

# **BRICS Trade & Economics Research Network**

**Launch Meeting, Shanghai, China, 19 November 2011**

## **A Report**

### **1. Background & Introduction**

1.1 On 19<sup>th</sup> November 2011, the following organisations met in Shanghai to launch BRICS Trade & Economics Research Network (BRICS-TERN):

- Fundação Getulio Vargas, Brazil (FGV)
- EcoAccord, Russia
- CUTS International, India
- Shanghai WTO Affairs Consultation Center, China (SCCWTO)
- South African Institute of International Affairs, South Africa (SAIIA)

1.2 BRICS countries represent 43 percent of world's population, 18 percent of global trade, attract 53 percent of the foreign capital, accounts for about 25 percent of global gross domestic product on purchasing power parity basis and are currently generating about 45 percent growth of the world economy.

1.3 BRICS-TERN has been established as a platform of non-governmental groups from among Brazil, Russia, India, China and South Africa. Its purpose is to assist the on-going cooperation between and among the BRICS countries with network-based policy research and advocacy on contemporary developmental issues.

1.4 The genesis of BRICS-TERN stems from the Sanya Summit of BRICS leaders, held in April 2011, which calls for greater cooperation among the BRICS economies, forming the necessary base for a strong economic growth and development. The Sanya Declaration laid out current and future action areas, which emphasises on the need to hold BRICS think-tank symposia, and consider establishing a network of research centres of BRICS countries.

1.5 BRICS-TERN is envisaged to play a vital role to complement and assist the relevant initiatives of governments of BRICS countries who are coming together and devising coordination mechanisms to align their positions and responses at global fora. It will seek to enhance public participation in economic policy-making and on matters of economic governance through network-based policy research and advocacy on trade and regulatory issues including competition and investment policies, and economic diplomacy.

1.6 The objective of the Network is for like-minded organisations from BRICS countries to work together on issues of trade and economics, and jointly produce outputs which can assist policy making in BRICS countries.

1.7 As per the Strategy Paper adopted by the members of BRICS-TERN in this meeting, initial activities will focus on the following issues/subjects:

- Promotion of fair markets
- Inclusive growth
- Sustainable development

## **2. Proceedings**

2.1 Baihua Gong, Associate President of Shanghai WTO Consultation Center called the meeting to order and presented the agenda.

2.2 Welcoming the BRICS-TERN members, Wang Xinkui, President of SCCWTO made the following observations:

- Given the changing geo-economics and geo-politics, BRICS-TERN has a special significance and its members should incrementally strengthen this network
- BRICS group of countries are emerging as the essence of the future of the global economy
- The Network should do political economy analyses on regionalism vis-à-vis multilateralism

2.3 In his opening remarks, Pradeep S Mehta, Secretary General, CUTS International, India highlighted the following points:

- BRICS-TERN is an initiative to foster Track-II dialogue between and among multiple stakeholders of BRICS countries and at regional and international level
- The Sanya Declaration of BRICS Leaders Summit provided an opportunity to set-up this Network, which will strengthen cooperation between like-minded organisations
- The Network should focus its initial energy on three areas of work as envisaged in its Strategy Paper and gradually expand its scope including bringing new members to the Network

2.4 As part of initial activities, BRICS-TERN members prepared and presented an overview of respective country's engagements with preferential trade agreements (PTAs).

2.5 Faizel Ismail, Ambassador of South Africa to the World Trade Organisation moderated the first set of presentations. In his opening remarks, he highlighted the following points:

- The objectives of PTAs are three-fold: a) to increase trade, b) to enhance economic development by increasing cooperation in other spheres, and c) to ensure better political and strategic relationship
- PTAs are to be analysed in the light of various economic theories, particularly in reference to trade creation and trade diversion
- PTAs are of two types: shallow and deep – negotiating strategies are to be designed accordingly including keeping in mind flexibilities and asymmetries in agreements
- The on-going discussion for a Trans-Pacific Partnership agreement will have significant implications on the economies of emerging countries and the Network should work on this subject
- The Network should also look into the potential for trans-continental regional agreements

2.6 Feng Jun, Associate President, SCCWTO presented the China paper on PTAs. His presentation was focused on the following points:

- An overview of China's existing practices on PTAs
- China has signed 15 PTAs and six are under negotiation – 19.3 percent of China's trade is on account of PTAs
- The country is putting equal emphasis on multilateral and bilateral cooperation
- An important question is whether PTAs are less costly as compared to multilateralism
- A major objective of engaging in PTAs is to open up China's services sector
- Trans-Pacific Partnership agreement will be one of the biggest challenges to the future of the Chinese economy, especially in respect to the future of Sino-US economic relations

2.7 Bipul Chatterjee, Deputy Executive Director and Faisal Ahmed, Associate Director of CUTS International presented the following points on India's engagements with PTAs:

- India's negotiation strategies have come a long way and improved greatly over the years with PTA negotiations now following a systematised process
- However, there is still a lack of structured and prior market analyses in prospective partner countries before engaging in PTA negotiations – for instance, there is no systematic ex-ante analyses on sustainability impact assessment in respect to economic, social and environmental factors
- Implementation experiences from deep PTAs such as the India-Singapore Comprehensive Economic Cooperation Agreement provided several significant implications on how PTAs should be negotiated and implemented
- There should be sectoral impact analyses of PTAs, particularly on key sectors like textiles and clothing on which a large number of stakeholders are dependent for their livelihood
- BRICS-TERN should assist the on-going efforts of promoting effective regulations related to services sector, trade costs (including non-tariff barriers), competition policy and investment
- The Network should engage in policy research and advocacy on institutional reforms and stakeholders' engagement vis-a-vis trade policy-making and support the cause of South-South cooperation

2.8 Vera Thorstensen, Head of the Center on Global Trade of FGV presented the Brazilian experience on PTAs by underlining the following points:

- There is a need to distinguish between the two existing sets of trade regulations – those in WTO agreements and in PTAs – in many cases it was found that PTA regulations are WTO Plus
- Rule making process under PTAs is to be analysed in-depth in order to have a better understanding of their implications
- An important question is how BRICS group of countries can be a rule-maker as against a rule-taker
- Bilateral integration is a step forward to deepen regional integration and for further strengthening of larger South-South dialogues
- BRICS group of countries should develop a new model of PTAs, different from the EU-US model

2.9 Reacting to these presentations, Gopal K Pillai, Former Commerce & Home Secretary of India said that:

- Other than economic, strategic and political considerations are to be taken into account while negotiating PTAs
- There is an imperative to develop a set of specialised technical team for PTA negotiations in each countries – in this regard, he underlined the importance of strategic steps taken by Singapore in developing its negotiating capacity
- Domestic consultations especially with interest groups to be affected by a PTA are very important during negotiations
- India-Singapore CECA is a very good learning experience for India's negotiation process on PTAs and the Network members should document such experiences to learn from each other
- There is a need for more comprehensive studies on features of emerging economies, which will help them in future negotiations

2.10 Zhang Youwen, Director, Institute of World Economy, Shanghai Academy of Social Sciences made the following observations:

- Fast increase in China's trade during the previous decade was not just due to its accession to the WTO but was also on account of PTAs – active participation in a rules-based system has helped the Chinese economy hugely
- China should pursue its regionalism with a focus on peaceful development of neighbouring countries
- South-South cooperation has been helpful for China and further engagement is needed
- There should be ex-ante cost-benefit analysis of PTAs
- For China foreign direct investment is more important than trade as it helps in creating competitive advantages – therefore, China should go for deep PTAs

2.11 Several questions and observations were raised on these presentations. Sun Zhenyu, former Ambassador of China to the WTO urged the Network to do some work on the impact of WTO Plus provisions in PTAs. He also emphasised for more research on new issues such as competition policy, government procurement – particularly lessons from how they are being negotiated in PTAs.

2.11.1 Gopal K Pillai pointed out that there are differences between the modalities of North-North, North-South and South-South PTAs. They need careful analysis for future negotiations. He argued that asymmetric rules under different PTAs are impacting their implementation and these will also have implications for future negotiations. He urged the Network to work on the impact of impact of domestic regulations on trade.

2.11.2 Zhang Youwen explained the link between trade and foreign direct investment. He wanted the Network to look at how the BRICS group of countries are engaged in intra-industry trade in general and trade in tasks in particular. Citing the Chinese example, he said that the recent growth of Chinese trade is mainly on account of its engagement in trade-related processes (trade in tasks) and concomitant global/regional value chain and lessons should be drawn from this experience.

2.11.3 Pradeep Mehta said that more research is needed to understand the determinants of linkages between trade and investment. He argued that China's and India's fast pace of growth owes much to its inherent entrepreneurship and this could be a subject of study by the Network. He emphasised on the imperative to launch a structured campaign defining the features of emerging economies.

2.11.4 Faizel Ismail urged the Network to focus on analysing what they are doing and what can be done through a network-based approach. He said, there should be more research on objectives and values in regard to building relationships through bilateral/regional economic cooperation agreements. He pondered over how BRICS and other emerging economies can develop industrial capacity through PTAs.

2.12 Pradeep Mehta moderated the second set of presentations. In his opening remarks, he highlighted the following points:

- Objectives of PTAs should be made clear to all relevant stakeholders
- There is a debate whether PTAs are building or stumbling block to multilateralism – more work is needed on multilateralisation of regionalism

2.13 Catherine Grant, Project and Programme Head on Economic Diplomacy Programme of SAIIA presented South African experiences on PTAs by highlighting the following:

- Unilateral trade liberalisation initiatives of South Africa
- The importance of trade policy as a tool for industrial policy (an important lesson from Uruguay Round negotiations of GATT/WTO agreements)
- The imperative of deep consultations with interest groups including communities so as to get a better political buy-in for trade liberalisation
- BRICS-TERN should work on a new model of PTAs among developing countries
- Capacity constraints to understand trade liberalisation issues and trade negotiations should be addressed through South-South knowledge-sharing activities including technical know-how and do-how

2.14 Olga Ponizova, Executive Director, EcoAccord presented the following experiences from Russia's engagement with PTAs:

- This is a period of deep transformation
- The role of trade in sustainable development including poverty reduction and employment generation is to be discussed in depth and among a larger set of stakeholders
- There is not enough feasibility studies in order to conduct PTA negotiations
- Russia should learn lessons from international experiences, particularly from other emerging economies

2.15 Reacting to these presentations, Li Zhongzhou, Chief Expert of EU-China Trade Project said:

- There should be a greater emphasis on supply-side capacity development through regional cooperation
- PTAs among countries with similar level of development (including developmental concerns) are more likely to succeed
- Complementarities among BRICS group of countries should be analysed in order to explore the possibility of a BRICS PTA in future
- There should be in-depth analyses of trade and investment agreements with which BRICS countries are engaged and mutual lessons should be drawn

2.16 Feng Shaolei, Head of the School of International Relations and Regional Studies, East China Normal University made the following observations:

- Implications of Russia's WTO accession on its economic ties with different countries are to be analysed
- How Russia is looking at BRICS cooperation, particularly its political willingness

2.17 Cheng Shuaihua, Head-Asia Pacific and China of Geneva-based International Centre for Trade and Sustainable Development made the following observations:

- Development elements of PTAs need to be highlighted for better political buy-in
- Negotiation process of PTAs should be made more transparent
- There is an imperative of internal capacity building to negotiate new generation PTAs by focusing on the relationship between trade policy and other national policies
- The role of BRICS in taking up a leadership role in strengthening multilateralism is to be underlined
- BRICS group of countries should take a joint stand on emerging issues in the WTO (such as trade and food security, trade and climate change, trade and finance) through evidence-based research

2.18 The following questions and/or observations were raised from the floor:

- The Network can do some focused research on trade remedial measures taken by BRICS countries against each other and how to resolve such cases
- Experiences of BRICS countries on consultation process while negotiating trade agreements should be studied
- BRICS countries' experiences in negotiating PTAs should be juxtaposed with their regional cooperation initiatives
- How BRICS countries are dealing with trade-related developmental concerns need to be studied

2.19 Sun Zhenyu summarised the meeting by underlining the following points:

- We should admire commonalities and respect differences
- There is an urgent need to highlight the relevance of multilateral trading system
- The Network should discuss how to develop more common positions on new issues such as trade and climate change
- BRICS-TERN should emerge as a voice of emerging economies

2.20 Following this launch meeting, the founding members of BRICS-TERN met at a working dinner the same evening to discuss an agenda to take the initiative forward. The following decisions were adopted through several rounds of discussion:

1. Sun Zhenyu, former Ambassador of China to the WTO was elected as the Chairperson of the Standing Council of BRICS-TERN.
2. The following persons were nominated as Chief Advisers to the Standing Council of BRICS-TERN:
  - ✓ Brazil: To be decided and informed by FGV
  - ✓ Russia: To be decided and informed by EcoAccord
  - ✓ India: Gopal K Pillai, former Commerce & Home Secretary of India
  - ✓ China: Sun Zhenyu, former Ambassador of China to the WTO
  - ✓ South Africa: Faizel Ismail, Ambassador of South Africa to the WTO
3. The following persons were nominated to the Standing Council of BRICS-TERN:
  - ✓ Vera Thorstensen, Head of the Center on Global Trade of FGV, Brazil
  - ✓ Olga Ponizova, Executive Director, EcoAccord, Russia
  - ✓ Bipul Chatterjee, Deputy Executive Director, CUTS International, India
  - ✓ Baihua Gong, Associate President, SCCWTO, China
  - ✓ Catherine Grant, Project and Programme Head on Economic Diplomacy Programme of SAIIA, South Africa
4. The BRICS-TERN draft Strategy Paper was confirmed and adopted as the working agenda for the Network.
5. It was decided that the host (of the secretariat) organisation will seek support from its government to conduct various activities of the secretariat. During 2012 to 2014 (the first three years of the Network) CUTS International will host its secretariat.
6. CUTS International will host the BRICS-TERN web site. All members will provide inputs to CUTS International to update this site regularly.
7. CUTS International will prepare and disseminate a 4-page quarterly newsletter on BRICS-TERN. The first issue (July-September 2011) was launched and distributed at this meeting. All members will provide inputs to CUTS International to prepare this newsletter.
8. The next meeting of BRICS-TERN will be held in India in end March 2012, immediately prior to the BRICS Leaders Summit. The progress of the Network will be discussed and further actions will be taken to take the initiative forward.
9. On the eve of the Eighth Ministerial Conference of WTO Members (to be held in Geneva in December 2011) BRICS-TERN will submit a memorandum to the WTO Members highlighting the importance of the multilateral trading system in general and the Doha Round of trade negotiations in particular.
10. There was discussion on the need to invite other like-minded organisations, particularly business associations to join the Network. It was decided that a decision on this will be taken at the next meeting of BRICS-TERN in India.

11. There was also a discussion about inviting organisations from other emerging economies to join the Network. It was decided that a decision on expanding the Network to other emerging countries will be taken once it makes some progress.
  12. The following topics are decided (including who will do what) to be researched for presentation at the next BRICS-TERN meeting:
  13. The following papers to be prepared by respective partners:
    - ✓ Different types of PTAs, rules involved and experiences therein (FGV, Brazil)
    - ✓ Features and determinants of a green economy (low-carbon economy) particularly in the context of climate change negotiations (EcoAccord, Russia)
    - ✓ Rule-making on new issues and possible common positions of BRICS (CUTS International, India)
    - ✓ Trans-Pacific Partnership Agreement and its implications to BRICS countries (SCCWTO, China)
    - ✓ BRICS role in global economic governance (SAIIA, South Africa)
  14. It was decided that the members of the Network will seek support from their respective government to do these studies, draft of which will be presented at the New Delhi meeting of 2012.
  15. Capacity constraints (of various groups of stakeholders including private sector and civil society groups) in trade negotiations emerged as a major issue. Gopal Pillai recalled the capacity building programme on commercial/economic diplomacy (with focus on trade negotiations) conducted by CUTS with support from the Indian trade ministry and urged the group to design and deliver a state-of-the-art capacity building programme on emerging issues of trade negotiations.
  16. It was proposed that BRICS-TERN should do side meetings on contemporary issues on the occasion of important international meetings such as WTO Ministerial Conference, UNCTAD meetings.
  17. BRICS-TERN members have prepared papers on respective country's experiences on PTAs. It was proposed that they could be finalised and collated in the form of a book (including an overview chapter) to be released at the next BRICS-TERN meeting.
- 2.21 The meeting ended with Vote of Thanks by Baihua Gong, Associate President, SCCWTO.