

# BULLETIN

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## From BRIC to BRICS: Developments in the Cooperation of Emerging Economies

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*On 13-14 April 2011, China hosted the BRICS leaders summit. This was the third such meeting of the biggest emerging economies (Brazil, Russia, India and China), including South Africa as a new member. The forum has served since 2009 as an informal platform for dialogue between BRIC countries. Significant economic asymmetries and divergence of interests limit the group's influence and political relevance. However, the initiative has become a useful lever for members to seek legitimization of their statuses as important global players and to strengthen their positions in negotiations with the most developed countries.*

The term BRIC, which refers to Brazil, Russia, India and China, was coined in 2001 by U.S. Goldman Sachs bank researcher Jim O'Neill and was intended mainly to generate interest in investors in the largest of the fast-growing markets. The concept promptly gained resonance in public opinion and among policy makers, especially in the countries to which the acronym refers. The term BRIC gave name to the summits organized in Russia in 2009 and in Brazil the following year by the leaders of the four economies. The initiative was seen as a potential counter-weight to developed nations, especially to the unilateral dominance of the U.S. It also was intended as a vehicle to support the emerging economies in gaining their due roles in the global decision-making process. The final declarations of the Russia and Brazil meetings addressed a wide range of issues such as the global financial crisis, economic recovery, the reform of institutions such as the UN and International Monetary Fund (IMF), cooperation in the fields of development, energy, climate change, terrorism and food security. The April summit in China mainly has been marked by the addition of South Africa, and the re-labelling of the forum: BRICS. The issues addressed were again of a general nature.

**BRICS Leaders Summit Commitments.** In a Joint Statement issued on 14 April, the participants highlighted the shift towards multipolarity, globalization and interdependence as key indications of significant changes in international relations. The parties underlined support for the UN as the main body to deal with global issues. They also argued in rough terms for reform of the UN (including the Security Council) with a call for a greater role for emerging economies in the new structures. For BRICS leaders, the last economic crisis was clear proof of the vulnerability of the international financial system. This made the argument for reshaping existing global institutions of economic governance and including emerging economies in the new structures. While the G20 was presented as a key forum that should strengthen global economic governance, a need for reform of the IMF was underlined. The participants argued that the economic recovery was at risk with increased volatility of commodity prices (food and energy in particular) and abundant capital flows towards emerging markets. Among other topics enumerated were support for developing renewable energy sources and using nuclear energy. The participants called for greater cooperation in addressing climate change. In the context of the Libyan crisis, they reiterated their general opposition to the use of force.

The main document came along with an action plan that included various instruments and spheres of further cooperation. It embodied such mechanisms as maintaining the BRICS dialogue in side meetings during larger multilateral forums, regular meetings of government representatives and cooperation among institutions (e.g., development banks and high courts). Among the spheres of prospective cooperation were mentioned health, joint research projects, culture, sport and the green economy.

**Economic Issues.** BRICS countries account for 40% of the world's population and, according to World Bank data, in 2009 they jointly generated 16% of the global GDP (25% with purchasing power parity counted). They had a 15.5% share of world exports and 13% of imports of goods. China maintains a clearly dominant position. It accounts for half of the grouping's GDP, and for about two-thirds of the BRICS exports and imports. Significantly, China has been the principal trading partner for the remaining BRICS countries; trade with China amounted to 9% in India, almost 9% in Russia, 13% in Brazil and about 14% of South Africa's trade balance. India, Brazil and Russia, respectively, were the 9<sup>th</sup>, 10<sup>th</sup> and 11<sup>th</sup> trading partners of China. South Africa remained at 23<sup>rd</sup>. In mutual trade flows, Brazil and Russia are consolidating their roles as main suppliers of primary resources. China and India are strengthening their functions as providers of value-added products and services.

Trade imbalances and market-access issues are the main source of disagreements within the grouping. The main complaints refer to China, which imports commodities for its manufacturing industry but blocks access to the market for advanced goods. BRICS partners seek a more balanced exchange with China. India and Brazil struggle for greater access for their manufactured products. India would like to sell more information technology and pharmaceutical products, while Brazil has recently experienced problems with offering Embraer airplanes. The strongest concerns refer to the Chinese policy of keeping the *renminbi* undervalued, which strongly hits BRICS partners' competitiveness. For instance, the rising value of the Brazilian national currency and growing anxiety of some national manufacturers led Brazil's government to introduce about 30 anti-dumping measures against cheap Chinese goods.

**Political Relevance.** Although an informal forum only, BRICS (and until recently, simply BRIC) has become an attractive point of reference and a platform for emerging economies to seek recognition of their international status and aspirations for greater bargaining power with the most developed countries. For China, BRICS is a means to confirmation of its rising global profile. Russia sees the forum as a way to re-emerge as an important international player. Brazil, for instance, considers BRICS as a way to strengthen its regional leadership.

Nonetheless, it is doubtful whether the growing relative economic weight of BRICS countries will translate into political importance. China clearly is far more significant than other members of the forum and has a disproportionate influence on the group's agenda. Economic divergence, political system dissimilarities and different interests limit the common ground to build a viable and united block. These constraints have been reflected in the rather vague and general nature of the joint statements issued during the summits. It will be far more successful to seek *ad hoc* initiatives aimed at building up a stronger negotiating position on specific questions. The example was the BASIC group (Brazil, South Africa, India and China) formed in 2009 to coordinate a negotiating position on a climate change accord at the Copenhagen conference. Moreover, it might be much easier and mutually beneficial to seek for more balanced configurations such as the IBSA (India, Brazil and South Africa) dialogue, which has existed since 2003 and was recently questioned by China. Emerging economies would rather diversify their mutual engagement in search of the forums that will better fit their national interests and needs. BRICS will be one such tool, although maybe the most prominent because of the relatively high global resonance of the BRIC concept.

The main long-term objectives of BRICS and similar initiatives will remain to be to accelerate the shift towards a multipolar international order and to gain an adequate presence for emerging economies in reformed global institutions. In short- and medium-term perspectives these countries will strive for building and consolidating a bargaining position in various global forums. With the increasing relative economic weight of emerging economies, their pressure on transformation of global governance structures will grow. The possibility of such change does not depend only on the consent of the most-developed countries, but also from such actors as China. For instance, it is uncertain if China as a permanent member to the UN Security Council would easily endorse Brazil and India's ambitions to obtain the same status. It is also doubtful if BRICS partners would be effective at helping Russia join the World Trade Organization. Overall, despite broadly justified concerns about the relevance of the BRICS forum, one should not overlook that the engagement of emerging economies in such initiatives may be an increasingly important tool to boost their international positions.