market economies.

The desire to pursue common interests within the G20, primarily in terms of reforming the Bretton Woods system, was an important factor in the gradual convergence of the BRICS members. This process is evident from the declarations adopted by the BRICS group at its summits since 2009. Both the scope and degree of detail dedicated to common approaches among the BRICS members to G20 issues have steadily grown.

G20 coordination

Recognising the importance of coordinating their G20 efforts, the BRICS countries have concluded that they need to build a system for collaboration at all levels. Currently, this involves negotiating key G20 agenda issues at annual BRICS summits and at informal meetings on the margins of G20 summits. It also involves consultations of finance ministers and central bank governors during the annual sessions of the IMF and World Bank, as well as meetings of the BRICS sherpas during the G20 preparatory meetings.

Such a practice by no means contradicts the G20 spirit, as critics sometimes claim. Similar coordination exists at the European Union, which is a major member of the G20. Members of the G7 also coordinate their approaches to some issues. Moreover, the aligned stance of the BRICS countries in the G20 promotes compromise and boosts the G20's efficiency. Consequently, the efficiency of governance of the global economy is also boosted.

In 2010, the BRICS members proved to be constructive partners in a search for a compromise-based solution to the issue of the redistribution quotas and votes at the World Bank. As a result, the share of votes of developing countries and transitional economies increased by 3.13 per cent, reaching 47.19 per cent. On the sidelines of the G20 finance ministerial meeting in Gyeongju, Korea, in October 2010, BRICS and G7 members laid the grounds for the IMF decision to hold a new round of reform there too. Although the implementation of this decision remains a challenge, the very fact of these direct negotiations between the BRICS and the G7 groups is symbolic.

Points of convergence

In building participation within the G20 based on common interests, the BRICS countries do not stand in opposition to their partners. Indeed, they constantly seek points of convergence. This search for common ground often helps the G20 to develop arrangements, such as the Framework for Strong, Sustainable and Balanced Growth, Basel III, measures to improve supervision of financial markets, the Multi-Year Action Plan on Development and the mechanism for global marine-environment protection.

President Vladimir Putin of Russia shakes hands with President Dilma Rousseff of Brazil during a meeting at the 2012 G20 summit. The pursuit of common interests at the G20 summit was a factor in the convergence of the BRICS members

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The BRICS countries contribute substantially to strengthening the stability of the international monetary and financial system, which is a core goal of the G20. In particular, in response to a call by the IMF's managing director, Christine Lagarde, on the eve of the G20 summit at Los Cabos, Mexico in June 2012, the BRICS leaders committed $75 billion to the credit resources of the IMF: China pledged $43 billion; Russia, India and Brazil $10 billion each; and South Africa $2 billion. It should be emphasised, however, that the BRICS members now expect their IMF partners and management to be more active in reforming the IMF.

The aligned stance of the BRICS countries in the G20 promotes compromise

The Russian presidency of the G20, which began on 1 December 2012, undoubtedly reflects a wide consensus platform of all members, with a common top objective to help the global economy take the path of sustainable development. At the same time, the Russian programme allows for the approaches of specific emerging market economies to be promoted by BRICS members. There are serious reasons to listen to what the BRICS group has to say, as it has accounted for more than 50 per cent of the growth in global gross domestic product (GDP) for the past two decades.

Russia's BRICS partners actively support its priorities as G20 chair. Those priorities include encouraging investment in the real sector of the economy, boosting trust and transparency in the markets, and improving the effective regulation of all markets.

The Russian presidency advocates joint efforts to seek solutions to speed up global economic growth and increase employment. These are pressing challenges, given the slow growth rates and unacceptably high unemployment levels around the world. As faster economic growth and fiscal consolidation are closely related, the G20 must also develop initiatives to improve national public borrowing systems and the administration of sovereign debt. The Russian presidency will also actively promote IMF reform. Russia hopes that the G20 will give a political impulse to that reform, both in revising the formula to calculate quotas and votes and in having shareholders ratify the December 2010 resolutions that set the parameters for reforming the management of the IMF.

Critics sometimes claim that the role of the BRICS group within the G20 and the global economy more generally is diminishing because of recent low growth rates. However, if the 2010-13 growth rates of developed economies are compared with those of the BRICS members (using the forecast of the IMF for 2013), the BRICS countries remain ahead. Their annual growth rate is 5.36 per cent, compared with 1.85 per cent in developed countries. The weight of the BRICS members in the global economy and in the G20 is still increasing, along with the growth of the entire group of emerging economies.

BRICS members are vitally interested in maintaining and strengthening the role of the G20 as the primary forum for the international economic cooperation of its members. This position follows from a perception of the G20 as a global governance structure that best reflects the realities of the modern multipolar economy. At the same time, the BRICS partners think it important for the G20 to consider the interests of the international community as a whole, and not just the interests of their own members. The BRICS members, some of which are also in the Group of 77 – the Non-Aligned Movement and regional organisations in Africa, Asia and Latin America – strive to reflect the aspirations of these communities in their approaches to the G20 agenda.

An authoritative voice

Within the G20, the BRICS group serves as an authoritative voice representing the majority of emerging market economies and developing countries, rather than a club that pursues selfish interests. It promotes active dialogue between the G20 and the United Nations and its specialised organisations and regional associations. This dialogue will help strengthen G20 legitimacy and boost support for its decisions from non-members, without which the G20 would struggle to be effective. This approach is now fully implemented by Russia's G20 presidency through its outreach programme.

Given the experience of BRICS members in the G20, the contribution of those five countries to this key forum for global economic governance will grow, as their financial and economic positions strengthen and a substantive dialogue continues with their G20 partners. ■

By Vadim B Lukov, BRICS sous-sherpa & coordinator for G20 affairs, Ministry of Foreign Affairs of the Russian Federation

The BRICS Durban Summit: time for action, not words

At a time when specific plans for cooperation are expected of the BRICS members, it is important to analyse previous development patterns to understand how these countries can grow together while safeguarding their individual interests

When the BRICS leaders hold their annual meeting in South Africa this year, it will be particularly important. As the person who created the BRIC acronym for Brazil, Russia, India and China in 2001, I can see the power of the BRICS economic story more than most – but I am yet to be convinced that these countries can operate as an effective collective decision-making body.

Their fifth annual meeting, at Durban, is a time for the BRICS members to introduce specific plans for cooperation. Perhaps the creation of a BRICS development bank is the best near-term opportunity for such a specific advance.

The 2013 BRICS meeting comes against the background of some questioning the power of the BRICS economic story – the uncertainty of which arises from the slower growth experienced by each member in 2012. China, despite achieving 7.7 per cent, still experienced its slowest growth for a long time. Brazil, India and South Africa each showed notable softness, disappointing their own expectations.

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Russia also showed modest growth, although, in contrast, it did not disappoint already low expectations.

In the decade to come, the BRICS countries will be unlikely to match their storming collective growth of 8.1 per cent of the past decade, although those who study their potential and policy developments have long known this. The 2012 slowdown is thus not a collective disappointment. Measured against the 6.6 per cent average BRICS growth rate that I have assumed for this decade, 2012 was not so bad. Moreover, as is increasingly the case regarding political decision-making, the collective economic performance of the BRICS is significantly driven – if not dominated – by China. According to its 2012 gross domestic product (GDP), China's economy is worth around $8.2 trillion in nominal terms – bigger than the rest of the BRICS put together. Since the end of 2010, China has added $2.2 trillion – about the same size as India, and equivalent to creating six new South African economies.

Collective growth

For this decade as a whole, I predict China will grow by 7.5 per cent, and that will largely determine the BRICS group's collective growth performance. So far, since 2010, China has averaged 8.5 per cent growth, suggesting that it (and the BRICS group's growth rate) is doing better than I had assumed. It is worth emphasising how critical this is for the world – not just the BRICS club – because if the BRICS achieve 7.5 per cent GDP growth, by 2020 China will be close to the level of the combined economy of the European Union, and not too distant from that of the United States. Moreover, given the rising share of the BRICS members, the world would consequently grow more than it did in each of the past three decades. It also means that what China aims to do for its own purposes will likely deeply influence what the BRICS group can achieve.

There is no disguising the fact that the other BRICS countries faced more disappointments in 2012 compared with expectations, and, in Russia's case, suffered as a result of its more limited potential growth rate. Unlike China, which has set the stage to achieve the growth performance that I expect – and that its policymakers want – the other BRICS countries must strive through policy to do better. This is especially true for Brazil, India, South Africa and, to a slightly lesser degree, Russia.

Brazil needs to improve the performance of its non-commodity-producing economy (as does Russia even more), in terms of competitiveness and productivity. Russia also needs

The Durban Summit is a particularly good opportunity for South Africa to demonstrate that its presence in the BRICS is useful a more credible rule of business law and a halt to its declining population. India faces huge challenges, including boosting the most basic (as well as its most advanced) educational opportunities, developing its urban infrastructure and improving its macroeconomic policy framework. South Africa faces similar challenges, in addition to those of Brazil and Russia, to reduce commodity dependence.

Individual priorities

From a summit perspective, could the members increase the likelihood of meeting their own priorities through the BRICS club? If the answer is yes, then the BRICS leaders face a promising collective future. If not, then why should they wish to meet regularly?

It is worth remembering some basic facts to indicate what these five countries might achieve together. Four members have very large populations – among the world's 10 largest. South Africa is the exception, as it is also in terms of economic size. China and Brazil are among the seven largest economies. India and Russia are on the edge of being in the top 10. South Africa is not much bigger than Greece. China is, it bears repeating, economically larger than the other four put together.

Brazil and Russia are the wealthiest, with around $15,000 per head. China and South Africa are somewhat behind, at around $7,000 per head, and India is much less wealthy, at $2,000 per head.

Most but not all are democracies. The five do not share the same basic political philosophy (unlike the G7 members). Three of the members are major commodity producers, while the two most populous – China and India – are primarily commodity importers.

These basic parameters and, in particular, fundamental differences suggest that it is not at all easy for the five to achieve collective decisions for communal benefit. Therefore, it requires bold leadership and true buy-in of the concept and benefits of the BRICS.

It is thus worth considering the role of China more closely. Can its association with the BRICS countries deliver its policy priorities more easily? China has long been a proud champion of the emerging world, but will it commit to specific steps? Can China achieve more of its planned shift to a better-quality and more sustainable growth model by committing to a BRICS development bank, for example, or is it perfectly capable of meeting its needs with its own China Development Bank?

One unique aspect for China is the international use of the renminbi and, perhaps with it, the future of the world monetary system. If China is eager to increase the commercial use of the renminbi, including boosting its role in the world monetary system, the BRICS political club may be very useful.

The other BRICS countries should ponder what China wants from their association, at least as much as, if not more than, their own desires. It is easier to see how each may benefit, especially given their needs. If China is eager to support the BRICS club, it should be beneficial for the others to fall into line. Each would be pleased to commit, for example, to greater use of the renminbi as opposed to the US dollar in bilateral trade with China. Each of the other BRICS countries might then happily hold more of its foreign exchange reserves in renminbi.

The potential of a bank

As for a BRICS development bank, each member has one of its own in some form. However, if China sees the merits of a true pan-BRICS institution, it would probably be beneficial for the others to agree. What would be less obvious as an outcome is if other countries were eager and China was reluctant. Such an institution might then have a less valid mandate and purpose. There may already be warning signs of not going down such uncommitted paths from other multinational organisations and their largest members.

> So far, since 2010, China has averaged 8.5 per cent growth, suggesting that it is doing better than I had assumed

Durban thus certainly promises to be interesting. Some South African policymakers have been irritated by my questioning the country's suitability to be a BRICS member, but this questioning is purely based on South Africa's relatively small size in terms of population and economy. South Africa is now a member, and the Durban Summit, which it hosts, is a particularly good opportunity for South Africa to demonstrate that its presence is useful. It can encourage the group to introduce policies to their collective benefit – something that would be good news not just for them, but also for the world. ■

By Jim O'Neill, retiring chairman, Goldman Sachs