

Report of

BRICS Trade & Economics Research Network Meeting

New Delhi, India, March 27, 2012

1. Opening Session

1.1 On March 27, 2012, BRICS Trade & Economics Research Network (BRICS-TERN) organised its second meeting in New Delhi just prior to the BRICS Leaders Summit. The following TERN partners presented their respective studies:

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

1.2 Bipul Chatterjee, Deputy Executive Director, CUTS International, India welcomed the distinguished guests and partners from BRICS countries and made the following observations while calling the meeting to order:

- The rationale behind forging BRICS TERN laid in the Sanya Summit of BRICS held in April 2011, wherein it was decided that BRICS countries should form a research network to support the emergence of this group of economies in the global arena. This led to the setting up of the BRICS-TERN in Shanghai in November 2011. SCCWTO facilitated the establishment of BRICS-TERN
- A strategy paper brought out at Shanghai delved into ways and means of taking the initiative forward. The paper identified issues of common concern for BRICS countries from the stand point of global economic governance and related trade and economic issues and that each partner of BRICS-TERN has decided to take up and work on one of the issues identified
- The present meeting aims at presenting the work in progress of partners on issues identified as thrust areas for BRICS and was an attempt to provide inputs to the BRICS Summit held in New Delhi on March 29, 2012 through a BRICS-TERN New Delhi Resolution

1.3 While expressing gratitude towards CUTS for the hospitality and hosting the event, Li Enheng, Senior Adviser, SCCWTO, China expressed hope that the BRICS-TERN meeting would provide useful inputs to BRICS Leaders to discuss issues of common concern.

1.4 In his address, Gopal K Pillai, former Commerce and Home Secretary of India and Adviser to BRICS-TERN expressed satisfaction that all BRICS-TERN partners have made it to Delhi after the path breaking discussions in Shanghai to provide inputs to BRICS Leaders Summit on issues of common interest to BRICS in the realm of trade and economy. He shared the following experiences and observations:

- Being a member of the Indian delegation to BRICS forum, he found that tremendous goodwill existed among the member countries and they together pledged to improve trade and economic ties among BRICS countries

- He also expressed hope that the papers to be presented at the BRICS-TERN meeting that day would be finalised by the end of the current year and thus provide concrete action points for BRICS countries to work on
- He stated that there is a need to develop a coordinated stand on trade and economic issues among BRICS at plurilateral and multilateral levels
- Citing an example of one of the possible areas where BRICS could develop a common stand, he said it should be on supporting a common candidate for the post of Director General of WTO. This assumes significance in the light of the fact that developing countries account for 90 percent of the membership of the WTO

1.5 After the inaugural session, technical sessions took place, wherein TERN partners presented their respective studies.

2. Proceedings

2.1 Lucas Ferraz, Professor of Trade Theory, School of Economics, Fundacao Getulio Vargas, Brazil presented the paper on 'different types of preferential trade agreements (PTAs), rules involved and experiences therein'. He began by highlighting the importance assumed by BRICS economies in global arena as a result of their recent good economic performance and stable macroeconomic indicators, and presented the following findings:

- Despite the outstanding trade performance achieved by BRICS economies over the last few years, there has been little room for trade among them, with the exception of China
- The bilateral trade among Brazil, Russia, India and South Africa still represents a tiny fraction of exports and imports in those economies and has been evolving at a rather low pace
- General equilibrium exercises with the Global Trade Analysis Project model revealed that alternative PTAs involving Brazil and each one of the remaining BRICS economies would leave the Brazilian domestic industry relatively worse off in all scenarios. On the other hand, the relatively more competitive Brazilian agricultural sector would profit and expand in all the PTA scenarios
- At the aggregated level, the final result seems to be a higher concentration of agricultural products in the Brazilian exports and domestic production. These resulting trade patterns seem to reflect the absence of comparative advantage in the Brazilian industrial sector even when compared to smaller economies like South Africa
- Despite generalised losses for the industrial sector in Brazil, those losses are not evenly distributed within the sector for each one of the alternative PTAs. For instance, simulation results suggest that a PTA involving China would generate rather concentrated losses for the Brazilian industry, particularly in textiles, apparel and electronic equipment with huge drops in labour demand for former two sectors in particular
- However, these harmful effects tend to be partially counterbalanced by a better performance of some Brazilian exporting sectors such as motor vehicles and parts as well as leather products

2.2 T S Vishwanath, Principal Adviser, Trade Policy, APJ- SLG Law Offices, India made the following comments on the paper:

- PTAs can be made more comprehensive by not just including goods but also by covering services and investment in their ambit
- BRICS could be further expanded to include Indonesia, which too is emerging as an important player in the global economic arena

2.3 The following questions and observations were raised from the floor:

- There has to be a focus on which sectors are being affected by trade agreements and what is the political economy implication
- The experienced gained through negotiations of trade agreements in past must be utilised by emerging countries
- Initially the concern was only – What is the most-favoured-nation tariff in India (including union budget), but now PTAs have changed the mind-set

2.4 Gopal K Pillai summarised the session and mentioned that understanding the supply-side capacity of a country is crucial while negotiating PTAs.

2.5 In the second session, Olga Ponizova, Executive Director, Eco Accord, Russia presented a paper on ‘features and determinants of a green economy particularly in the context of climate change negotiations’. She began by explaining the emerging concept of green economy and its importance for the BRICS countries, and presented the following findings:

- Some of the tools to achieve green economy include appropriate pricing which includes phasing out of inefficient subsidy, assessment of natural resources in monetary terms, public procurement policies that encourages the production of environment-friendly products, reforming the system of environmental tax, increasing public investments towards green economy and enlisting government support for resource development
- The growing relevance of the concept in the international context is evident from the fact that deliberations took place on various international fora where the importance of achieving the ideal of a green economy has been discussed. Some of such fora are 25th session of UNEP Government Council in February 2009, G20 meeting in Toronto in 2010, ESCAP meeting in 2010 and UNECE meeting in 2011 respectively
- BRICS countries have been adopting some good practices as measures to promote the popularisation of green economy, i.e. focus on the use of renewable energy in China, sustainable urban plan in Brazil and the infrastructure for rural economy in India
- Some of the obstacles to realising the goal of green economy include lack of awareness among decision-makers and general public about the concept, lack of capacity to implement the concept in full, international economic rules that do not often promote the concept of green economy viz. the WTO, among others
- The areas of possible cooperation among BRICS in order to make the concept of green economy a reality include taking a unified stand at international fora on the subjects like the WTO, undertaking research on cost and benefit analysis of having a green economy for BRICS and feasibility to cooperate on the subject of green economy which could be taken up as a new BRICS-TERN initiative, exchange of experience among stakeholders and exploring the possibility of forging BRICS Green Economy Forum and technical cooperation among countries

2.6 Commenting on this paper, Ligia Noronha, Director, Resources and Global Security Division, The Energy and Resources Institute, India, raised the following points:

- The concept of green economy is not an innovative concept; it was used by the UNEP in 2008 in response to the economic downturn
- Sustainable development has three pillars and green economy is one subset of it
- The concept of green economy is highly relevant from the point of view of fast growth of BRICS
- India has taken some important steps to promote the concept of green economy viz. 15 states have renewable energy saving platform and innovative financing is also being

provided for the same. The 13th Finance Commission has provided Rs 15 billion grant-in-aid for the purpose

2.7 The following questions and observations were raised from the floor:

- The green economy debate should be taken forward. This should be done with the objective to gain the idea of cost benefit analysis for BRICS
- At the time of negotiation with developed countries, counter proposals are important from the developing countries (for example waste disposal)
- Rio+20 will be an important milestone for BRICS to have common positions
- The ideas for advocacy – corporation type activity or some side events should be taken forward
- Common position on how European alliance tax is going away in hurry and down

2.8 Catherine Grant, Project and Programme Head, Economic Diplomacy Programme, SAIIA, South Africa summarised the session by appreciating views of all and finding it an interesting session. She said looking at South Africa the diffusion of technologies for renewable energies in particular, it has been observed that it is not only intellectual property rights which matter in market of very small developing economies, it is very much activity of private sector players also, who hold those technologies and take its advantage in field of renewable energies.

2.9 Faisal Ahmed, Associate Director, CUTS International, India presented a draft paper on rule-making on new issues and possible common position of BRICS in this session. He focused on the need for rule-making on new issues in international trade and how BRICS countries can evolve a possible common position on three such issues – trade and climate change; trade and food security; and trade, debt and finance. The following findings and recommendations were presented:

- The developing countries are facing problems because of unilateral trade measures adopted by the developed countries
- Border measures could adversely affect the overall export basket of the developing countries and more particularly the export competitiveness of their energy-intensive sectors
- Environment-friendly technology transfer could have meaningful implications for liberalisation of trade. India along with UNFCCC and the Carbon Trust has already proposed an international network of Climate Innovation Centres, which is deemed to build capacities of developing countries to address challenges related to transfer, development and deployment of environment-friendly technologies both for domestic use as well as for exports
- In case of trade and food security, it has been evident that certain agricultural trade policies, including the protectionist measures such as agricultural tariffs and export restrictions, have adversely affected the global price stability
- In case of trade, debt and finance, exchange rate volatility, financial flows and balance of payments adjustments are critical issues
- Since traditional sources of trade financing are not available in times of financial crises, it adversely affects exports and the balance of payments mechanisms. Therefore, a focus on more capital inflows could help the domestic economies enhance their preparedness for such crises by creating more liquidity

2.10 Commenting on the paper Aaditya Mattoo, Research Manager, Trade and Integration, The World Bank, USA made the following observations:

- It is crucial to understand where the interests of BRICS countries converge and where do they diverge
- In case of India and China, there is a conflict between carbon and growth externality but not in case of Brazil
- He underlined the importance of multilateral negotiations, he argued that undervaluation of Chinese currency should be looked from the recent surge in trade remedial measures that other developing countries are taking against China

2.11 The following questions and observations were raised from the floor:

- Along with the food security issue, energy security issue is also gaining momentum. With Russia's entry into the WTO, energy is going to be a big issue for the existing WTO members to look, because many of the big energy traders are now either already in WTO or entering into it like Saudi Arabia, Iran, Iraq etc.
- Discussion on how we can connect with Russia on internal gas
- China in 20 years will have twice the ratio of world trade share than US
- China is huge exporter as well as importer also, so if China devalues its currency there would be some advantage in terms of exports but at the same time disadvantage in terms of imports, therefore balancing the effects

2.12 The Chair of the session Phil Marker, Head of Joint Climate Change and Energy Unit, Department for International Development, India said that in the session a group of really interesting issues were discussed such as convergent and divergent issues, sequencing issues, trade agenda, exchange rate issues, new issues for Doha Round to be concluded or not, issues for BRICS bank and possible road where the market failure may lie.

2.13 In the next session, a paper on Trans-Pacific Partnership Agreement (TPP) and its implications for BRICS countries was presented by Gong Baihua, Professor of Law, Fudan University Law School & Associate President, SCCWTO, China. His presentation highlighted the following points:

- TPP could be as one of the most promising region building efforts in the Pacific region, however, there are a number of issues that must be resolved before an expanded TPP could become a reality
- It is important to consider that any intellectual property right provision agreed to by TPP members should not prevent them from taking steps to protect public health, particularly in relation to access to medicines. Negotiators should do that in accordance with Trade Related Aspects of Intellectual Property Rights and public health
- In contrast to the General Agreement on Trade in Services positive list approach, the existing P-4 service schedule uses a negative list approach, which means that all service sectors are covered, except those specifically excluded. It is expected that TPP will also follow the negative list approach
- The investment chapter of TPP will raise a number of issues relevant to development. One such issue is whether TPP will restrict the ability of member states to impose capital controls in connection with an economic crisis
- US businesses have become increasingly concerned about the trade-distorting effects of state-owned enterprises and proposed including provisions addressing this issue in TPP
- There are concerns that labour standards should not be used as a disguised barrier to trade
- It would be worthwhile to note how far the TPP parties will go in creating a regional dispute settlement system patterned after the WTO system

2.14 Commenting on the presentation, Sajal Mathur, Professor, Centre for WTO Studies, Indian Institute of Foreign Trade, New Delhi, made the following observations:

- TPP is a 21st century agreement and one that has been substantially hyped
- Under the category of goods, the agreement covers everything and it would be an agreement with no exceptions if it actually pans out
- There is scepticism over the future of the TPP and that the TPP was in the headlines since there was an impasse in the Doha negotiations
- TPP was notable for its omissions in membership as many trading nations were not directly involved in the negotiations. The current nine members of the TPP have many bilateral agreements amongst themselves

2.15 The following questions and observations were raised from the floor:

- In India, if the Reserve Bank of India gives permission to any bank, then that bank can open easily, but it is not same with other countries
- In India the domestic regulations are very weak and it will take 25-30 years for it to get into sophisticated art of domestic regulation
- The five BRICS countries should adopt policies to accelerate their own process in industrial and structural growth so as to make economic pattern more rational
- As all the five countries of BRICS have huge territory, population and are technology savvy, so they should explore trade policies in an appropriate manner
- In future TPP will have high demand like US and Japan

2.16 In the final technical session, Catherine Grant presented a paper on BRICS Role in Global Governance in the fifth technical session. She made the following points:

- The role of BRICS in global governance in itself covers a whole gamut of issues ranging from international cooperation on peace and security, environment development and many more
- Recent times have also seen the growth of Asia and developing countries in balancing economic power, however, there is evidence to suggest that economic disparity within countries is growing
- The challenges for BRICS in this regard are balancing between development challenges and redressing global imbalances and at the same time pursuing their own national interests
- Potential roles for BRICS include re-balancing the development debate and representing voices of emerging economies

2.17 Commenting on the presentation, Shen Yi, Lecturer, Department of International Politics, Fudan University, Shanghai, China made the following observations:

- Global governance is a popular but confusing term and he stated that to what extent BRICS can contribute to global governance is an important question
- It is to be seen whether BRICS would duplicate experience of developed countries or follow its own path
- We also need to think whether BRICS should change the existing system wherein the agenda is defined by the chair country in the absence of a BRICS Secretariat
- There is a likelihood of BRICS emerging as the third pillar of global economic governance, apart from G8 and G20

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

- It is necessary for BRICS to coordinate positions and put eventually one single candidate to compete
- It is important to go through the shifting of the voting power for the emerging economies
- Among five BRICS countries, two are already into Security Council as permanent members and others are pushing at the dawn
- Pushing the issue matters whether you are secretary general of developed country, developing country or of transition economy and therefore it is necessary to have a common voice on these issues

2.19 Olga Ponizova chaired this session and made the following observations:

- Driving the desirable agenda is more important rather than the institutional structure
- Many smaller issues could prove the potential of BRICS rather than big issues like – how global governance system operates and how decisions are made
- BRICS countries should come along with the single candidature
- It is necessary to have some African think tanks and voices in these debates as it is a missing link

3. Summary and Closing

3.1 Mzukisi Qobo and Andrey Shelepov summarised the event. Andrey Shelepov briefly spoke about different topics raised at the meeting which ranged from economy and trade to food security and climate. He deliberated on whether BRICS countries should expand their current membership or improve cooperation amongst existing ones.

3.2 Shelepov highlighted that although BRICS is considered as a political forum, economics and trade issues dominate the discussion, the scope of which has now been further enlarged to include health, science and technology among other issues.

3.3 The meeting adopted the BRICS-TERN New Delhi Resolution to be presented to BRICS Leaders Summit in New Delhi on March 29, 2012. The text of the Resolution is as follows:

BRICS-TERN Resolution Adopted at New Delhi on March 27, 2012

The partners of BRICS Trade & Economics Research Network (BRICS-TERN), launched in Shanghai in November 2011 – Fundacao Getulio Vargas, Brazil; EcoAccord, Russia; CUTS International, India; Shanghai WTO Affairs Consultation Centre, China; and South African Institute of International Affairs, South Africa met in New Delhi on March 27, 2012 and adopted and recommended the following resolution to the BRICS Leaders Summit to be held in New Delhi, India on March 29, 2012.

1. That BRICS should strive to achieve an intra-BRICS trade of US\$500bn by 2015, with particular emphasis to better balance bilateral trade.
2. That the BRICS should voice its concern against unilateral protectionist measures on climate change like aviation tax, border adjustment taxes and related issues being taken by some developed countries and that the principle of “common but differentiated responsibilities” should be maintained, taking into account historical responsibilities; and

that BRICS should adopt proactive measures to counter such unilateral measures adopted by some developed countries.

3. That BRICS should propose for adaptable and affordable green technology transfer including through appropriate amendments to the TRIPs agreement; and that there should be enhanced green technological cooperation among BRICS, multi-stakeholder consultations and research including cost-benefit analysis towards a green economy in relation to sustainable development.
4. That BRICS should work towards common position on climate change, food security and trade linkages.
5. That energy security is a common concern of BRICS and a Forum for energy security should be established with an aim to develop intra-BRICS value-chains in the energy sector.
6. That BRICS should work in close partnership with other like-minded countries to conclude the Doha Round of multilateral negotiations, in line with its development mandate.
7. That BRICS should work together to take common positions at G-20 which is emerging as an important new platform for global economic governance.
8. That BRICS should strive to forge a consensus among the developing countries for a candidate respectively for the World Bank President and the WTO Director General.

3.4 Bipul Chatterjee thanked all partners of BRICS-TERN for having made it convenient to be present for the meeting.