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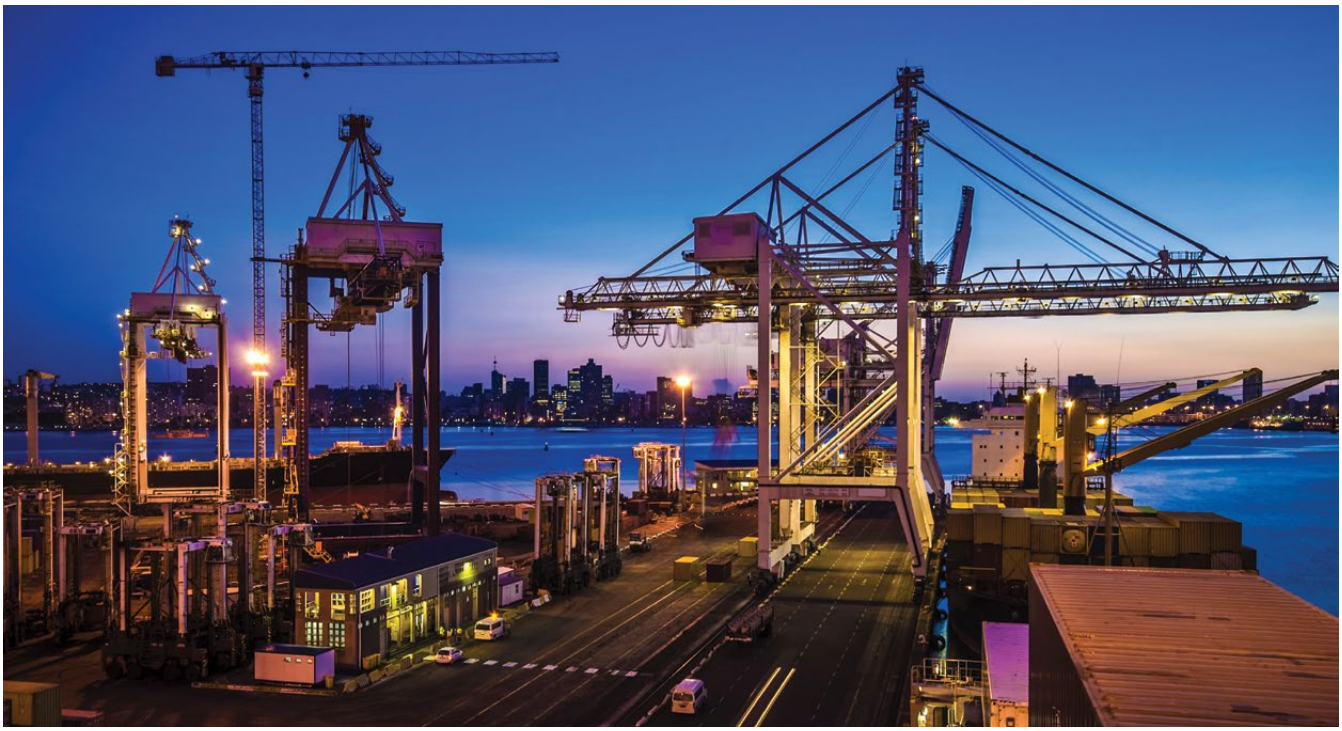

On the criticality of lower BRICS import tariffs for members of the AfCFTA: Policy reflection on the results of the 2023 BRICS Academic Forum

In mid-May 2023 South Africa hosted the BRICS Academic Forum in Cape Town, where discussions focused on the most pressing issues on the BRICS agenda such as the modalities of BRICS-Africa cooperation, including through the advancement of the African Continental Free Trade Area (AfCFTA). Perhaps the key message that came from the Forum was the call for collective action and cooperation not only among the BRICS economies but also with the wider BRICS+ space of the Global South. In particular, regarding the attainment of Sustainable Development Goals (SDGs), commitment to multilateralism was termed as being crucial, with South African representatives calling for building a "developmental trajectory with a human face" in which "no small country is left behind." Clearly the BRICS+ framework within the BRICS academic discussions is taking on greater prominence, with the participants of the Forum calling for more academic work to be undertaken on the modalities of BRICS+ going forward.

This policy reflection looks at several key trajectories of BRICS development that were discussed during the 2023 BRICS Academic Forum. Firstly, the ways in which BRICS countries could assist the development of the African Continental Free Trade Area (AfCFTA). Secondly, the possible tracks for cooperation in the financial space that could prove to be conducive to the attainment of SDGs for BRICS and their BRICS+ partners. The conclusions are that greater trade liberalisation on the part of BRICS for Africa and the creation of financial platforms of cooperation in BRICS+ format may be conducive to accelerating the attainment of SDGs in the developing world.

THE CRITICALITY OF BRICS TRADE LIBERALISATION FOR AFRICA

With respect to the possibilities of BRICS contribution to the success of Africa's flagship project, the creation of the AfCFTA, participants noted the criticality of greater investment and technical assistance to come from the BRICS to African countries. But, perhaps, the most important contribution that the BRICS could deliver to AfCFTA's success is via providing greater market access by lowering import duties and non-

tariff barriers on African exports. There is tremendous scope for a coordinated reduction in trade barriers on the part of the BRICS with respect to Africa. This as some of the BRICS economies still have average import tariffs on agricultural goods in excess of 35% (see WTO, 2022). This creates scope for trade liberalisation that vis-à-vis Africa could be far more significant than in the case of Western economies where import tariffs are significantly lower.

The scope for greater trade liberalisation with respect to Africa is particularly sizeable for the BRICS in the agricultural sector. In particular, according to the World Trade Organisation (WTO), India's simple average bound tariff totaled more than 50%, while with respect to agricultural products this figure exceeded 113%. The Most-Favoured-Nation (MFN) applied simple average tariff for agricultural goods reached nearly 40% in 2022, while the trade weighted import tariff on agricultural goods reached 48.5%. The comparable figures for China are notably lower than in India, but still higher than in most developed economies – in 2022 the MFN applied simple average tariff on agricultural goods reached 13.9% and 13.1% on a trade-weighted average basis (see WTO, 2022). Overall, greater market access is a key competitive edge that the BRICS can wield via-a-vis the developed economies in opening up markets to Africa – to a far greater degree than in areas such as technical assistance, where leading Western economies and Bretton Woods institutions arguably still have a significant edge.

What is even more important, is that most BRICS economies currently conduct their trade policy via their priority regional integration arrangements – Russia via the Eurasian Economic Union, South Africa via the Southern African Customs Union (SACU), Southern African Development Community (SADC) and AfCFTA, Brazil via Mercado Común del Sur [Southern Common Market] (MERCOSUR). What this means is that coordination of market liberalisation from BRICS to Africa will necessitate the use of a BRICS+ format in which AfCFTA cooperates in the same inter-regional platform with the respective BRICS regional integration arrangements such as MERCOSUR, Eurasian Economic Union (EAEU) and others. This in turn implies that greater trade liberalisation vis-à-vis Africa will come not only from the BRICS core members, but also from their regional partners in the respective trade arrangements. The platform that brings together the main regional integration arrangements of the Global South denoted as BEAMS (see Lissovolik, 2018:5) would provide for the possibility of market openness from dozens of members of these respective regional blocks – The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), EAEU, AfCFTA, MERCOSUR and the Shanghai Cooperation Organisation (SCO). This is the "multiplier effect" of BRICS+ in terms of trade liberalisation that can be prioritised vis-à-vis African economies.

"The BRICS+ multiplier in the BRICS-Africa trade liberalisation could also serve as an important stepping stone to the formation of a free trade area across the Global South."

Greater market access from the BRICS to Africa will go a long way towards correcting the current trade imbalances in the world economy, whereby there is lower than potential South-South trade (including among South-South regional partners) compared to the trade conducted by developing economies with the West. The BRICS+ multiplier in the BRICS-Africa trade liberalisation could also serve as an important stepping stone to the formation of a free trade area across the Global South. Finally, greater market access coming from BRICS to Africa could be a powerful trigger to boosting not just trade and investment, but also the use of national currencies.

FINANCIAL COOPERATION AND THE USE OF NATIONAL CURRENCIES

The theme of the use of national currencies and the possibility of the formation of a common BRICS currency was discussed at the Forum. However, considering how topical these issues are now in the context of the upcoming BRICS summit discussions this year, there could have been a greater focus on these crucial themes. In the context of the emphasis placed by South African representatives on the creation of a diversified financial system for attaining greater sustainability in economic development, I argued in my presentation that de-dollarisation and the creation of a common BRICS currency could be among the measures that could prove conducive towards a more stable and diversified financial system across the Global South.

Another possible measure in this respect could be the formation of a platform for the largest commercial banks of the BRICS countries that would complement the platform for national development banks that currently exists under the aegis of the BRICS New Development Bank. Such a platform for the leading commercial banks could bring together the Bank of China, State Bank of India, Sberbank, Banco do Brasil, and Standard bank. Such a platform could promote the financial presence of BRICS countries' commercial banks in the respective BRICS financial markets as in most cases it is primarily the Chinese banks that have a greater presence in the markets of the Global South.

With respect to the financial sector a key concern raised in the Forum was the issue of capital outflows

from developing economies – something that is part of the issue (referred to as the Lucas paradox (Lucas, 1990)) of net capital flows being directed from the developing to the developed world rather than the other way around: it is the faster growing developing economies that should be receiving the capital flows from the advanced countries. My view is that these concerns could be addressed via the strengthening of BRICS Contingent Reserve Arrangement (CRA) and expanding its mandate to strengthen the macroeconomic framework in the Global South. This could be further buttressed via forming a platform for Regional Financing Arrangements (RFAs) in which BRICS countries are members. BRICS CRA could perform a coordinating role for these RFAs in mobilising resources for ensuring macroeconomic stability in the developing world. De-dollarisation, greater use of national currencies and deeper BRICS financial markets may also be among the elements of resolving the Lucas paradox.

There may be other platforms in the BRICS+ financial space directed at the attainment of SDGs such as a platform for the regional development banks in which BRICS countries are members. Such a platform could bring together the Eurasian Development Bank, the Development Bank of Latin America and the Caribbean (CAF), MERCOSUR Structural Convergence Fund (FOCEM), SAARC Development Fund (SDF), other regional development institutions as well as the BRICS New Development Bank as a coordinator of such an alliance of BRICS+ development banks/funds. Such a platform could mobilise resources that are sizeable enough to conduct key development projects across the Global South – according to the International Monetary Fund (IMF), the resources of the regional financing arrangements in the global economy are greater than those of the IMF (IMF, 2017:9).

CONCLUSION: NEED FOR GREATER OWNERSHIP OF BRICS SDGS

Of all the possible policy measures entertained by BRICS economies for the benefit of Africa, sizeable trade liberalisation in the form of lower import tariffs may constitute the single most important and significant contribution to the attainment of SDGs by African economies. The scope for the reduction in trade barriers not just in BRICS, but across the broader Global South is very significant and would be far superior compared to any one-off transfers that may be undertaken via the BRICS-related development institutions such as the New Development Bank.

There is also a strong case for mobilising resources of the BRICS-related development institutions – regional development banks and regional financing arrangements – for a more concerted effort at boosting the development of Africa in such areas as sustainability, digital and green development, connectivity and education. At this stage the G20 and other fora (most recently France with its Paris Summit for a New Global Financial Pact in June 2023) are reviewing the possibility of creating a platform for multilateral development banks (including regional development banks) to streamline their operations, mobilise resources for SDG attainment and for creating synergies across regional development institutions through sharing international best practice (Multilateral bank vision statement, June 2023). The same approach could be undertaken by the BRICS and more broadly the BRICS+ for their development institutions.

In the end, however, the undertakings by the BRICS might not succeed if there is no ownership of the developmental goals of BRICS and more broadly the BRICS+ economies. In this respect, it is important for the consolidated voice of the Global South to be heard across the world on key international issues, including on the priorities of economic development. The opinion polls that make it into the media space are predominantly from the developed economies – perhaps there is scope to create a network of BRICS+ leading polling agencies that would provide the views of the population in the developing countries separately or on a consolidated basis. Such a network may be denoted as "BRICS Pulse" and could make the voice of the Global South community heard globally; it could also serve as an important benchmark for policymakers in the BRICS+ economies. At this crucial juncture in global development the BRICS+ needs a more rhythmic and faster pulse that is heard from all over the vast expanses of the Global South! ●

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