BRICS BRASIL 2019

Fórum Acadêmico do BRICS 2019
Buscando novas formas de cooperação e desenvolvimento

BRICS Academic Forum 2019
Searching for new ways of cooperation and development

BRICS ACADEMIC FORUM

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REPORT

Since the global financial crisis of 2008, the BRICS have become institutionally stronger. The creation of the New Development Bank and working groups in various areas have demonstrated the BRICS' capacity to propose solutions to global governance problems. This concerted effort has been possible because they share similar interests and principles, which orient their foreign relations, especially a preference for multilateralism, respect for sovereignty, emphasis on dialogue, and focus on sustainable growth and development.

Aiming at deepening intra-BRICS cooperation and expanding BRICS' contribution to solve global governance problems, the Brazilian presidency in 2019 has focused on six critical topics: financing for development; trade and investment; science, technology and innovation; energy and development; transnational crime; and agriculture. In this year's academic forum, these topics were discussed in specific panels, all having representatives from each of the five BRICS countries. In this report, there is a summary of the presentations and discussions.

Financing for Development

Currently, there are more than 550 development financial institutions in the world, with total assets of more than $5 trillion. One of these institutions' goals is to reduce the enormous infrastructure deficit in developing countries, estimated at $2 trillion a year.

The New Development Bank is one among many development financial institutions, designed to finance infrastructure and sustainable development projects. Although recent, the NDB is a solid institution, as evaluated by credit rating agencies. This indicates a market-oriented approach of the bank, as well as the BRICS' responsibility towards current international financial regimes.

However, the NDB faces a few challenges. *First*, despite a huge effort to increase the number of projects and processing times, the amount of credit granted so far is lower than initially expected. This is due mainly to the low quality of a few projects or to the risks they involve. On the latter, this occurs frequently because infrastructure projects in emerging economies pose a greater risk of default. On the former, the group should have a space to orient potential borrowers on how to improve the projects' quality. *Second*, it is hard to estimate natural capital costs, a resource that the BRICS have in abundancy. This problem is not exclusive of the BRICS, however, resulting in part from the absence of general regulations concerning the value of natural resources.

The NDB should be only one among many other instruments of the BRICS to finance development. The BRICS should use at least two other instruments. First, public–private partnerships. Second, BRICS market integration, including the creation of common rules concerning banking systems, stock markets, clearing procedures, anti-corruption, and offshore activities. This could also include a BRICS payment system and a stock exchange alliance. All these policies should be based on successful experiences from other countries or groups of countries.

Trade and Investment

The participation of the BRICS in the global trade have been stable since 2011. The panel stressed that there has been a tariff reduction in global trade over the last years, though accompanied by an increase of non-tariff barriers.

Although there has been an increase in intra-BRICS trade as a proportion of their total trade, levels of intra-BRICS trade are still low. Concerning investment flows and stock, levels are also low: FDI in the BRICS still come mainly from developed countries. For example, levels of FDI in India from the other BRICS are negligible.

In order to estimate gains that the BRICS would have from reducing intra-BRICS barriers, a Global Trade Analysis Project (GTAP) simulation was presented in the panel. Concerning tariff reduction, simulations demonstrated that – except for Russia – fewer barriers would increase GDP, investment levels, real wages, exports and imports in all the BRICS, and that these gains would be cumulative over the years. For this reason, panellists suggested the need to create a free trade agreement or a partial scope agreement between the BRICS. Nevertheless, it was also stressed that work aimed at creation of FTA among BRICS countries should not be forced due to sensitive sectors and regulatory measures in BRICS economies. Besides, the participation of some BRICS countries in customs unions should be taken into account.

Creating a BRICS visa was also suggested, which could facilitate flows of businesspeople, academics and tourists.

Regarding digital trade and e-commerce, its development has been a solution for the problem of geographical distance and has the potential to increase the share of trade in services even further. Yet, international trade rules lag far behind, and the problem of whether this is an instrument to hide protectionism remains opaque: while some countries label digital regulation as trade protectionism, others consider such policies vital to pursue legitimate

goals. The question that needs to be answered is whether laws that are being introduced create barriers for digital trade and e-commerce development and may be used as an instrument of digital protectionism. This is a problem in the BRICS: according to the OECD Digital Services Trade Restrictiveness Index, the BRICS countries have some of the most restrictive regulations in the world. In order to facilitate digital trade and e-commerce (and thus prevent this problem), BRICS members should work together, provide information related to the current domestic regulation, and share existing methodological approaches and best practices to enhance digital trade policy assessment tools. Besides, BRICS economies have to take an opportunity to articulate its common digital agenda in such areas as information and data security, paperless trade, consumers' and IPR protection, trade in services etc.

Science, Technology and Innovation (STI)

In the context of the 4th Industrial revolution, the importance of expanding STI cooperation was a key point in the panel. Yet, increasing cooperation will require working through networks involving a large number of actors, including those in the state, market and civil society. In order to manage this network, the BRICS may consider the creation of a technological alliance, coordinated by a council formed by officials at the level of deputy prime ministers in charge of science, education and innovation.

A potential model for the BRICS is the European Union: although specificities should be considered, the BRICS could use Europe's bottom-up approach as a model, where many institutions are involved. The BRICS could look at the experiences of the European Cooperation in Science and Technology (COST), European Patent Organisation, Eureka programme, Horizon 2020, and the European Institute of Innovation and Technology.

Specifically, on networks of academics and scientists, the panel stressed that intra-BRICS cooperation is very limited. This should be an opportunity for research institutes, universities, companies, government institutions and think tanks. They should develop denser networks, which could – among other aims – provide evidence-based research and recommendations to policymakers.

In addition, the BRICS should consider that the boundaries of the digital economy continue to expand, as well as that boundaries between the digital and non-digital economies are increasingly blurred. Concerning the development of financial technologies, there is need for global standards, which could expand cooperation in various issue-areas: crowdfunding and P2P; third-party payment and cross-border e-commerce; blockchain and digital currency; big data; and artificial intelligence.

At the same time, the BRICS should work to deliver better government services to people through technology by expanding the use of common platforms, services and tools; rethinking how governments buy digital services; and bringing top technical talents into the civil service. This would increase access to information by citizens, empower under-served populations, and potentially improve skills in the informal economy.

Finally, given the importance of ethical aspects in certain types of research, the BRICS could form an ethics working group. An agreement on acceptable technology applications would help fast-track technology transfers between the BRICS countries and thus, expedite innovation.

Energy and Development

The BRICS countries are key players concerning energy, being responsible for around 38% of the total energy consumption in the world. Although each country has a unique energy matrix, they share a few similarities, which can serve as a basis for expanding cooperation: they all need to expand energy production and efficiency, while also increasing the use of renewable energy sources.

The BRICS should increase cooperation on both renewable and non-renewable energy sources, though always considering the need to transition to a low-carbon economy. They should strengthen infrastructure construction and cooperation in oil and gas pipeline networks, as well as improve electricity installation and power grids. As coal is still a major energy source and the BRICS have around 45% of the world's coal reserves, they should seek in the short-term to substitute old by modern coal technologies, including ultra-low emission coal-fired power plants; coal-to-liquids (CTL) and coal-to-gas (CTG); and carbon capture, utilisation and storage (CCUS). Taken all BRICS countries have various degrees of relying on coal power, they should consider plans to reduce or even eventually decommission coal power plants in the long term.

Specifically, on renewable energy sources, the BRICS are currently responsible for around 41% of CO2 emissions, and their emissions are rising. Yet, two elements should be stressed. First, in OECD countries consumption-based emissions are much higher than production-based emissions while in the BRICS the opposite happens. Second, BRICS countries are major players in terms of installed capacity of wind farms and solar power, among which China is the top producer of wind turbines. In addition, some of the BRICS dominate various technologies related to the production of biofuel and hydropower, and Brazil is well positioned to transition to a low-carbon economy (43% of its energy source is renewable). Additionally, India is spearheading global efforts to facilitate access of technology and finance for solar projects

through the International Solar Alliance, which has been ratified by more than 50 countries, including Brazil.

In order to achieve all of this, the BRICS should: seek for pathways to diversify energy supply sources, including renewable and low carbon energy sources; create mechanisms for attracting investments in energy infrastructure and energy industry; and elaborate strategies for ensuring universal energy access and energy affordability. They might consider participating in the Energy Research Cooperation Platform that was established following the agreement in a number of signed BRICS declarations. This would contribute to increase cooperation on science and technology; promote the use of new energy technologies; and promote the reform of global energy and environmental governance. Cooperation could also be promoted by a BRICS energy think tank alliance.

Another concern raised in the panel was the need to address energy poverty and inequality by increasing access to electricity. This is important in itself and because evidence shows the disproportionate burden of energy poverty on women, as well as a positive correlation between electricity consumption per capita and overall human development index levels. In the case of India, evidence indicates there is correlation also with other social indicators, such as poverty rate, violent crime and women literacy rate.

Cooperation on Fighting Transnational Crime

Transnational crime has been a central concern for the international community over the last three decades, being now part of numerous United Nations Conventions, as well as of BRICS agreements and declarations. They include money-laundering, smuggling, drug trafficking, human trafficking, terrorism, among others.

As transnational crime is a complex issue, the BRICS countries should use skills and resources from various sources in the fight against crime. They should create a joint commission aimed at expanding cooperation, especially on crime prevention; conflicts of jurisdiction; extradition; joint investigations; intelligence; information and data exchange; protection of witnesses and victims; and training and technical assistance. Rather than using hierarchical structures, this commission should 'orchestrate' action by mobilizing various types of actors: government sectors, subnational governments, civil society organisations, universities, among others. In addition, they should design a framework of common terminology and approaches, which could contribute to standardize definitions of types of transnational crime; funding and management issues; and dispute settlement issues.

Terrorism is the biggest threat to the world today. BRICS countries should enhance their cooperation in fighting it. They should increase their efforts for the expeditious finalization and adoption of the Comprehensive Convention on International Terrorism (CCIT) by the United Nations General Assembly (UNGA).

The expansion of Internet access has facilitated the expansion of transnational crime. There are various illegal acts that can be conducted through the cyberspace, including terrorism, dissemination of disinformation, sabotage, and espionage. This and the fact that BRICS countries have more than 40% of internet users make cybersecurity a central policy issue.

Regarding intra-BRICS cooperation on cybersecurity, an aspect that is likely to constrain cooperation is technological asymmetry. A more realistic approach would focus in creating capacities to critically consume imported technologies. In addition, there is space for the BRICS to cooperate in the fight against hate speech and dissemination of disinformation. They could contribute to the formation of networks, mobilizing groups already working with these issues.

The BRICS should also work to introduce a science- and health-based approach to fight against drugs use. This would be an alternative to the US-led 'war on drugs', a result from US policies introduced in the 1980s and diffused to the rest of the world.

Agricultural Cooperation

The BRICS countries are in the top 20 in terms of food exports in the world, among which Brazil and China are respectively the third and fifth largest food exporters. In addition, all five countries have strong agriculture research systems, and are working to solve many of the challenges that developing countries face.

One of these problems is undernourishment. Currently, around 11% of people in the world are underfed, a percentage that decreased continuously for many years, but that started to increase in 2015. In the BRICS, although there is overall food security, there are large segments of the population who still suffer from undernutrition, especially in India. Yet, the 'food problem' is not a question of whether our planet can provide enough food to feed its growing population, but of whether it can produce food at prices everyone can afford. In addition, the problem is not only of undernourishment: in Brazil and Russia there are more people who are over nourished than undernourished.

Potential for future cooperation among the BRICS is enormous. Emphasis should be on increasing public and private agricultural investment; protecting small farmers; increasing investment in water infrastructure; using information and communication technology; and promoting climate resilient agriculture. All of this requires large investments in R&D, as well as an approach that considers agriculture as an interdisciplinary science encompassing biology, economics and public policy. For example, BRICS countries could research over-lapping indigenous knowledge systems to create scientifically validated, value-added products targeting wellness markets. Such an approach could open new markets for farmers to supplement their incomes and help preserve indigenous knowledge. Thus, it is necessary to make agriculture science intensive branch.

One of the obstacles, however, are non-tariff barriers among the BRICS, which have increased since 2009, different from what happened with tariff barriers. This is probably not a coincidence, as the literature indicates an increased use of non-tariff measures to compensate the decreasing use of tariff measures. This problem is important because non-tariff measures affect especially agricultural products and developing countries. It is unlikely that agricultural cooperation will advance without a discussion of the role of non-tariff measures in the intra-BRICS trade. This problem could be in part tackled through the creation of the BRICS Agricultural Information Exchange System (BAIES) and BRICS Agricultural Research Platform (ARP), proposed by China in 2012 and India in 2016 respectively. The platform should work to facilitate trade among the BRICS, having a single-window system to process documentation, as well as assist exporters and importers of agricultural products, thereby guaranteeing security and predictability in the agricultural trade.