SKOLKOVO
Moscow School of Management

SIEMS MONTHLY BRIEFING

SKOLKOVO Institute for Emerging Market Studies
Moscow School of Management
February 2010

DECOUPLING REVISITED: CAN THE BRICS REALLY GO THEIR OWN WAY?

OVERVIEW

Key emerging market economies have made significant macroeconomic strides as bigger and more resilient world players. In particular, the large economies of Brazil, Russia, China and India, the so-called BRIC nations, have weathered the global recession fairly well during the past two years, and are poised to provide a much stronger global presence over the next decade. Their relatively strong macroeconomic performance has once again raised the question whether the BRICs (or the emerging markets in general) have in some respect 'decoupled' from the richer developed world. That is, are the business cycles of the BRIC economies marching to the beat of their own drum and acquiring more macroeconomic independence from the twists and turns of the US business cycle? This issue dwells upon a long running debate, and stems from confusion between economic resilience and decoupling. In a globalised world economy, trade and financial linkages are expected to strengthen, with concomitant spillovers. As noted aptly by John Lipsky[1] from the IMF, "The global financial crisis has underlined in a painful way that the globalised economy is a fact."

This paper examines the recent economic resilience of the BRIC economies and tries to determine whether this strength is an indication of decoupling from the developed world. We find that the BRICs recent ability to deflect external shocks seems to be more heavily related to their crisis prevention systems and better macroeconomic management, than a movement toward macroeconomic independence from the club of wealthy nations. That said, while we do not find evidence of decoupling as seen in either trade or financial sector linkages, we do see a marked shift in BRIC trading patterns away from the US and toward the Eurozone and the developing economies, which does provide some degree of immunity from the US business cycle.

[1] Building a Post-Crisis Global Economy — An Address to the Japan Society, John Lipsky, First Deputy Managing Director, International Monetary Fund, New York, 10th December 2009.

I:

THE CONCRETE NATURE OF THE BRICS: STELLAR MACRO-FINANCIAL PERFORMANCE CONTINUES

In general, the transmission of external financial shocks to emerging markets can take varied paths and play out over a long period of time. In the immediate short run, a flight to safety prompts an exit from more liquid emerging market assets, with equity markets facing the brunt of the financial market panic. Higher borrowing costs, reduced trade flows, along with shrinkage in foreign direct investments follow, with concomitant impact on the domestic economy in terms of GDP growth and unemployment.

In keeping with the above pattern, the crisis and recession that hit the mature economies in late 2008 caused equity markets to swoon and swiftly brought about an abrupt shrinkage of trade and finance for export-dependent emerging markets. Even so, the overall resilience of emerging markets during the US sub-prime financial crisis has been noteworthy. As compared to the 1997-98 Asian crisis, the impact on emerging markets was far less severe, which can be traced to better macroeconomic management and stronger macro fundamentals. In essence, policy makers had the wherewithal to respond to the crisis with fairly swift action in terms of substituting domestic demand for the predictable slide in external demand. Thus, recovery in key emerging markets occurred far sooner than in their developed counterparts.

For the BRICs, the economic numbers speak for themselves. Just recently, China announced that growth during 2009 was up by 10.7%, even stronger than the 9.6% rate seen in 2008. India has been reporting strong results as well, with year-over-year (YoY) growth accelerating to 7.9% in the third quarter of 2009 from 6.1% in the prior quarter. In contrast, the news from Brazil and Russia has been weaker; Russia reported negative GDP growth of 8.9% YoY through the third quarter, while Brazil was at negative 1.2%. However, Brazil is expected to rebound sharply in 2010, while Russia in 2010 is likely to grow modestly, before rebounding

The crisis and recession that hit the mature economies in late 2008 caused equity markets to swoon and swiftly caused an abrupt shrinkage of trade and finance for export-dependent emerging markets.

more strongly during the remainder of the decade[2].

Table 1 provides the sharp contrasts with the developed countries. With mature economies set for a modest growth period ahead with tepid consumer spending, the BRIC economies will be powering world growth.

While the macroeconomic performance was fairly strong through the sub-prime crisis, at least for China and India, the overall financial market performance has been volatile. The growing integration of the BRICs with world financial markets has proved to be a mixed blessing, insofar as they remain susceptible to bouts of euphoria and panic. As an asset class, emerging markets are the first to feel the brunt of any panic, even if the root cause lies elsewhere.

The growing integration of BRICs with world financial markets has proved to be a mixed blessing, insofar as they remain susceptible to bouts of euphoria and panic

TABLE 1: OVERACHIEVING BRICS

Macroeconomic Fundamentals	Real GDP Growth (% change)						
	2005	2006	2007	2008	2009e	2010f	2011f
World	3,5	4,0	3,9	1,8	-2,2	2,7	2,6
U.S.	3,1	2,7	2,1	0,4	-2,5	2,5	1,4
Eurozone	1,8	3,1	2,7	0,6	-4,0	0,8	1,2
Japan	1,9	2,0	2,3	-0,7	-5,5	1,4	1,0
BRICs Brazil	3,1	3,9	5,6	5,1	0,0	4,5	3,7
Russia	6,4	7,7	8,1	5,6	-7,8	3,0	4,1
India	9,2	9,7	9,1	6,1	5,8	7,1	7,8
China	10,4	11,6	13,0	9,6	10,7	9,3	8,3

Source: Economic Intelligence Unit

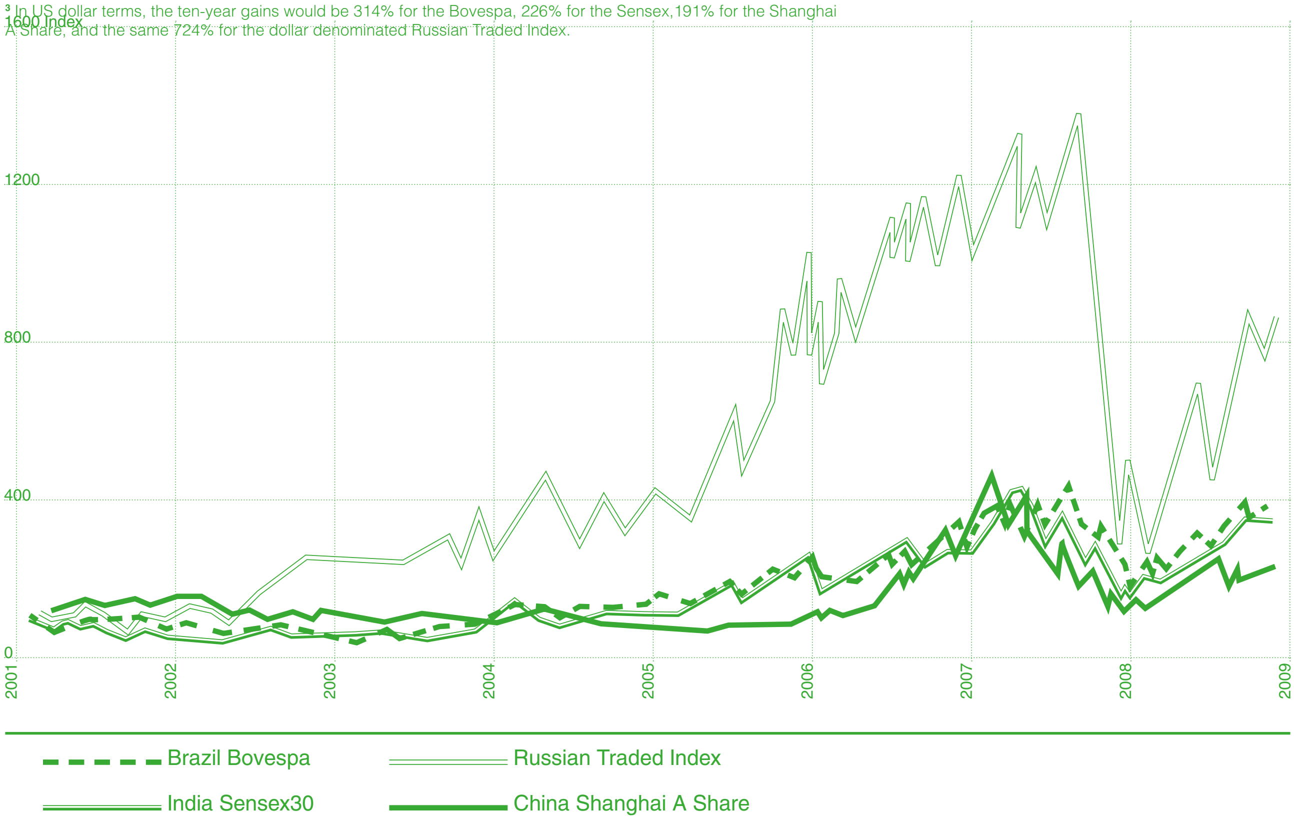
Co-trending behaviour in financial markets is apparent, especially during any crisis. However, despite the rout from the sub-prime financial crisis, BRIC equity indices recovered fairly quickly (Figure 1), driven by strong financial market confidence in their ability to deliver superior results ahead. An interesting point to note is that between January 2000 to December 2009, the Russian Traded Index has posted the strongest gain of 724%, followed by the Brazilian Bovespa at 301% and the Indian Sensex at 249%, along with a relatively smaller finish of 140% for China's

[2] The Economic Intelligence Unit (EIU) projects potential GDP growth, or the maximum level of output an economy can attain without placing pressure on prices, at about 8% for China and India, and 4% for Brazil and Russia. These figures assume that labour productivity growth will continue at a strong pace. The more widespread application of new technologies provides ample room for productivity growth in both the manufacturing and services sectors.

Shanghai A Share index. These gains[3] stand in stark contrast to the 8.9% ten-year loss for the US Dow 30 index and the 24% loss on the S&P 500.

The stellar performance of equity markets is seen in bond markets as well. According to BofA Merrill Lynch index data, Brazilian Sovereign bonds, in US dollar terms, provided a total return of 273% from 2000—2009. China clocked 100%, but the bond market prize again went to Russia with a 575% gain. Clearly, both equity and bond markets were very bullish on Russian prospects over this period.

FIGURE 1/ BRICs' Equity Twists
BRICS Equity Market Performance (Dec 30 1999 = 100)



Source: Bloomberg

[3] In US dollar terms, the ten-year gains would be 314% for the Bovespa, 226% for the Sensex,191% for the Shanghai A Share, and the same 724% for the dollar denominated Russian Traded Index.

II: BRICS' MACROECONOMIC MANAGEMENT SHOWS TANGIBLE BALANCE SHEET RESULTS

What explains the improved BRICs' performance? The aftershocks of the 1997—1998 Asian financial crisis galvanised emerging market nations into better macroeconomic management. In particular, the faster pace of economic growth has largely helped alleviate a recurrence of a funding crisis, and also helped reduce fiscal imbalances. While the government sponsored stimulus programmes did reverse the fiscal situation for virtually all nations in 2009, the resurrection of stronger growth should reduce the need for running fiscal deficits. More importantly, current account deficits have shrunk; though some deterioration for Brazil and India is evident, the size of the current account deficits is considered to be manageable in view of larger foreign exchange reserves. Note that chronic current account deficits were to blame for the 1997 Asian crisis and its rapid spread to Latin America, where the current account deficit was negative 3.4% of GDP at that time.

While the government sponsored stimulus programs did reverse the fiscal situation for virtually all nations in 2009, the resurrection of stronger growth should reduce the need for running fiscal deficits.

TABLE 2: FISCAL AND CURRENT ACCOUNT BALANCES LOOK MANAGEABLE

	Fiscal balance (% of nominal GDP)				Current account balance (% of nominal GDP)			
	2007	2008	2009e	20010f	2007	2008	2009e	20010f
World	-0,1	-1,1	-6,7	-6,7	0,6	0,3	0,3	0,1
U.S.	-1,2	-3,2	-10,0	-10,6	-5,2	-4,9	-3,2	-3,7
Eurozone	-0,7	-1,9	-6,9	-7,6	0,6	-0,6	-0,4	-0,7
Japan	-2,5	-2,7	-7,4	-8,0	4,8	3,2	2,8	2,7
BRICs Brazil	-2,2	-1,6	-3,1	-3,0	0,1	-1,8	-1,0	-2,1
Russia	5,4	4,1	-7,4	-5,6	6,0	6,1	3,7	3,6
India	-2,7	-6,2	-8,1	-7,4	-1,0	-3,0	-0,3	-0,3
China	0,6	-0,4	-3,8	-3,6	10,7	9,6	6,2	4,6

Source: Economic Intelligence Unit

On balance, BRICs' vulnerability to financial shocks has diminished and Table 3 shows more tangible proof on this front. Liquidity buffers have risen, significant progress has been made with respect to reduced dependence on short-term debt, while reliance on external debt has diminished. The implicit goal of policy has been to avoid getting short on liquidity and having to borrow from the International Monetary Fund, with concomitant conditionality. Thus, liquidity buffers have been built up considerably, to the point where questions are being raised about the longer-term implications of such a policy.

For example, while China has amassed almost $2.5 trillion in reserves, a continued drop in the US dollar's value could erode this liquidity buffer[4].

TABLE 3: LIQUIDITY AND VULNERABILITY INDICATORS SHOW STRENGTH				
Liquidity & Vulnerability Indicators	1995	2000	2005	2009e
Total Reserves ($ bill.)				
Brazil	50	32	53	228
Russia	14	24	176	415
India	18	38	132	262
China	75	168	822	2 480
Short-term Debt/Total Reserves (%)				
Brazil	68,8	80,6	41,4	9,5
Russia	82,0	63,9	24,0	11,5
India	71,7	28,7	13,5	14,6
China	60,7	30,6	12,0	6,7
External Debt/GDP (%)				
Brazil	20,9	37,5	21,3	15,6
Russia	38,7	61,6	30,1	29,2
India	26,5	21,5	15,2	17,9
China	15,6	12,2	12,3	7,4
Source: Economic Intelligence Unit				

The stronger overall macro-financial performance and balance sheet strength has led BRICs higher on the ratings scorecard. The slow steps to investment grade ratings for BRICs are shown in Table 4, which depicts the credit ratings on long-term foreign currency debt assigned by Standard & Poor's (S&P) and Moody's. China was the only investment-grade BRIC ten years ago, and has slowly moved up the rating scale; indeed, sovereign credit default swap (CDS) spreads, which can be interpreted as a measure of the country's default risk, of about 70 basis points (bps), suggests that financial markets assign a higher credit rating to China than the rating agencies, who are often behind the curve in upgrades. For other BRICs, the hard-won progression to investment-grade has been slower and more recent. Brazil was moved to investment -grade status by S&P in April 2008

[4] The natural corollary is that China will seek to diversify its foreign exchange holdings away from the US dollar, a topic that periodically roils financial market psyche. While there is no detailed data available on foreign exchange reserve positions, the IMF's COFER data (Currency Composition of Official Foreign Exchange Reserves) does show a shift away from dollar denominated assets on the part of emerging market nations. For example, in 2000, emerging markets held 73.3% of their reserve assets in US dollars, but by the third quarter of 2009, this had dropped to 57.5%. In contrast, the euro share rose from 19.7% to 31.4%. If such a trend continues, this could spur a further decline in the US dollar.

(Moody's moved it much later in September 2009); Russia was officially in default in January 1999, but became investment-grade by January 2005; India moved up in January 2007, although S&P has placed it on negative outlook since February 2009, despite the strong economic performance. The low CDS spreads indicate that financial markets are more optimistic in their BRIC risk assessment relative to other emerging markets.

The low CDS spreads indicate that financial markets are more optimistic in their BRIC risk assessment relative to other emerging markets.

TABLE 4: BRICS ARE RATED INVESTMENT-GRADE

Date	Long-Term Ratings (Foreign Currency)			
	Brazil	Russia	India	China
Jan'10	BBB- /Baa3	BBB/Baa1	BBB-/Baa3	A+/A1
Jan'00	BB- /B2	B-*/B3	BB/Ba2	BBB/A3

Source: Bloomberg. *As of Dec. 2000

III:
THE DECOUPLING THESIS RE-EXAMINED

The discussion thus far shows that the BRICs have become a greater force in the global economy. However, while strong economic performance and better balance sheets provide a strong buffer to help withstand a crisis, a decoupling[5] from developed markets is not immediately apparent. On the contrary, we find evidence of greater co-dependence, particularly on the financial front.

Measures of openness, such as the share of exports and imports relative to GDP, rose during the past decade (Table 5), as countries sought to cash in on the global boom. Thus, models of self-reliance that were central to Indian planning until the 1990s gave way to more trade dependent structures, with both exports and imports accounting for a larger share of GDP. Only Russia seems to have reduced its trade dependency, but heavy reliance on energy exports (by both Russia and Brazil) added more volatility to their export revenues.

Only Russia seems to have reduced its trade dependency, but heavy reliance on energy exports (by both Russia and Brazil) added more volatility to their export revenues.

TABLE 5: OPENNESS INDICATORS SHOW MORE INTERDEPENDENCIES

Openess Indicators	Exports (% of nominal GDP)				Imports (% of nominal GDP)			
	1995	2000	2005	2008	1995	2000	2005	2008
World	**21.3**	**24.6**	**28.3**	**32.2**	**20.9**	**24.5**	**28.0**	**31.5**
U.S.	11.0	11.0	10.3	12.7	12.2	14.8	16.0	17.6
Eurozone	28.9	37.0	38.3	41.9	27.4	36.3	36.8	40.9
Japan	9.1	11.0	14.3	17.5	7.7	9.5	12.9	17.3
BRICs								
Brazil	7.3	10.0	15.1	14.3	8.8	11.7	11.5	14.2
Russia	29.3	44.1	35.2	31.4	25.9	24.0	21.5	21.9
India	11.0	13.2	19.9	22.7	12.2	14.2	22.7	28.0
China	19.5	23.4	36.3	35.8	17.9	21.0	30.9	27.9

Источник: Economic Intelligence Unit

[5] There is a considerable debate on the decoupling issue. For example, see " Global Business Cycles: Convergence or Decoupling?", IMF Working Paper WP/08/143 by M.A. Kose, C. Otrok and E. Prasad, June 2008.

While the openness indicators show greater external interdependencies in the BRICs, there are several additional themes that stand out:

• With the exception of China, intra-BRIC trade is still negligible. Even vis-a-vis China, import shares are in the range of 4—14%. China's own import share from other BRICs is in the vicinity of 2%, implying that the BRIC bloc cannot sustain each other, at least at present.

• The share of both exports and imports from developed countries has diminished in importance, more so vis-a-vis the US. In contrast, there is growing importance of emerging and developing nations in trade, on both the export and import side and this is likely to increase further. China has been fairly aggressive on this front; for example, while exports to Africa amount to a small 2.7% share, China

TABLE 6: BRICS' TRADE DIVERSIFICATION AWAY FROM DEVELOPED MARKETS

Trade Diversification BRICs	% of exports to:			% of imports from:		
	1998	2005	2008	1998	2005	2008
% Brazil vis-a-vis:						
United States	19,4	19,2	13,7	23,6	17,5	14,9
European Union	29,9	22,8	22,9	29,9	24,6	21
Japan	4,3	2,9	3,0	7,0	4,6	3,7
Emerging & Developing	40,9	47,1	48,9	37,7	45,8	52,5
% Russia vis-a-vis:						
United States	8,4	3,1	3,0	9,4	4,7	5,2
European Union	46,8	58,0	57,3	44,4	45,1	43,6
Japan	3,2	2,0	1,9	1,9	6,0	7,0
Emerging & Developing	46,6	42,3	44,5	44,6	42,8	43,5
% India vis-a-vis:						
United States	21,1	16,8	11,7	8,7	6,3	6,7
European Union	27,4	22,4	21,3	25,7	17,4	14,5
Japan	5,1	2,4	1,8	5,7	2,8	2,6
Emerging & Developing	32,0	43,0	49,5	39,5	27,3	58,9
% China vis-a-vis:						
United States	20,7	21,4	17,7	12,1	7,4	7,2
European Union	16,4	19,1	20,5	14,9	11,2	11,7
Japan	16,2	11,0	8,1	20,2	15,2	13,3
Emerging & Developing	15,4	20,3	28,7	15,6	25,9	32,3

Source: IMF

has been steadily increasing its presence there.

In the current business cycle, there has been considerable focus on whether the BRICs were now capable of pulling up and motoring the global economy. In this context, it would be pertinent to examine the importance of BRICs in developed country trade. The example of the US and Japan is given in Table 7. One feature stands out here: the rich largely export amongst themselves. While the export importance of emerging and developing countries has risen, it is largely they who are dependent on sales to the US. Also, exports by the US and Japan to BRIC nations remains fairly small; Japan's export share to China is the largest, at only 16%. Thus, it is difficult to buy into the rhetoric that BRIC growth will jumpstart the advanced economies anytime soon.

Exports by the US and Japan to BRIC nations remains fairly small

TABLE 7: REGIONAL US AND JAPAN EXPORTS AND IMPORTS PATTERN

Trade Diversification US & Japan	% of exports to:			% of imports from:		
	1998	2005	2008	1998	2005	2008
% US vis-a-vis:						
Advanced Economies	67,0	63,8	59,1	23,6	17,5	14,9
Emerging & Developing	33,0	36,1	40,8	37,7	45,8	52,5
BRICs Brazil	2,2	1,7	2,5	1,1	1,5	1,5
Russia	0,5	0,4	0,7	0,6	0,9	1,3
India	0,5	0,9	1,4	0,9	1,1	1,2
China	2,1	4,6	5,5	8,0	15,0	16,5
% Japan vis-a-vis:						
Advanced Economies	74,8	65,8	57,7	58,1	42,0	36,8
Emerging & Developing	25,1	34,1	42,2	41,8	57,9	63,1
BRICs Brazil	0,7	0,5	0,8	1,0	0,9	1,1
Russia	8,4	3,1	3,0	1,0	1,2	1,8
India	0,6	0,6	1,0	0,8	0,6	0,7
China	5,2	13,4	16,0	13,2	21,0	18,9

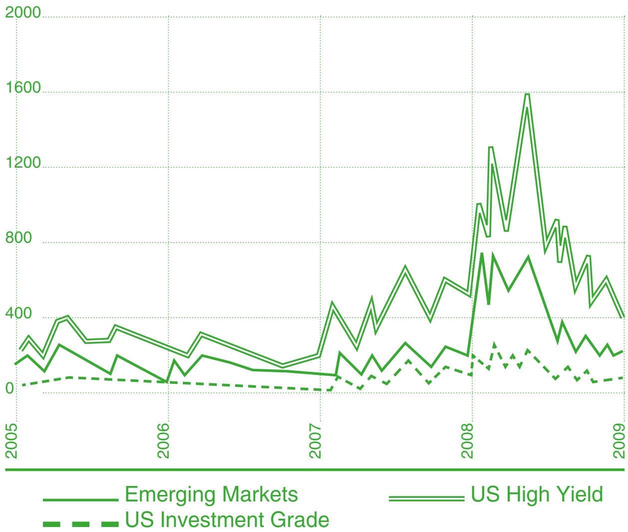
Source: IMF

Financial markets show no compelling evidence of decoupling, and there is two-way transmission here. BRIC clout comes from burgeoning international reserves (Table 3 and footnote 5), and even any hints of a change in currency preferences have a sharp impact on the US dollar and US financial markets. Additionally, heavy foreign participation in US bond and equity markets adds a further dimension of importance. Foreigners hold 49% of US Treasuries, 27% of equities, and 24% of corporate bonds. Thus, the asset allocation preferences of BRIC nations can now exert a large impact on the US. In short, the two-way causal connections have become more pronounced between the BRICs and the mature financial centres.

The financial crisis provides a good case study on the financial market linkages. We examine a series of ‘fright‘ factors that can transform seemingly robust financial centres into extremely fragile states. The overall lesson is that fright factors remain strongly tethered. While Lehman’s death, a ‘Black Swan’ event, drove the market into a panicked state, we also note that the

Foreigners hold 49% of US Treasuries, 27% of equities, and 24% of corporate bonds. Thus, the asset allocation preferences of BRIC nations can now exert a large impact on the US.

FIGURE 2A: Credit Default Swaps Spreads

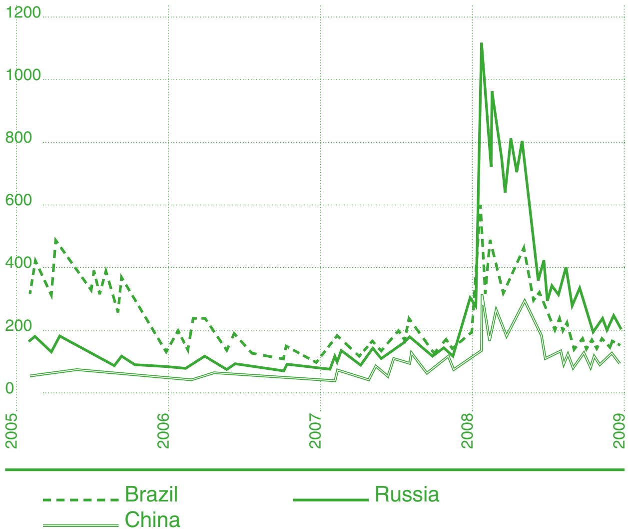


Source: Bloomberg

financial markets did retrace their steps fairly quickly, particularly with respect to the more solid BRICs. On balance, the metrics show a newfound respect for BRIC fundamentals, an opinion which has not been affected by the recent Dubai debacle or the problems seen for Greece. The fear metrics are as follows:

1) Credit Default Swaps (CDS): In a general sense, credit default swap spreads provide a measure of default risk, or the premium that a buyer is willing to pay for default protection. With Lehman's demise, the initial flight to safety pushed CDS spreads higher with liquidity drying up even for creditworthy borrowers. Even so, investors were more relaxed with respect to emerging markets; CDS spreads have pulled back dramatically (see Figure 2) from their initial panic, with emerging market spreads now running close to levels seen in mid-2008. The same situation is true for Brazil and China, and although the price of Russian default protection is still elevated, these have stabilised as well. Financial markets have a tendency of penalising Russia the most, given the checkered history of Russian defaults. While a

FIGURE 2B: Sovereign Credit Default Swaps

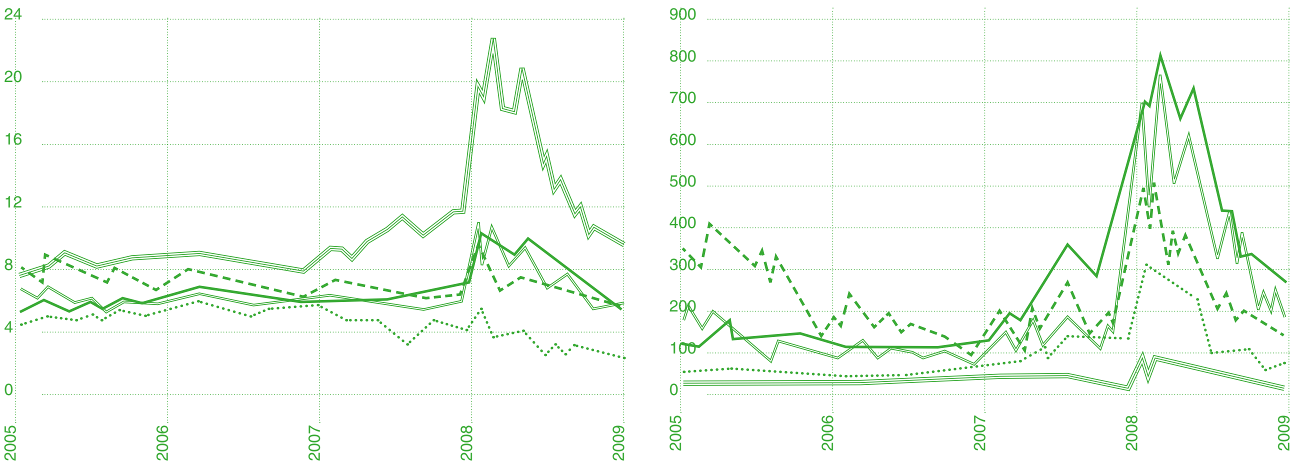


Source: Bloomberg

Financial markets have a tendency of penalising Russia the most, given the checkered history of Russian defaults.

FIGURE 3: Yields and Spreads

A: Interest Rates (%) B: Spread Developments (basis points)



Brazil
China
US High Yield
Russia
US BBB

Brazil Sovereign
China Sovereign
S&P500 VIX
Russia Sovereign
US BBB Corporates

Source: Bloomberg, BofA Merril Lynch

All BRICs have investment grade ratings and the rates and spreads developments are tending to mimic BBB credits for Russia and Brazil.

sovereign CDS series is not available for India, individual bank CDS have also returned to pre-crisis levels.

The relatively quick return to normalcy for emerging markets is encouraging, suggesting some degree of 'decoupling' from the US credit cycle. With their strong economic performance, financial markets are not lumping the BRICs with other emerging market economies, which is a departure from earlier patterns. For example, China, Brazil and Russia currently have CDS spreads of 70 bps, 115 bps and 160 bps respectively, which is substantially below the emerging markets CDS of 250 bps. In contrast, US investment-grade CDS are at 77 bps, while the high yield index is substantially higher at 480 bps. Thus, BRICs are being treated as a safer asset class, distinct from US high yield and other emerging markets.

2) Interest rates and spreads on sovereign bonds: Figure 3 provides a comparative perspective on sovereign bonds relative to US high yield and US BBB bonds. The run-up and run-down of yields and spreads, a measure of risk premium relative to US Treasuries, also suggests herding behaviour. However, here too, the fright factor was smaller and receded fairly quickly. All BRICs have investment grade ratings and the rates and spreads developments are tending to mimic BBB credits for Russia and Brazil. China's A+ credit rating is showing up as very low yields and spreads.

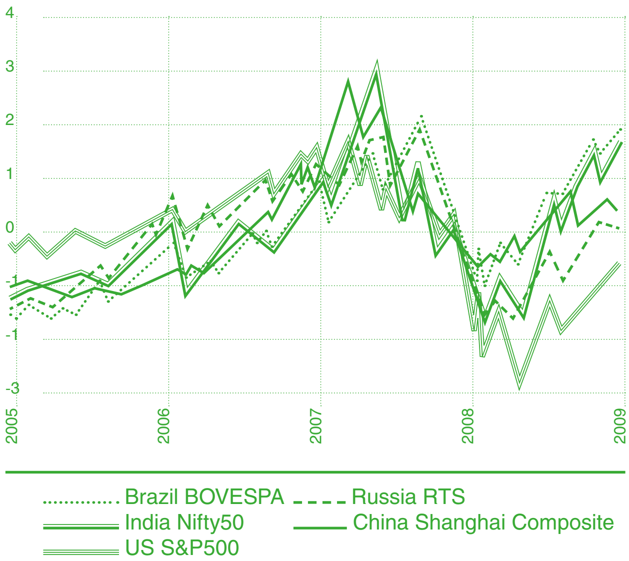
3) Equity Markets: The co-movements in equity markets are shown in Figure 4, which is highly suggestive of synchronised behaviour. Additionally, although turning points differ, the correlations are fairly strong. Once again, it appears that financial market transmissions remain strong across all countries.

4) Equity market volatility: The ultimate fear gauge is the implied volatility on equity indexes, commonly referred to as VIX, which is computed from the prices for a range of options on the respective equity indices to derive an implied volatility measure[6]. It provides a quick

[6] Simply stated, the VIX measure is a proxy for the expected (annualised) percentage movement in the referenced equity index during the next thirty days. Thus, the current VIX of 20 on the S&P 500 implies that the market expects a 20% annualised move in the S&P 500 during the next 30 days, or a move of 5.8% (20/√12 months) during the next 30 days.

BRICs are being treated as a safer asset class, distinct from US high yield and other emerging markets.

FIGURE 4: Equity Markets Show Common Trends
Equity Markets (Normalized Data)

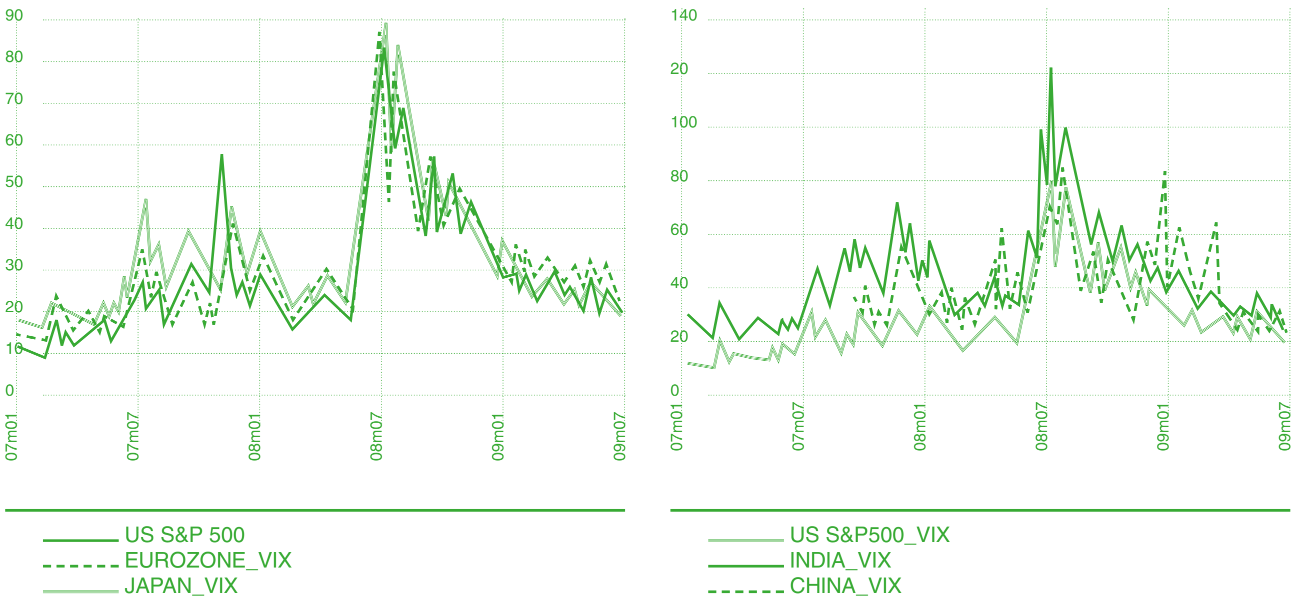


Source: Bloomberg

proxy for measuring investor fear, since volatility is typically associated with financial market turmoil. Figure 5 tracks the VIX measures for the US, Eurozone and Japan and then examines their co-movements with that of India (based on the Nifty 50 Index) and China (based on major equity indexes, and often called CHIX). These fear gauges tend to show more variation than seen for the US, Eurozone and Japan, along with a high degree of co-movement. Thus, financial markets show more coupling rather than decoupling.

All BRICs have investment grade ratings and the rates and spreads developments are tending to mimic BBB credits for Russia and Brazil. China's A+ credit rating is showing up as very low yields and spreads.

FIGURE 5: Equity Market Volatility — VIX indexes
A: US, Eurozone and Japan
B: India and China Vs. US



Source: Bloomberg

IV:
KEY CONCLUSIONS

One way or another and often in fits and starts, the BRIC economies have arrived on the world economic stage. Judging by financial market reactions, there appears to be a strong belief that these key emerging market economies have successfully turned the corner and are set to resume high growth. By and large, the BRIC foundations have a self-sustaining quality and if the policy posture remains pro-growth, with less government interference, then these emerging economies should wield increasing economic clout.

Although BRIC decoupling is not seen at present, there does appear to be less dependence on the US market, particularly via trade.

That said, however, we find no evidence of economic decoupling and the business and financial cycles of both the emerging and developed worlds remain very much in sync. It appears that globalisation, which has greatly benefitted the BRIC economies, has also inextricably linked them through broader trade and financial linkages. Although BRIC decoupling is not seen at present, there does appear to be less dependence on the US market, particularly via trade. Additionally, financial markets seem to be viewing BRICs as a separate asset class relative to other emerging markets, and their investment-grade status is conferring a degree of immunity to idiosyncratic risk events, such as the recent Dubai default and sovereign financial problems in Greece.

Parul Jain, Ph.D.
Senior Research Fellow

SIEMS RESEARCH MONTHLY BRIEFINGS

The global financial crisis: impact and responses in China and Russia
(February 2009)

Managing through the global recession: Opportunities and strategic responses in China and Russia
(March 2009)

Global Expansion of emerging Multinationals: post-crisis adjustment
(May 2009)

Operational challenges facing emerging multinationals from Russia and China
(June 2009)

MNC operations in Emerging markets: post-crisis adjustments of FDI inflows in China and Russia
(August 2009)

Is Demographics Destiny? How Demographic Changes Will Alter the Economic Futures of the BRICs
(September 2009)

Executive leadership structure in China and Russia
(December 2009)

Size Matters: Just How Big Are The BRICs?
(January 2010)

Decoupling Revisited: Can the BRICs Really Go Their Own Way?
(February 2010)

The Moscow School of Management SKOLKOVO is a joint project of Russian and international business representatives, who joined their efforts to create a business new-generation school from scratch. Focusing on practical knowledge, the Moscow School of Management dedicates itself to training leaders, who intend to implement their professional knowledge in the conditions of rapidly developing markets. SKOLKOVO is defined by: leadership and business undertakings, rapidly developing markets focus, innovative approach towards educational methods.

Moscow School of Management SKOLKOVO is fulfilled by the governmental-private partnership within the framework of the Education Foreground National Project. The project is financed by private investors, and doesn't use governmental budget recourses. The President of the Russian Federation Dmitry Anatolyevich Medvedev is Chairman of the SKOLKOVO International Advisory Board.

Since 2006 SKOLKOVO conducts short educational Executive Education programmes for top and medium-level managers – open programmes and specialized, integrated modules based on the companies requests. SKOLKOVO launched Executive MBA programme in January 2009, first class of the international Full-time MBA programme - in September 2009, second Executive MBA class started in January 2010. The enrollment process for MBA and Executive MBA programmes which will begin in September 2010 has already started.

SKOLKOVO Institute for Emerging Market Studies (SIEMS). Headed by Professor Seung Ho "Sam" Park and based in Beijing, China, SIEMS aims to be a leading think tank on fast-growing economies, with a special emphasis on Russia, China, and India. The work of the institute is focused on providing guidance to society, corporate managers, and policy makers through rigorous but practical knowledge creation across a broad range of areas, including macro-economic and public policy, industry and technology, and corporate strategies.

SIEMS' research is interdisciplinary, covering various fields of social science with a comparative approach across the three countries, and network-based, involving scholars from all around the world. Its researchers include full-time members from or working on the three main countries, as well as fellows from other areas currently involved in active research on fast-growing markets. The institute aims to be a hub for the creation, distribution and sharing of knowledge among scholars and managers working with fast-growing markets worldwide through regular roundtable meetings and forums. Its research output is distributed chiefly through working papers, reports, books and articles, and conferences devoted to special topics.

Moscow School of Management SKOLKOVO
MIBC "Moscow-City", Block C, 30th floor
10 Presnenskaya embankment
Moscow, 123317, Russia
tel.: +7 495 580 30 03
fax: +7 495 287 88 01

SKOLKOVO Institute for Emerging Market Studies
Unit 1607-1608, North Star Times Tower
No. 8 Beichendong Road, Chaoyang District
Beijing, 100101, China
tel./fax: +86 10 6498 1634

INFO@SKOLKOVO.RU
WWW.SKOLKOVO.RU

Moscow School of Management SKOLKOVO
MIBC “Moscow-City”, Block C, 30th floor
10 Presnenskaya embankment
Moscow, 123317, Russia
tel.: +7 495 580 30 03
fax: +7 495 287 88 01
info@skolkovo.ru
www.skolkovo.ru

SKOLKOVO Institute for Emerging Market Studies
Unit 1607-1608, North Star Times Tower
No. 8 Beichendong Road, Chaoyang District
Beijing, 100101, China
tel./fax: +86 10 6498 1634