

RESEARCH ARTICLE

The “BRICS Plus” as the First International Platform Connecting Regional Trade Agreements

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Abstract: During the 2017 BRICS Summit, the Chinese government announced the idea to promote the “BRICS Plus” cooperation approach, encouraging closer partnership among the group of emerging markets and developing countries. The idea was fixed in the final declaration, but the mechanism of its implementation remains uncertain, as well as the list of participants. At the same time, China’s approach to “build an open and diversified network of development partnerships to get more emerging market and developing countries involved in our concerted endeavors for cooperation and mutual benefits” (Huang, 2017, September 5) may push the developing world to integrate and challenge the contemporary system of global governance. Thus, the potential modalities of a newly proposed scenario need to be explored. The paper aims at reflecting at the Russian approach of implementing the BRICS Plus concept, as suggested by the chief economist of the Eurasian Development Bank Yaroslav Lissovlik, and explore directions of potential cooperation among the countries of the expanded format. The developed concept stems from the constructivist background. The “BRICS Plus Circle” unites the members of the five integration blocks, driven by the BRICS countries, which are mainly developing countries, seeking not just redistribution of powers, but the creation of a more balanced global architecture, based on the principles of non-discrimination, equal access to resources, and their fair distribution. The paper contains a comprehensive analysis of potential directions of cooperation within the expanded format, which lay mainly in economic field: traditional trade and financial cooperation, as well as new directions such as e-commerce, cooperation in the interests of small and medium enterprises, and technological cooperation. The financial area seems to be potentially the most promising, and trade and investment cooperation may potentially take the second position. The successful performance of the multilateral cooperation may, in the medium and long run, contribute to the changing global architecture and governance, create the alternative to the existing international financial organizations, mainly, the IMF, and lower the developing countries’ dependence on its financing. At the same time, deeper and closer trade and investment cooperation among the five integration blocks will contribute to the gradual harmonization of their content.

Keywords: BRICS, BRICS Plus, international trade, regional economic integration, international financial cooperation, currency swap agreement, technological cooperation

In 2017, China invited Egypt, Kenya, Tajikistan, Mexico, and Thailand to participate in the BRICS Summit, and the "BRICS Plus" concept was proclaimed as one of the central elements of the BRICS agenda. Earlier in March 2017, Chinese Foreign Minister Wang Yi has repeatedly expressed the idea of implementing the BRICS Plus initiative, stressing, however, that it does not imply the inclusion of new members. According to him,

the idea of the 'BRICS Plus' pattern is 'openness, inclusiveness, cooperation and mutual benefits, which is highly consistent with the BRICS spirit. The purpose of the 'BRICS Plus' pattern is to strengthen dialogue and cooperation between BRICS countries and other emerging markets and developing countries, promote the establishment of broader partnerships and facilitate common development and prosperity on a larger scale. (Y.Wang, 2017).

China appeals to the fact that the invitation of third countries to the BRICS summits is a common practice. The basis of the idea was laid at the 2016 summit in India, when India invited a group of BIMSTEC countries including Bangladesh, Bhutan, Nepal, Thailand, Myanmar, and Sri Lanka. Nevertheless, it was at the 2017 Summit, when the idea of BRICS Plus was placed at the core of the trans-regional agenda. Previously, the third countries used to have the status of third-party observers, active participants in the discussion, but not full members who determine the agenda for multilateral cooperation in the trans-regional format. The announcement of BRICS Plus as a key element of the summit agenda can lead to the dramatic review of the role of third countries in BRICS. Thus, the 2017 BRICS Summit seems to be the starting point in the formalization of the BRICS Plus concept.

The concept formalization during the Summit and its fixation in the final declaration has given rise to numerous controversies in the interpretation of China's vision of the future multilateral format. Some experts perceive it as a proposal to expand the multilateral format and include new full members. Others are inclined to talk about the gradual formation of the so-called two-level system of cooperation: from "five," on the one hand, and the expanded format with the involvement of third countries, on the other.

The uncertainty around the BRICS Plus concept creates misunderstanding and tension among the BRICS countries (primarily between China and India), but, at the same time encourages the BRICS countries to put forward their own theories and approaches.

The paper aims to reflect on the Russian approach of implementing the BRICS Plus idea and exploring directions of potential cooperation among the countries of the expanded format.

The scientific novelty of the research can be explained by the recent emergence of the BRICS Plus idea and the absence of its clear concept. Moreover, at present, there is hardly any study or research in academic literature, dealing with BRICS Plus. Thus, this study will contribute significantly toward the conceptualization of the BRICS Plus idea.

As the Russian proposal is to include five integration blocks into the expanded format (Eurasian Economic Union [EAEU], MERCOSUR, South African Customs Union [SACU], South Asian Association for Regional Cooperation [SAARC], and ASEAN-China FTA), the methodology is based on comparative analysis of basic agreements on regional economic integration and contemporary strategies of the five integration blocks.

The convergence of integration blocks has already started. In 2016, the partial space agreement (PSA) between MERCOSUR and SACU entered into force, as well as the free trade between EAEU and Vietnam. PSA between MERCOSUR and India has been in force since 2009, and there is a system of bilateral agreements among the members of different integration blocks. The integration between South Asia (SAFTA) and East Asia or Pan-Asian integration is widely discussed.

Literature Review

Contemporary academic literature contains mainly BRICS studies. In an attempt to determine the BRICS nature and driving forces, the academic schools invoke different theories. The oldest and the most popular theory about BRICS is the balance of power theory of the realistic school, which considers the multilateral cooperation as an attempt of the five states to find an equilibrium in the global governance and redistribute the powers in the international system. The five emerging countries try to resist the western expansion and values (Leal-Arcas, 2008; Skak, 2011), they are

enthusiastic in strengthening their positions in global trade negotiations within the Doha round, and expand their voting right in international financial institutions – World Bank and IMF (Zhiwer, 2010).

The balance of power theory is accompanied by the power transition theory, which focuses on a global change from uni- to a bi- or multipolar world, and ambitions of the BRICS countries to challenge the top nations (Glosny, 2010; Chan, 2008; Lim, 2014).

The constructivist theory is based not just on power, but on the social role of the participating countries on cooperation, which may develop “some form of collective identity” (Thies, 2010). According to the concept, the BRICS cooperation is driven by a common understanding of the countries’ social roles and positions, similarity of their goals and approaches to their achievement. The BRICS countries’ belonging to the group of emerging developing countries play a central role in the theory. The theory declares that “the changing identities of BRICS can be treated as the main cause of the convergence of their interests in the international arena,” (Mielniczuk, 2003, p. 1075) and the discourses of the five countries have a developmental-multipolar nature. This nature forms the directions of multilateral cooperation within BRICS, as well as their suggestions in negotiating the issues of global governance.

The concept of economic integration is another popular theory. Many researchers consider deeper economic integration of the five emerging countries, for example, in the intra-BRICS trade, as a key goal and driving force (Chatterjee, Jena, & Singh, 2014; Sharma & Kallummal, 2012). The countries are pushed by anticipations to gain from increasing globalization, freer trade, and movement of economic factors, as well as technological progress.

Most of the empirical studies focus on various aspects of cooperation within the BRICS, including mutual trade and trade policies (Sharma & Kallummal, 2012; Mathur & Dasgupta, 2013; Singh, 2016 a,b; Wu et al., 2015; Mishra, Gadhia, Kubendran, & Sahoo, 2015; Chatterjee et al., 2014; Singh, 2016; Fanai & Bangera, 2016; Rasoulinezhad & Jabalameli, 2018), investments (Mlachila & Takebe, 2011; Kapoor & Tewari, 2010; Dasgupta, 2014; Andreff, 2015; Wu et al., 2015;), financial cooperation (Y. Wang, 2017; Mthembu, 2017; Cooper, 2017), or explore impact of the BRICS on other countries and the world economy (Ademuyiwa et al., 2014; Cameron, 2011; Brand, Mc

Ewen-Fial, Muno, & Hoffmann, 2012; Raschen, 2015; Jash, 2017).

Some of the studies evaluate prospects for economic integration of the BRICS countries (Mathur & Dasgupta, 2013; Chatterjee et al., 2014). The researchers aim at identifying potential integration effects for the BRICS countries, taking into account their positions in the international division of labor, commodity structure of mutual trade, and complementarity of the trade flows.

There is a limited number of studies devoted to the BRICS expansion or restructuring based solely on the search for countries with similar characteristics: comparable rates of economic growth and FDI inflows or market capitalization of the global companies. The suggestions to expand or transform the BRICS acronym to BRICK (Kazakhstan or the Republic of Korea for “K”; Cooper, Antkiewicz, & Shaw, 2007; Olcott, 2008), BRIMC (“M” denoting Mexico; Mardiros & Dicu, 2014; Watson, 2012), BRICA (with Gulf Cooperation Council members; Goldman Sachs, 2007), and BRICET (BRIC countries, Eastern Europe, and Turkey; Mardiros & Dicu, 2014). Nevertheless, the papers do not contain a detailed analysis of the suggested blocks; they lack practical conclusions concerning the prospects of the formats or potential directions of multilateral cooperation. O’Neill and Stupnytska, (2009) considered BRIC countries together with N-11 (the next 11 emerging economies) and compared their behavioral patterns during the global financial crisis, looking at their overall growth, domestic demand, and trade performances. Nevertheless, despite some common features in the economic outlook, as identified by the researchers, the study did not attempt to unite two groups of countries.

Another important strand of literature is devoted to specific aspects of the so-called “integration of integrations” between regional blocks, driven by the BRICS countries. Prospects for Pan-Asian integration are discussed in Francois, Rana, and Wingnaraja (2009), Kawai and Wingnaraja (2009), Durgesh (2010), Wignaraja, Morgan, Plammer, and Zhai (2015), Sapkota and Shuto (2016), Rana and Chia (2018), where the authors explored trends and determinants of economic integration in Pan-Asia and its influence on economic growth. Trade and welfare effects from trading agreements between MERCOSUR and SACU were explored by Sandrey (2006, 2011), who attempted to identify the main winners of the trans-regional

integration scenario. Nevertheless, these studies are not united by a single concept of large transregional association, aimed at harmonizing regional integration agreements.

There are almost no studies devoted to the BRICS Plus concept. The first attempt to assess the potential of the BRICS Plus and its mechanism were made by Chinese experts. Wang (2018) identified key objectives and directions of cooperation within the expanded platform: to transform the BRICS New Development Bank into the first large-scale international multilateral financial institution established by major emerging countries; to achieve the 15% threshold for veto power in the IMF; and to develop cultural exchanges. At the same time, there is no certainty about the geographic composition of the extended format and its pool of participants. The only concept, which gives the clear picture of its membership, was developed by the Russian researcher, Chief Economist of the Eurasian Development Bank Yaroslav Lissovnikov (2017a, 2018), and this concept underlies the current research. Thus, the current paper aims at filling the gap in academic literature, concerning the BRICS Plus concept.

The BRICS Plus Concept: Searching for the Best Modality

Back in September 2015, during his speech at the 70th session of the UN General Assembly, Russian President Vladimir Putin stressed the need to “harmonize of regional economic integration projects” (UN, 2015). He proposed to develop integration of integrations based on universal, transparent principles of international trade, aimed at preventing the imbalances in the global trade system.

The increased number of integration blocks and initiatives creates an alternative system of global trade, which opposes the existing system, led by the World Trade Organization (WTO), and, consequently, undermines the WTO’s key principles—non-discrimination, the most favored nation, and the national regimes. The system of regional trade agreements, bilateral and multilateral ones, creates a parallel trading reality and serves as an important tool for individual states to push their economic interests and strengthen their positions in the world trade system. Today, economic integration in a number of regions develops in accordance with the concept of open regionalism or in the framework of a hybrid approach

at both bilateral and multilateral levels. As a result, the same countries participate in various associations on different terms.

At the same time, in recent years, there have been major changes in regional integration around the world:

1. Today most of the regions see gradual increase in the so-called “quality” of integration agreements, which implies deeper integration, more intensive liberalization and, most importantly, the gradual inclusion of issues, which do not relate directly to trade and are not regulated by the WTO rules. The importance of such issues—intellectual property rights and environmental protection, the division of labor and workers’ rights, cooperation in the interests of small and medium enterprises, and so forth—is increasing.
2. In recent years, there has been a trend towards a gradual enlargement of integration initiations, and the promotion of region-wide and transregional integration scenarios (the Trans-Pacific Partnership, the *Transatlantic Trade and Investment Partnership*, and the Asia-Pacific Free Trade Area). Despite the uncertainty of their future, the initiation of the negotiation process determines a new global trading reality.

In this regard, the BRICS Plus concept is of particular relevance. Its content has not been determined yet, and this makes space for various scenarios. Thus, the BRICS Plus may act as a new unique platform for transregional interaction aimed at enhancing the stability and transparency of the world trading system and strengthening positions of developing countries in the global economy.

During the 2017 summit, Chinese leader *Xi Jinping* said that it was necessary to “promote the ‘BRICS Plus’ cooperation approach and build an open and diversified network of development partnerships to get more emerging market and developing countries involved in our concerted endeavors for cooperation and mutual benefits” (Huang, 2017, September 5).

In turn, the attitude of the five member countries to the BRICS Plus idea is contradictory. According to the press office of the Brazilian Ministry of Foreign Affairs, the authorities do not consider the idea as an appeal to the expansion of the dialogue

format (“BRICS Plus Format Summit,” 2017). At the same time, Indian media and academic community perceive the Chinese initiative very cautiously. Considering it as an attempt to increase the number of full participants in the dialogue format, the Indian academic community tends to consider the idea of BRICS Plus exclusively as an instrument of China to promote its own economic and political ambitions and expand its influence on the regional, interregional, and global arenas. According to Indian experts, China mainly encourages only its strategic partners to join the dialogue format, and this can significantly worsen the Indian positions (Korybko, 2017). Nevertheless, during the summit in 2017, China called on the other BRICS participants—Russia, India, Brazil, and South Africa—to invite third countries to the discussion of interregional agenda.

Despite the uncertainty of the BRICS Plus concept, its basic principles can be summarized as follows:

1. Enhancing the interaction within a group of developing countries for better stability and enhanced role in the world economy,
2. Developing a comprehensive partnership that involves a broader agenda and goes beyond the discussion of trade and financial cooperation, and
3. Uncertainty in approaches provides an opportunity to create a completely new format of interaction that differs from classical models of economic integration and cooperation.

Alternative approaches to the implementation of the BRICS Plus concept can be considered in two dimensions: from the composition of participants and from the directions of interaction.

One of the most transparent concepts of the BRICS Plus scenario belongs to the Russian expert, the chief economist of the Eurasian Development Bank Yaroslav Lissovolik (2017a, 2018). He realized that

the uniqueness of the BRICS is that each member is also a leading economy in its continent or sub-region within a regional integration arrangement. All countries that are partners of the BRICS in these regional integration arrangements may form what might be termed as the ‘BRICS Plus circle’ that becomes open to flexible and multiple modes of cooperation (not

exclusively via trade liberalization) on a bilateral or regional basis. (Lissovolik, 2018, par. 3#)

All the BRICS countries are the leading economies on their continents, standing at the core of the regional integration agreement: Russia in the EAEU, Brazil in MERCOSUR, South Africa in the Southern African Development Community (SADC) and the South African Customs Union (SACU), India in the South Asian Association for Regional Cooperation (SAARC) which is based on the South Asian Free Trade Area (SAFTA), and China in the ASEAN+1 format.

Of the two integration blocks driven by South Africa, it makes sense to choose the Southern African Customs Union (SACU), because, firstly, it includes fewer members, and this simplifies coordination; secondly, it has a relatively higher “quality” of integration. SACU members formed a customs union, whereas SADC is only a free trade area.

By uniting all members of the five regional integration associations, BRICS Plus may serve as a platform for extended agenda. In accordance with the concept by Y. Lissovolik (2017a), the main modalities of cooperation within the BRICS Plus countries may include:

1. The platform of trade and investment integration—expanding the set of FTAs/PTAs across individual countries or regional blocks of the BRICS Plus grouping, and increasing the “quality” of the concluded preferential agreements/FTAs and forming investment alliances by facilitating access of foreign investments to strategic sectors;
2. Cooperation in international organizations—coordination of positions in international organizations and primarily financial institutions to increase the consolidated voting share and influence of developing countries on decision-making;
3. Cooperation at the level of regional development banks and other financial institutions, such as New Development Bank;
4. Use of national currencies and payment systems—the new format may serve as a platform for extending the use of national currencies in mutual trade and investment transactions, thus reducing dependency on the US dollar and the Euro; and

5. Cooperation in establishing their own reserve currencies/regional and global financial centers.

Such an approach to implementing the idea of BRICS Plus has a number of clear advantages. Firstly, the involvement of all members of the five integration blocks excludes the involvement of “random” members. Such an approach can balance the opposing positions of the BRICS countries, reducing fears of individual participants, primarily India, about the possible transformation of the BRICS Plus format into an instrument for China’s own political and economic influence. In this scenario, it is India that is at the core of the format as it participates in the largest number of various regional and trans-regional agreements. In particular, India established a free trade area with ASEAN, covering trade in both goods and services, as well as bilateral FTAs with Thailand and Singapore. Since 2009, the preferential trade agreement with MERCOSUR has been in force (covering trade in goods). Besides, since 2002, India has been cooperating with China within the Asia Pacific Trade Agreement (APTA), which also covers trade in goods.

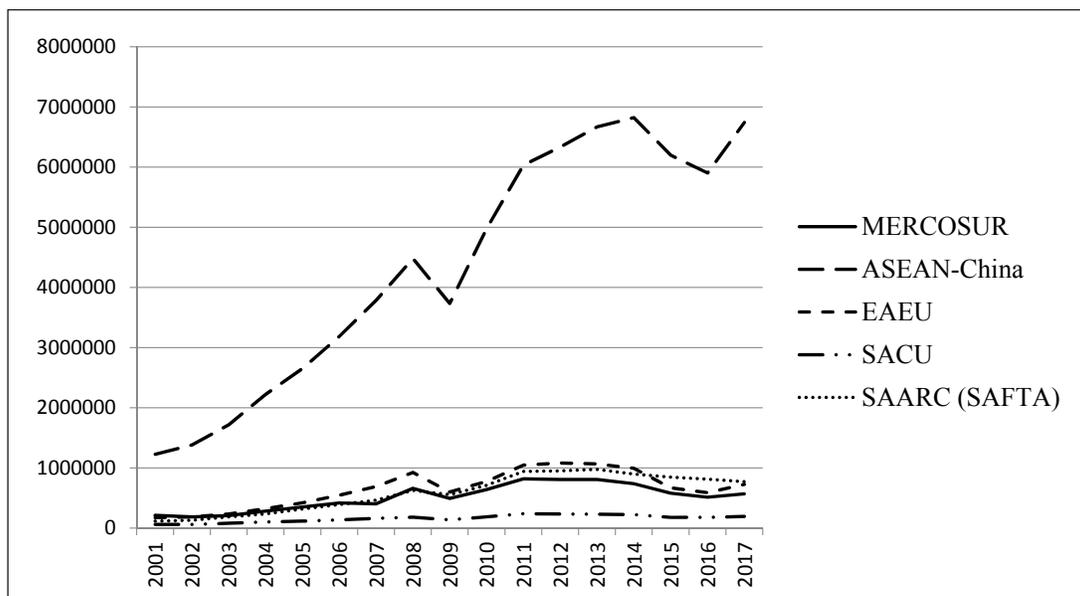
Secondly, this approach completely corresponds with the goal of China and the other BRICS participants to expand and strengthen “South-South”

economic cooperation within the group of developing countries.

Thirdly, all five integration associations operate on the basis of WTO principles (as declared in the basic documents). Accordingly, the formation of a new association does not aim at creating an alternative trading reality, a system of international trade opposing the WTO, and does not undermine the established principles of global trade.

Trade Aspects of the BRICS Plus Concept

Total mutual merchandise trade (exports plus imports) among the five integration blocks had grown dramatically in absolute terms from a low base in 2001 up to 2011–2014 (Figure 1). The exception was 2009 when the trade dropped because of the global financial crisis. From 2011 to 2016, most of the regional associations suffered from lowering trade. However, in 2017, ASEAN-China, EAEU, and MERCOSUR managed to revive trade with the BRICS Plus participants. SAARC (SAFTA) saw the highest increase by 551% from 2001 to 2017. Total trade of ASEAN-China FTA with the rest of the regions rose by almost 450% during the same period, EAEU by 318%, SACU by 219%, and MERCOSUR demonstrated the lowest increase of 168%.



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Figure 1. Total trade of each integration block with the rest of four integration formats, \$ mln., 2001–2017.

Moreover, the share of the BRICS Plus partners in total merchandise trade of all the integration blocks has risen significantly (Figure 2, Table 1): MERCOSUR – from 7.4% in 2001 to 29% in 2017; from 4% to 8% for ASEAN-China during the same period; EAEU – from 10.4% to 20.7%; SACU – from 12% in 2001 to 33.1% in 2017 with maximum of 42% in 2012; and SAARC – from 22.3% to 34.4% in 17 years.

Nevertheless, the geographic structure of trade flows is imbalanced and asymmetric (Table 2). There are a number of peculiarities of multilateral trade that should be mentioned:

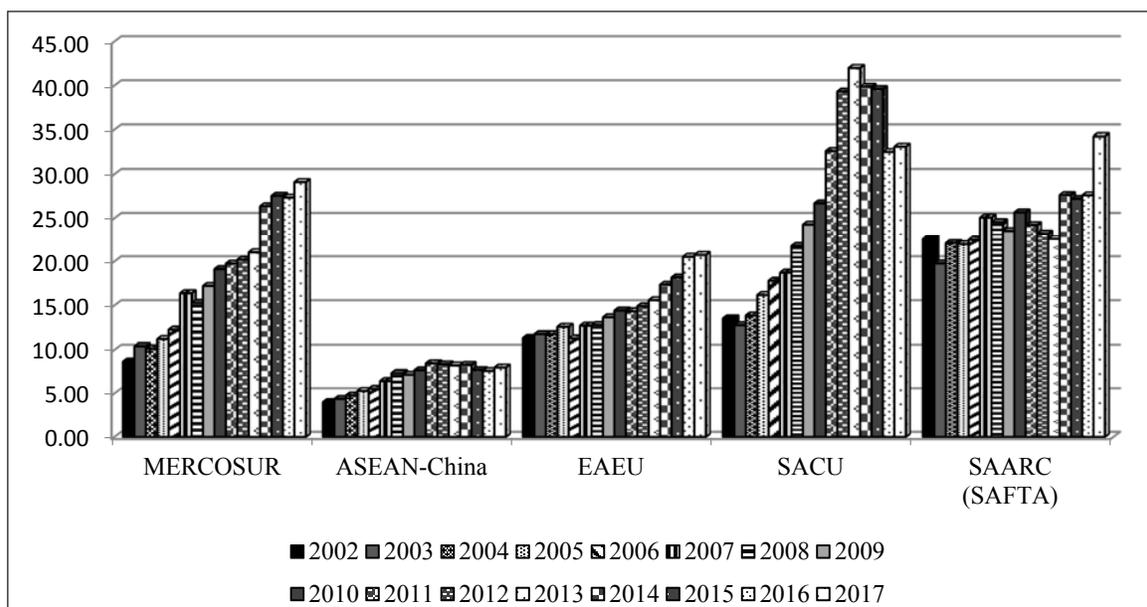
1. The largest component of trans-regional trade is the trade with China, which demonstrated the highest paces of foreign trade growth. Thus, the importance of the ASEAN-China FTA was the highest for the rest of the regions. ASEAN-China FTA is the main trade partner for MERCOSUR (its share in total trade of the MERCOSUR countries had risen from 4.8% in 2001 to 23.9% in 2017) and SACU (rise from 7% to 25.4% during the same period).
2. The importance of the ASEAN-China FTA to the rest of integration blocks is much higher

than vice versa. The share of the latter in ASEAN-China trade is the lowest—just about 8% of total trade in 2017. The highest and gradually increasing share belongs to SAARC (its share in ASEAN-China total merchandise trade almost doubled from 1.67% in 2001 to 3.3% in 2017). Nevertheless, East Asia remains to be more important for South Asia, than vice versa.

3. SAARC is the second most important trade partner for the rest of the integration blocks, mainly due to intensive trade and substantial consumer potential of India (Arapova, 2017).

Thus, SACU and SAARC are the two integration blocks which may win the most, in case the multilateral trade facilitation becomes the main issue within the expanded BRICS Plus format.

The new expanded format of BRICS Plus can serve as a platform for linking regional integration associations in two ways: (1) expansion of trade cooperation at the transregional level and gradual harmonization of foreign trade policies within five integration associations and (2) gradual shift of transregional agenda from trade cooperation to a wider range of areas.



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Figure 2. Total trade of each integration block with the rest of four integration formats (share in total trade with the world), %, 2001–2017.

Table 1*Total Trade of Each Integration Block With the Rest of Four Integration Formats (Share in Total Trade with the World), %, 2001–2017*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
MERCOSUR	7.38	8.65	10.40	10.11	11.18	12.25	16.38	15.29	17.21	19.12	19.74	20.19	21.03	26.36	27.55	27.33	29.10
ASEAN-China	4.01	4.00	4.37	4.76	5.27	5.53	6.42	7.34	7.13	7.66	8.46	8.34	8.21	8.27	7.68	7.57	7.97
EAEU	10.40	11.30	11.73	11.73	12.57	11.26	12.71	12.78	13.65	14.41	14.33	14.90	15.58	17.34	18.16	20.52	20.72
SACU	12.02	13.53	12.76	13.86	16.17	17.80	18.72	21.76	24.26	26.69	32.63	39.31	41.99	39.85	39.59	32.51	33.11
SAARC (SAFTA)	22.30	22.55	19.76	22.09	21.95	22.46	25.07	24.54	23.52	25.65	24.20	23.22	22.56	27.62	27.18	27.59	34.27

Source: calculated by the author based on International Trade Center Trade Map Statistics, available at <https://www.trademap.org/Index.aspx?AspxAutoDetectCookieSupport=1>

Table 2*Mutual Trade Among Five Integration Blocks of the BRICS Plus Concept (Share in Total Trade With the World), %, 2001–2017*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
ASEAN-China	4.77	5.58	7.52	7.34	7.77	8.83	12.15	11.56	13.58	15.34	16.11	16.43	17.48	20.25	22.06	22.06	23.88
EAEU	0.93	1.19	1.36	1.31	1.49	1.55	2.00	1.98	1.39	1.44	1.45	1.38	1.35	1.63	1.38	1.37	1.38
SACU	0.57	0.56	0.47	0.50	0.71	0.74	0.87	0.59	0.53	0.52	0.52	0.50	0.45	0.38	0.51	0.57	0.49
SAARC (SAFTA)	1.11	1.33	1.06	0.95	1.21	1.13	1.36	1.16	1.71	1.82	1.66	1.87	1.75	4.10	3.60	3.34	3.34
MERCOSUR	0.82	0.75	0.91	0.93	1.03	1.16	1.29	1.70	1.80	1.97	2.18	2.09	2.12	2.20	2.07	1.92	2.02
EAEU	1.17	1.24	1.33	1.41	1.64	1.58	1.95	2.16	1.82	1.92	2.13	2.21	2.18	2.18	1.67	1.74	1.93
SACU	0.35	0.33	0.38	0.44	0.44	0.49	0.54	0.58	0.61	0.71	0.98	1.16	1.18	1.06	0.90	0.74	0.74
SAARC (SAFTA)	1.67	1.68	1.75	1.97	2.16	2.30	2.64	2.89	2.90	3.07	3.16	2.88	2.73	2.83	3.04	3.16	3.29
ASEAN-China	8.23	9.09	9.62	9.70	10.30	9.15	10.63	10.45	11.31	12.27	12.27	12.91	13.61	14.97	15.45	17.42	17.85
EAEU	1.13	1.17	1.19	1.15	1.25	1.18	1.16	1.41	1.14	1.19	1.13	1.03	1.02	1.21	1.20	1.19	1.08
SACU	0.04	0.08	0.06	0.05	0.04	0.08	0.11	0.06	0.10	0.05	0.05	0.06	0.08	0.09	0.11	0.11	0.11
SAARC (SAFTA)	1.00	0.96	0.87	0.83	0.98	0.85	0.80	0.86	1.10	0.90	0.88	0.90	0.88	1.07	1.41	1.79	1.68
ASEAN-China	6.97	7.49	8.03	9.41	9.97	11.39	12.43	14.33	16.33	18.53	24.47	31.27	33.81	31.98	30.86	24.46	25.40
EAEU	0.12	0.26	0.16	0.15	0.15	0.30	0.46	0.32	0.45	0.22	0.21	0.28	0.36	0.39	0.40	0.37	0.41
SACU	1.98	1.69	1.20	1.38	2.12	2.25	2.13	2.14	1.87	1.74	1.77	1.73	1.55	1.23	1.65	1.65	1.44
SAARC (SAFTA)	2.95	4.09	3.36	2.93	3.93	3.85	3.71	4.97	5.61	6.19	6.17	6.03	6.27	6.25	6.68	6.04	5.86
ASEAN-China	17.32	17.47	16.04	18.53	17.90	18.71	21.40	20.61	19.41	21.39	20.22	19.12	18.65	21.49	22.18	22.86	28.73
EAEU	1.46	1.36	1.10	1.14	1.29	1.19	1.19	1.27	1.19	0.98	0.97	1.02	0.96	1.19	1.11	1.30	1.59
MERCOSUR	1.99	1.85	1.17	1.14	1.32	1.21	1.17	1.22	1.51	1.63	1.43	1.58	1.45	3.37	2.47	2.11	2.47
SACU	1.53	1.88	1.45	1.28	1.45	1.35	1.31	1.44	1.41	1.64	1.58	1.49	1.50	1.57	1.42	1.32	1.48

Source: calculated by the author based on International Trade Center Trade Map Statistics, available at <https://www.trademap.org/Index.aspx?AspxAutoDetectCookieSupport=1>.

Table 3*Key Characteristics of the Regional Trade Agreements Led by the BRICS Countries*

RTA Name	Coverage	Type	Date of Notification	Date of Entry into Force
ASEAN-China	Goods and Services	FTA&EIA	21.09.2005 (goods) 26.06.2008 (services)	1.01.2005 (goods) 1.07.2007 (services)
MERCOSUR	Goods and Services	CU&EIA	17.02.1991 (goods) 5.12.2006 (services)	29.11.1991 (goods) 7.12.2005 (services)
EAEU	Goods and Services	CU&EIA	12.12.2014	1.01.2015
SACU	Goods	CU	25.06.2007	15.07.2004
SAFTA	Goods	FTA	21.04.2008	1.01.2006

Source: WTO RTA Database (www.rtais.wto.org)

The five integration blocks vary considerably in type and coverage as shown in Table 3.

ASEAN-China and SAFTA represent the first stage of economic integration—free trade areas, which provide trade preferences within intraregional trade while maintaining member states' independence in pursuing foreign trade policies with respect to the third countries. In turn, the other three integration blocks—MERCOSUR, EAEU, and the SACU—have formed full-fledged customs unions with a single customs territory and a common foreign trade policy.

At the same time, in ASEAN-China, MERCOSUR, and EAEU, the process of intraregional liberalization covers both trade in goods and trade in services, but there are no agreements on services in SACU and SAFTA, where the member countries remain independent in defining principles and approaches to trade in services, both with their integration partners, and with the third countries.

There are significant differences in the rules of origin. Local component requirements range from 40% to 60%. The earlier the regional agreement was concluded, the higher the requirement for a national component in the added value of imported products.

Moreover, in two of the five associations—ASEAN-China and SAFTA—the process of intra-regional trade liberalization has not been completed yet. In accordance with the agreements, signed and entered into force, the second stage of tariff liberalization between China and ASEAN is to be completed in 2018, and in 2019 within the South Asian Free Trade Area.

Harmonization of tariff liberalization schedules may become one of the directions of multilateral cooperation within the expanded platform, but it makes sense to pay more attention to non-tariff regulation.

There is a negative correlation between tariffs and different types of non-tariff measures, substitutability between gradual reductions in applied tariffs, and the rising number of non-tariff regulations, which has been proved empirically (Beverelli, Boffa, & Keck, 2014; Aisbett & Pearson, 2012). Thus, the number of non-tariff measures has been rising, especially in import-competing sectors (Broda, Limao, & Weinstein, 2008), but the multilateral mechanisms of their regulation are limited.

Among the members of five integration associations, BRICS countries use non-tariff barriers most intensively (Table 4).

It should be noted that the constituent documents of the five regional integration blocks hardly provide clear mechanisms for non-tariff liberalization.

The Treaty on the EAEU (EAEU, 2014) is the only exception, as it outlines clearly the ban on certain types of non-tariff restrictions (e.g., quantitative restrictions on imports and exports, anti-dumping duties in mutual trade). In other cases, multilateral agreements either contain references to the norms adopted in the WTO documents (ASEAN-China 2005, 2008; MERCOSUR, 1991; SACU, 2002) or refer to national legislation of the member countries (*SACU, 2002*).

However, three of the five agreements (Southern Common Market [MERCOSUR] Agreement, *Southern*

Table 4*Number of Non-Tariff Foreign Trade Restrictions Applied by BRICS Countries, 2018*

	SPS	TBT	ADP	CV	SG	SSG	QR	TRQ	XS	Total
South Africa	58	270	30		2			53	62	475
Botswana	3	79								82
Lesotho					No data					
Namibia					No data					
Swaziland	2	1								3
China	1201	1230	105	6	2		42	10		2596
Singapore	59	57					143			259
Malaysia	40	236	25		3			13		317
Philippines	403	256	2		3	7	21	14		706
Thailand	240	609	51		2		112	23		1037
Indonesia	122	118	47		3			2	1	293
Brunei										
Darussalam	3	2								5
Vietnam	94	114	7		4			2		221
Myanmar		2								2
Laos	2	1					12			15
Cambodia		3								3
India	200	117	352	2	3		59	3		736
Afghanistan	3	2					18			23
Bangladesh					No data					
Bhutan					No data					
Nepal	27	4								31
Maldives					No data					
Pakistan					No data					
Sri Lanka					No data					
Russia	145	85	20				93	4		347
Kazakhstan	13	19					29			61
Belarus					No data					
Kyrgyzstan	9	48								57
Armenia	24	82								106
Brazil	1317	881	175	2				1	16	2392
Argentina	207	385	113							705
Venezuela	13	35						62	72	182
Uruguay	29	22	2				44		3	100
Paraguay	27	103	1							131
Total	4241	4761	930	10	22	7	573	187	154	

Source: World Trade Organization. Non-Tariff Measures Database by Country. Integrated analysis and retrieval of notified non-measures as of May 2018. Available at <https://i-tip.wto.org/goods/Default.aspx>

Anti-dumping [ADP], Countervailing [CV], Quantitative Restrictions [QR], Safeguards [SG], Sanitary and Phytosanitary [SPS], Special Safeguards [SSG], Technical Barriers to Trade [TBT], Tariff-rate quotas [TRQ], Export Subsidies [XS]

African Customs Union Agreement, and Agreement on South Asia Free Trade Area [SAFTA]) contain requirements for harmonization of product standards and technical regulations, licensing rules, customs procedures, and higher “transparency” of sanitary and phytosanitary requirements. Thus, there is no single approach to non-tariff regulations, but the intention of the integrating countries to move towards their harmonization and increase transparency has been formally declared. Accordingly, this direction may become one of their priorities for the trade agenda in the BRICS Plus expanded format.

Particular attention must be paid to the harmonization of technical regulations, as well as sanitary and phytosanitary standards. These two categories account for the largest share in the total number of non-tariff barriers introduced by both the BRICS countries and the members of the BRICS-driven integration blocks. China and Brazil are the leaders in the number of non-tariff restrictions.

Technical barriers in China (national industrial standards, quality control mechanisms, safety requirements, packaging and labeling, etc.) aim, mainly, at protecting national producers of medium-tech industrial products (electronics, electrical equipment, and, to a lesser extent, vehicles), as well as chemicals. The majority of technical barriers are applied to imports from all WTO members, but some of them apply to imports from individual countries, including partners within the potentially expanded dialogue format (Brazil, Argentina, Malaysia, and Russia). China’s sanitary and phytosanitary requirements aim at protecting national agriculture, as well as chemicals and related products.

Brazil also protects national farmers using the system of sanitary and phytosanitary measures (primarily producers of vegetables and livestock products). Technical barriers to trade, which Brazil uses relatively less intensively, also aim at limiting imports from all states, but some apply to individual countries (including China, India, Indonesia, Singapore, Thailand, and Malaysia) and are directed, as in the case of China, to protect national producers of industrial products and chemicals.

Consequently, several priorities can be determined in the trade agenda within the expanded format: (1) harmonization of technical requirements and sanitary and phytosanitary requirements (2) removal of barriers applied to individual partner countries.

Multi-Dimensional Nature of the Trans-Regional Agenda

In addition to discussing trade issues, the trans-regional agenda of the expanded format may include other areas of cooperation.

Financial Cooperation

The interregional format of BRICS has a high potential for developing financial cooperation, reinforced, first of all, by a common interest in expanding the de-dollarization process and strengthening national currencies in the international financial system. The BRICS Business Council, the *BRICS Exchanges Alliance*, and the BRICS Interbank Cooperation Mechanism, the *New Development Bank – NDB* (formerly referred to as the *BRICS Development Bank*) have been established, and the BRICS Pool of Conventional Currency Reserves has been formed. The desire of the BRICS countries to oppose the system of international financial organizations, led by the IMF and the World Bank, is obvious.

The financial sphere can become one of the most promising areas of cooperation within the BRICS Plus. In addition to cooperation of the BRICS Plus countries in international organizations (coordination of positions in international organizations, primarily IMF, proposed by Y. Lissovolik, 2017a), and the interaction at the level of the regional development banks (Inter-American Development Bank, Eurasian Development Bank, Asian Development Bank and African Development Bank), the New BRICS Development Bank, and other regional financial institutions (in particular, the Asian Infrastructure Investments Bank), the expanded format of BRICS Plus may provide a network of bilateral currency swap agreements aimed at reducing dollar payments and settlements and signing of foreign trade contracts between participants in national currencies.

A system of bilateral swap agreements can bring significant advantages to the member countries. Firstly, they are an instrument to stimulate mutual trade by reducing trade costs. A decrease in trade costs will stimulate mutual trade flows, promoting economic growth.

Secondly, the system of currency swap agreements lowers risks associated with currency fluctuations and contributes to the stability of trade flows. Under certain conditions, it may be more advantageous to determine the contract price of goods and services

in the national currencies of the trading countries to protect themselves from significant financial losses.

Thirdly, choosing their own currencies in bilateral transactions makes countries less dependent on global reserve currencies, mainly the US dollar. The system of currency swap agreements can be supplemented by the networks of local interbank currency credit lines agreements, which already exists within BRICS. The BRICS Interbank Cooperation Mechanism (ICM) can be extended to the BRICS Plus format. In the long term, a multilateral currency swap agreement and an expanded trans-regional national currencies settlement system at the BRICS Plus level can be developed.

Harmonization of banking rules and procedures, (settlements and payment transactions) may become another promising direction of trans-regional cooperation in BRICS Plus. This mechanism will also aim at reducing transaction costs in trade within the participating countries. The development of a single trans-regional payment system within BRICS Plus can also meet the interests of the participating countries. Development of methodological recommendations on banking regulation to ensure the sustainability of national financial systems may become the next step in trans-regional cooperation.

The central banks of all five BRICS member countries are represented in the Basel Committee on Banking Supervision, but the risk management mechanisms in the banking sector provided in the Committee’s fundamental documents are often criticized for their “universal” nature, without taking into account the specifics of banking systems in individual countries, mainly developing ones. The BRICS Plus guidelines with an emphasis on developing countries can take into account the individual characteristics of economic systems and the nature of banking regulation and envisage various transition periods for the countries participating in the initiative.

In addition, mechanisms of financial systems stability assessment (similar to the Regional Economic Surveillance System within ASEAN+3) can be very useful at the BRICS Plus level.

Other Areas of Interaction

The viability of the new expanded format can be provided by an exceptionally high quality of the trans-regional agenda, which should meet the current trends in global economic development and contemporary global challenges, as well as the strategic interests

of a group of developing countries. In addition to traditional trade and financial aspects of cooperation, it is worth paying special attention to (1) developing of e-commerce, (2) strengthening inter-state cooperation in the interests of small and medium enterprises, and (3) creating a consolidated technological platform at BRICS Plus level within the group of developing states.

During the regular WTO ministerial conferences, a group of developed countries led by the EU, Canada, and Australia lobbied their inclusion of e-commerce regulation into the multilateral agenda of the Doha round and proposed to create a working group on *trade-related aspects of electronic commerce*. In accordance with the Work Program on Electronic Commerce, the Council for Trade in Goods, the Council for Trade in Services, and the Council on Trade-Related Aspects of Intellectual Property Rights should work on the text of the fundamental WTO documents for electronic commerce regulation.

The positions of the BRICS countries differ on this issue. China is one of the initiators and co-sponsors of a proposal on e-commerce. The country focuses on the role of e-commerce in poverty alleviation, economic and financial development of developing countries, stressing, that “the development dimension should be maintained through the discussions on e-commerce, primarily addresses the promotion and facilitation of cross-border trade in goods, payments and logistics services” (WTO, 2017, par. 3). The initiative fully meets the strategic interests of China in the context of the main contemporary challenges that are being faced by the Chinese economy. Taking into account the lowering foreign demand for goods, shrinking pace of global trade growth, and gradual transformation of labor-intensive industries into capital-intensive ones, the contemporary Chinese strategy are based on large-scale investment expansion, movement towards a consumption-led growth model, stimulation of technological development, and export of high-tech goods and services (Arapova, 2018). Thus, promotion of such initiatives at the global and transnational level, as well as the creation of multilateral economic alliances and discussing the same agenda, fully correspond to the country’s priorities.

Russia supports the idea of creating the working group. The harmonization of e-commerce policies is currently one of the priorities for the Eurasian Economic Commission (2017) including the development of a harmonized taxation mechanism for *e-commerce* good,

single information space for electronic business, and convergence of the National Single Window programs.

Brazil (and its partners in MERCOSUR) is also open to discuss selected issues of e-commerce regulation. The MERCOSUR digital agenda became one of the new topics introduced in the work program of the 51st MERCOSUR summit in December 2017.

At the same time, India rejects the inclusion of new issues into the WTO agenda, appealing to focus on the most challenging traditional areas of interaction where progress has not been achieved yet. Moreover, not all SAFTA and EAEU members are currently WTO members; thus, in the short and medium term, it may become more efficient to discuss the issue at trans-regional level. In this regard, BRICS Plus can become a multilateral platform to discuss trade-related issues of e-commerce, initiatives for e-commerce facilitation and transparency, and simplified schemes for obtaining loans from multilateral financial institutions to develop the e-commerce infrastructure. Besides, the BRICS Plus countries may be highly interested in creating a common e-commerce information space (trans-regional e-Commerce platform).

Cooperation for small and medium enterprises may become another important direction of cooperation. It may imply the BRICS Plus multilateral mechanism for supporting small and medium enterprises of the participating countries, a trans-regional information and consulting platform similar to the Enterprise Europe Network in Europe. On the one hand, the initiative will aim at increasing transparency of the business environment in the participating countries and providing support on a wide range of issues (legal and administrative). On the other hand, it may serve as an effective mechanism of public-private partnership and direct interaction of businesses with potential investors.

Another promising area of cooperation is joint efforts in the harmonization of legal regulation and principles of commercialization in the field of intellectual property protection, including copyright and related rights, industrial designs, trademarks and appellations of origin, patent rules and procedures, and so on.

On the first steps of creating a consolidated technological platform in an expanded format, it is expected to expand the network of intergovernmental agreements on scientific and technical cooperation, and to work out a mechanism for higher competitions among multilateral research projects (similar to the

European ERANET scheme). It seems to be efficient to form multilateral information and consulting platform that connect developers of new technologies and potential investors, as well as providing support for inventors.

Discussion

The BRICS Plus concept, as suggested by Y. Lissovolik, is based mostly on the constructivist approach. The new modality of transregional cooperation is an attempt of the BRICS Plus countries to enhance the block of their supporters that will strengthen the positions of the group of developing countries in the system of global governance. The BRICS Plus idea implies not just redistribution of powers as they do not openly oppose the system of western values, but encourage creating more balanced global architecture based on the principles of non-discrimination, equal access to resources, and their fair distribution. Economic area advances is the main direction of cooperation. Deeper and closer trade and investment cooperation among the five integration blocks, driven by the five BRICS countries, will contribute to the gradual harmonization of their content. Nevertheless, the participating countries do not pursue the enlargement of their integration blocks or creation of the single integration structure, so the economic integration concept can hardly underlie the BRICS Plus approach.

The paper has presented the Russian approach to the implementation of the BRICS Plus idea. The suggested BRICS Plus concept is supported by three main pillars:

1. the BRICS countries' leading positions in the regional integration agreement on their continents;
2. common understanding of the problems of the global governance and the decision-making in the system of international organizations, as well as the unbalanced positions of the group of developing countries; and
3. similarities of the regional economic agendas in terms of strategic priorities and directions of development.

The analysis allowed the determination of, potentially, the most successful forms and areas of cooperation.

Financial sphere is potentially the most successful. Coordination of the BRICS Plus countries' positions in international financial institutions—IMF and the World Bank – and their increased voting share will influence the decision-making in the interest of developing countries. A system of bilateral currency swap agreements among the BRICS Plus countries, together with the network of interbank local currency credit lines agreements, will contribute to the rebalancing of the financial system, intensive internationalization, and strengthening positions of the emerging currencies (mainly, Chinese Renminbi) and lowering dependence on the US dollar. Moreover, the enhanced cooperation at the level of regional development banks and other financial institutions (such as a New Development Bank) may create an alternative to the existing international financial organizations, mainly, the IMF, and lower the developing countries' dependence on its financing.

Trade and investment cooperation may potentially take the second position. The lack of progress within the Doha round pushes countries to discuss the issues within the limited number of participants. Although the BRICS Plus platform does not confront the open trade system that the WTO oversees, it may consider the broader agenda, including the issues beyond the WTO regulation. The BRICS Plus cooperation, together with the rising protectionist pressure in the USA and its threats to withdraw the WTO and the disintegration trends in Europe, may gradually lead to the natural extinction of the WTO as it is unable to provide fair trade and nondiscriminatory regimes any more.

Technological cooperation may become the third promising direction of transregional development. Formation of a consolidated technological platform may in the long-run streamline the legal framework of the multilateral technological exchange and lower, to some extent, dependence on the developed world. Thus, the successful performance of the multilateral cooperation within BRICS Plus may in the medium- and long-run contribute to changing global architecture and governance, enhancing the role of the group of developing countries in the global economic system and the decision-making.

If we try to rank the five BRICS countries on their interest in implementing the BRICS Plus cooperation, China and Russia can take the first positions, Brazil the second one, then South Africa, and, finally, India.

Prospects for the BRICS Plus largely depend on economic ties among the states of the five integration associations at the bilateral and multilateral levels, the existence of already formed integration associations, and economic alliances between them.

At the level of integration associations, MERCOSUR may have a relatively higher motivation to implement the concept. The block has long completed the process of internal integration construction so the new benefits can be achieved by expanding the geography of interaction and strategic economic alliances with other countries and associations. The issue of expanding interaction with other associations became the central one during the MERCOSUR summits in 2017. A preferential trade agreement has been signed between MERCOSUR and the South African Customs Union (entered into force in April 2016), which, although covering a limited number of trade in goods, is the only one agreement between the two integration blocs within the BRICS Plus framework. The MERCOSUR summit, held in December 2017, also confirmed its desire to expand the network of economic alliances at the multilateral level. Apart from the prospects for cooperation with the EU and the European Free Trade Association (which includes Norway, Switzerland, Iceland, and Liechtenstein), the MERCOSUR members discussed the issue of signing a pact with the Pacific alliance (which includes Mexico, Chile, Colombia, and Peru).

In addition to the preferential agreement with MERCOSUR, India has concluded a free trade agreement with ASEAN countries and bilateral agreements with Singapore and Thailand. Since 1976, the Asia-Pacific Trade Agreement has been in force, which includes China. This extensive network of agreements at various levels may be a factor contributing to BRICS Plus implementation, but a significant number of economic and political contradictions within the South Asian Association for Regional Cooperation as well as between India and China may, however, slow it down. Also, India is inclined to discuss the traditional agenda (trade, investment, and financial interaction) instead of broadening multilateral agenda.

The only agreement signed by the South African Customs Union with any of the members (or associations) of the potentially expanded format is the preferential trade agreement with MERCOSUR, and the quality of the agreement is very low.

The motivation of the EAEU members to participate in the BRICS Plus is very difficult to assess. The number of internal contradictions within EAEU may impede consolidation of their positions in the BRICS Plus. Nevertheless, the current paper serves mainly as a framework of potential modalities of the BRICS Plus concept.

The success of the transregional form of cooperation is predetermined by two more factors: (1) the BRICS countries and their integration partners' interest in the implementation of the BRICS Plus concept, and (2) remaining contradictions among the BRICS countries and within their integration blocks. Thus, these two areas of research may become objects for further studies.

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