



# BRICS bloc(k) rising?

by Balazs Ujvari

The past decade has seen the emergence of a variety of alliances both inside and outside the post-Second World War global governance system, often resulting in new plurilateral organisations and structures, not least in the Asia-Pacific and the 'Global South'. These initiatives have mostly been driven by one purpose: balancing out the perceived domination of international institutions and organisations by Western powers – namely the US, the EU and Japan. Those countries that have been most successful in stirring the waters of global governance and advancing a distinct set of interests in key international issues through collective action are now commonly referred to as the BRICS. The term was originally coined by Goldman Sachs chief economist Jim O'Neill in 2001 as BRIC, before South Africa was added to Brazil, Russia, India and China some ten years later. With the 7th BRICS summit set to take place in the Russian city of Ufa this July, the oft-repeated objective of the five partners to shape future global governance through joint action has, once again, come to the fore.

In general terms, the formulation of common positions by the BRICS is guided by 'relational multilateralism', a concept which includes a preference for consensual decision-making,

voluntary engagement, a strictly realist perspective on national sovereignty, and the absence of legally binding clauses. The group also tends to prioritise economic growth and development: environmental or human rights concerns, for example, are almost always secondary to economic performance. Furthermore, they often advocate agreements tailored to the needs of a limited number of state parties, instead of seeking a universal membership through a one-size-fits-all approach. Finally, the BRICS' attitude is largely shaped by their frustration at their limited overall influence in the institutions of global governance, which is only partly assuaged by the veto right of China and Russia on the United Nations Security Council (UNSC).

The BRICS now regularly engage in coordination meetings on the margins of major United Nations and G20 conferences, as well as in separate ministerial and expert-level deliberations. In addition, their leaders also regularly convene BRICS summits, the first of which took place in the Russian city of Yekaterinburg in June 2009. As a political bloc, the BRICS first caught the attention of European observers at the 2009 Copenhagen climate conference, in which they managed to water down the EU's ambitious agenda by winning the support of the US and



Australia for their joint position on the content of the final accord.

In return for their contribution to the management of the financial crisis, the BRICS were able to successfully initiate a long-awaited reform of the quota system within the International Monetary Fund (IMF) and the World Bank. Subsequently, the voting share of emerging and developing countries has risen from 39.4% to 44.7% and from 44.6% to 47.19%, respectively.

Besides broadly shared views on climate change and global economic governance, the BRICS have also displayed the tendency to agree on security matters. In 2011, when all the BRICS were present on the UNSC as either permanent or non-permanent members, four of them abstained on UNSC Resolution 1973, which established a no-fly zone over Libya. All five then went on to form a united front on resolutions dealing with the crisis in Syria.

### Building blocks

Over the past five years, the BRICS have continued to solidify and even extend their already existing network of coordination meetings. Their foreign ministers met on the sidelines of the United Nations General Assembly (UNGA) in New York in September 2014 to discuss intra-BRICS economic, trade and investment cooperation, a comprehensive reform of the UN, as well as the crisis in Gaza. The BRICS leaders also met ahead of the 2014 G20 summit in Brisbane in order to eke out a cooperation strategy, a gathering which was followed by a meeting of their finance ministers ahead of the World Economic Forum summit in Davos in early 2015.

Some consultations have gone beyond mere joint declarations, leading to more concrete outcomes. In December 2014, BRICS health ministers agreed on a joint strategy to fight tuberculosis and the creation of a working group to prevent the spread of the Ebola virus. And in early 2015, the BRICS adopted a five-year agenda to address demographic issues, including women's rights, aging populations and migration.

In addition to seeking joint positions and strategies, the BRICS have also sought to consolidate

cooperation through increased institutionalisation. On the first day of the previous BRICS summit in Fortaleza last July, the group members agreed on the long-anticipated plan to create the New Development Bank (NDB) and a reserve currency pool worth in excess of \$100 billion. The NDB, with its headquarters in Shanghai and a regional centre in Johannesburg, will become operational under India's presidency and be open to new applicants as long as the share of

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the original five members constitutes at least 55% of the overall capital stock. However, whilst the new institution is scheduled to start lending in 2016, only two BRICS parliaments – those of Russia and India – have so far ratified its founding agreement. Moreover,

consensus is yet to be reached on the currency in which the capital will be held.

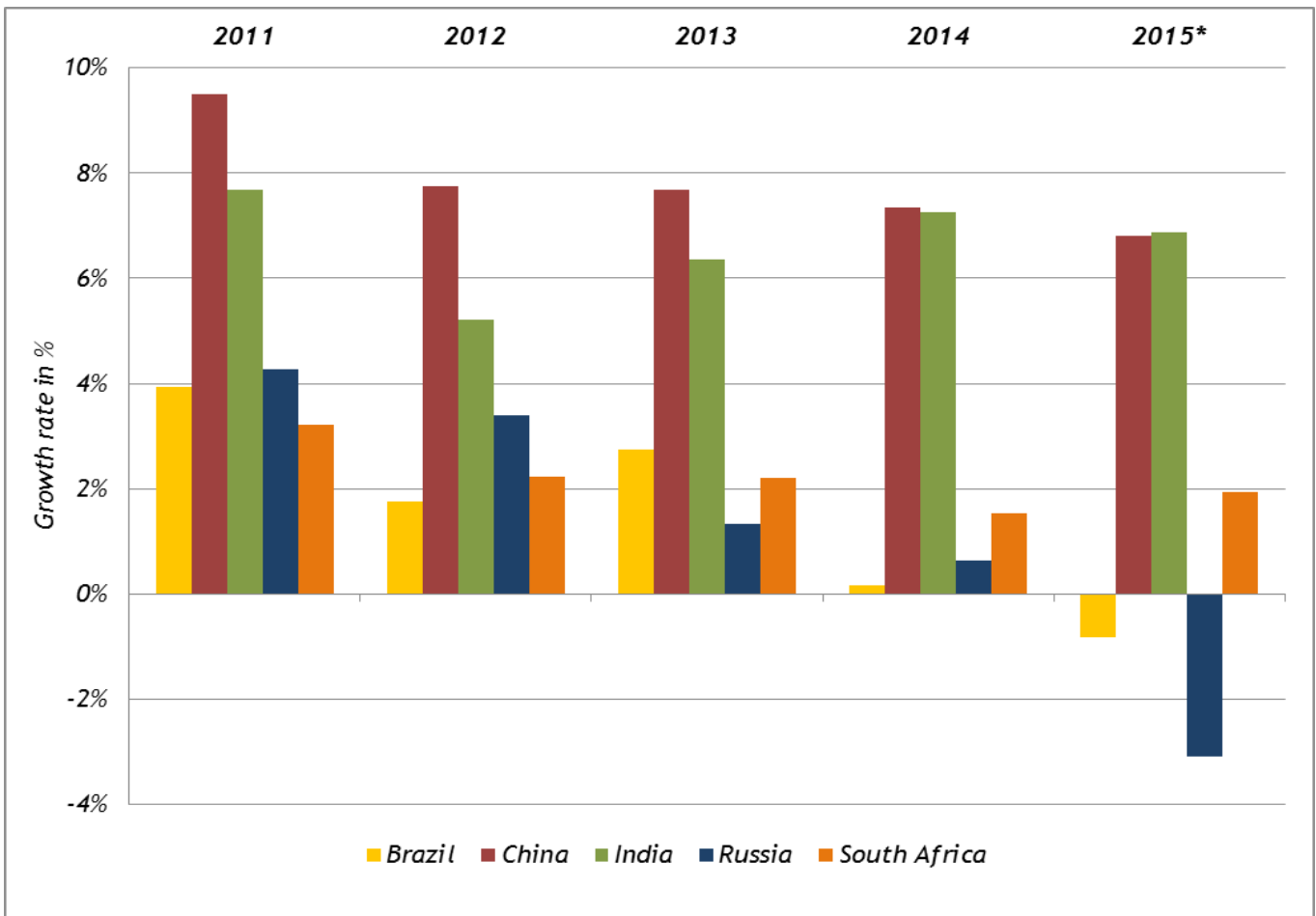
In October last year, a group of 21 Asian countries, led by China and India, signed up to the newly-created Asian Infrastructure Investment Bank (AIIB). With Russia officially signing up to the AIIB in April this year, the \$50 billion, China-led institution counts all members of the BRICS bloc as founding members. The AIIB, which has a capital target of more than \$100 billion, represents yet another attempt to compensate for emerging powers' limited voice and influence within other multilateral development institutions, including the Asian Development Bank (ADB), where China's 5.5% voting share is dwarfed by that of the US (15.7%) or Japan (15.6%). The rules guiding the AIIB's activities are likely to differ somewhat from those of established multilateral organisations, in particular with regard to the environmental and governance standards to be met by debtors.

Last but not least, the symbolic impact of the bids of individual BRICS to host major international sporting events – be it the summer and winter Olympics (Beijing, Sochi, Rio) or the FIFA World Cup (South Africa, Brazil, Russia) – should not be underestimated. Not only do they add visibility, but they can be seen as evidence of the global nature of their ambitions.

### Losing pace?

Despite their shared ambitions, it is still far from clear whether the BRICS will succeed in

## BRICSonomics



Data source: OECD - \*Data for 2015 is based on estimates

overcoming the demographic, economic, societal and political differences which continue to divide them. Despite the recent progress in forging fresh institutions, cracks have already surfaced within the group over key issues. India, for instance, alone blocked the implementation of the Bali deal reached under the aegis of the WTO in 2013, fearing that rules limiting farm subsidies could undermine its policies on food stockpiling. Then, China's abstention on the Western-backed resolution condemning the March 2014 referendum in Crimea at the UNSC left Moscow completely isolated over Ukraine. Similarly, when the annexation of Crimea was debated at the UNGA, Brazil, India, China and South Africa all abstained on the resolution condemning Russia's actions in the peninsula.

Additionally, the recent economic woes experienced by some of the BRICS cannot but raise doubts about the future cohesion and collective political influence of the bloc. The Russian economy, for example, is expected to shrink by 3.1% in 2015 – largely due to the effects of Western sanctions and a sharp decline in oil prices. While

Russia's economy is contracting, the Chinese economy is facing a slowdown. After registering the weakest expansion (7.4%) in more than two decades in 2014, Chinese economic growth is projected to drop further to 6.8% this year.

Following a decade-long boom, the Brazilian economy has also seen a dramatic downturn. The economy grew by a mere 0.2% in 2014, with the corruption scandal engulfing the state-run Petrobras oil company significantly contributing to a loss in investors' confidence. Although President Dilma Rousseff is preparing to cut public spending in order to tackle this crisis, the country's economy is expected to shrink by about 1% this year – the lowest growth for a generation.

South Africa's economic performance in the past two years has been marred by power shortages, service delivery protests, endemic labour unrest and corruption allegations against President Jacob Zuma. As a result, Pretoria registered the slowest economic expansion last year since 2009, with its growth rate dropping to just 1.5%.

Against this background, India stands out with growth averaging over 6.5% between 2011 and 2014. Moreover, owing to the 'big bang' economic reform process pursued by Prime Minister Narendra Modi, India is predicted to dethrone China as the world's fastest growing large economy this year.

## Between EU and them

Since 2003, when the European Security Strategy (ESS) was adopted, the EU has entered into 'strategic partnerships' with all the BRICS, starting with China and Russia in 2003, followed by India in 2004 and, finally, Brazil and South Africa in 2007. In doing so, the Union displayed its desire to further cooperation with individual BRICS countries on key global challenges. But should the BRICS be treated individually or as a group? And how can the EU take into account their collective views while formulating its own position?

The EU's response to the emergence of the BRICS as a potentially unified force on the global stage varies. Interestingly, the more successful the group has been in opposing or blocking the EU's stance by forming a bloc in a given policy area, the more likely it is that collective references – and approaches – to these emerging countries can be found.

Having drawn lessons from the 2009 Copenhagen climate change conference, it is in the domain of climate change where Brussels has demonstrated the greatest awareness of the BRICS's rising influence. In 2011, a joint reflection paper 'Towards a strengthened and renewed EU climate diplomacy', prepared by the EEAS and the Commission, was the first official document to draw attention to the bargaining power of the BRICS bloc in this field. Then, in February 2012, the Foreign Affairs Committee (AFET) of the European Parliament (EP) adopted a landmark resolution on the 'EU foreign policy towards the BRICS and other emerging powers: objectives and strategies'.

In addition to making the case for the development of a broader EU-BRICS policy, this document singled out climate change as an area in which sustained coordination with the group is necessary in order to reach a global agreement. In order to put this in practice, the so-called 'Green Diplomacy Network' (GDN), created originally in 2002, now serves as a network of environment and climate change experts attached to the diplomatic representations of the

EU and its member states in key third countries. These GDN officials are tasked with evaluating the climate policy of their host countries, identify levers of influence and recommend ways to strengthen the EU's position – at both a governmental and societal level.

To a lesser extent, similar examples can also be found in the field of international trade, where the BRICS have proved somewhat less cohesive. This was, for example, demonstrated most recently by India's isolation at the 9th WTO Ministerial Conference in Bali in 2013. Yet, the Commission's DG Trade regularly publishes statistics on the exchange of goods between the EU and the BRICS as a whole. The EP Committee on International Trade, for its part, pointed in a resolution adopted in April 2013 to the importance of linking the BRICS's rising economic clout to the respect for democratic principles and good governance.

As far as foreign policy is concerned, a bilateral approach appears to remain the main *modus operandi* for EU-BRICS relations. Testimony to this is the speech delivered in February 2012 by then HR/VP Catherine Ashton on 'EU Foreign Policy towards the BRICS', which sent a very clear message: the EU must treat the BRICS as individual countries through the respective strategic partnerships. Nonetheless, here too, the EP has acknowledged the collective actions of the BRICS, noting in a resolution dating from February 2012 that they are increasingly prone to act as a group in foreign policy terms. In another resolution adopted in the same year, the BRICS were identified by the AFET committee as a cohesive bloc in the domain of cybersecurity: one which must be taken into account when the EU defines its own responses.

Against this backdrop, the BRICS seem now to have ceased to be seen by EU policymakers as a loose constellation of emerging countries which occasionally defines common responses to global challenges. However, they are certainly not yet regarded as a cohesive alternative bloc on the international scene. Their unity and coherence will continue to vary according to the policy area in question. Yet, there is no doubt that the BRICS will seek to speak with one voice on multiple topics in the years to come, possibly even extending their cooperation into uncharted waters.

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