

# BRICS: LEADERSHIP IN THE MAKING

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## **BRICS: Leadership in the Making**

Cintia Quiliconi, Marcelo Saguier and Diana Tussie

Power shifts are the bread and butter of International Relations whether they are feared or given a welcome. The rise of countries with more assertive positions (another staple in International Relations) poses a challenge to the given world order. When Goldman Sachs put together the BRICs family comprising Brazil, Russia, India and China in 2001 it looked too farfetched to be taken seriously. Brazil was barely out of a crisis, China was about to round off its accession to the World Trade Organization. Moreover, there was hardly any cohesion in the grouping. But as the years passed and the economic data, especially record high growth rates, began to flow in, the idea that the future global order would not solely be dominated by the West, gained traction. Both in the welcoming or the fearing camps many became convinced that the world was in the midst of a global process of power realignment. The hub of the international order that had for centuries revolved around the North Atlantic was moving – either towards the Pacific or more generally towards something dismissively defined as the ‘rest’ by the influential columnist, Fareed Zakaria. A power shift was in the making. This was further reinforced when the financial crisis broke out in late 2008 and the BRICS continued to grow in the face of it. They came to be cast less as followers or mere supporting actors in the world stage, but as prime players in the process of recovery.

The rise of this first tier of developing countries to the status of emerging economies places them in an objectively different analytical category from the group of

other developing countries. As a result, both the international political system and the structure of global capitalism are now in a state of flux. In the field of finance the buildup of reserves, especially in the case of fast rising China has led to tugs of war over rates of exchange, reflation and the like. In many other respects the protracted process of transition may be more evident at the regional than global level where these emerging powers are keen to promote norms in their own way and on their own terms. With 40 per cent of the world's population and nearly one fourth of global GDP, these countries not only proved more resistant to the crisis, but also came to lead the efforts to recovery. China's double-digit economic growth and appetite for foodstuffs and commodities put the country at the heart of world economy and turned into a magnet for linking continents in newfound ways. Moreover, of the top 20 companies in the Forbes Global 2000 list in 2013, five are from the BRICs (4 from China, 1 from Russia, and 1 from Brazil). The Industrial and Commercial Bank of China and China Construction Bank are listed as the two biggest most powerful and most valuable companies in the world today.

The big question then is what kind of global order/disorder might emerge as a consequence of the West's setback. A common assumption in the literature is that emerging states are great powers writ small (Pereira and Castro Neves, 2011). The Southern character of their foreign policy has attracted a great deal of attention: the growth of both South-South trade and economic ties, but also Southern coalitions such as the trade G20 within the WTO or groupings such as the BRICS (with a capital S, after South Africa joined in April 2011) or the IBSA Trilateral Forum of India, Brazil, and South Africa created in 2003. While most of the literature on the foreign policy of these

countries portrays them as responsible cooperative powers – not a threat for global order, as theories of power transition have it, these emerging countries pose a number of challenges to the existing global order and mainly to North Atlantic dominance. Their biggest common interest lies in global economic governance. Brazil, Russia, India and China (although they are not unique here) share long standing beliefs that they deserve to play a more prominent role in global affairs. They seem to have the political, economic and military means to influence the international order through their own regions. Therefore, as these countries rise, so does the notion that the tensions that come along in the process are a harbinger of cracks in the world order, perhaps even a new order in the making. From then on the study of regions and regional powers bloomed. All this is very well known and has generated an extensive literature. The regional level of analysis adds an exciting dimension to the study of international political economy for long over-focused upon Western states and societies. Governments' view of the world and their policies reflect geography as much as anything else. While European empires on the one hand enshrined at one time the balance of power and later supranationalism, the United States on the other, the Monroe doctrine and the Free Trade Area of the Americas (FTAA), most other countries also come up with ways of dealing with neighbours perhaps less doctrinaire, and mostly understudied. The dimensions of capacity, willingness and acceptance to lead come into that picture (Van Langenhove, Zwartjes and Papanagnou in this volume) with those very serious concerns in mind. What is in store? How far, how much can they really lead?

To better assess whether emerging powers pose a risk, or, put rather more soberly, present an alternative to the international order, one needs to move away from a

perspective centered in the North Atlantic and look closely at the relation among these countries. Can the BRICs group be seen not only as a category defined by some set of objective attributes or by objective geopolitical or geo-economic circumstances; but rather as an ongoing self-created identity or ideology? Is it possible to infer from the interaction among emerging powers that these countries represent an alternative order? Coalition-building seems an obvious route to greater influence. Is a counter-hegemonic coalition taking shape? And if yes, how strong and coherent is this coalition? Since the findings of the literature on emerging powers are inconclusive, these are all interesting questions that need to be addressed.

This chapter is divided in five parts. The first part analyzes the main overarching topics that emerge in the BRICS's agenda and how that projects on to their leadership. The second part explores the intertwined dynamics between power and leadership for these countries. Section 3 addresses the main challenges that BRICS face at the domestic level. It fleshes out how different development paths and domestic circumstances narrow the path for convergence and hence their ability for international influence. Section 4 picks from that , and in particular on export specialization to analyze how the BRICS position themselves in the G-20 and the WTO as a proxy of how these countries are playing in the global economic sphere. Finally we offer some conclusions pulling the domestic and international challenges together .

## **1. Is there an agenda in the making?**

The financial crisis created political momentum for broad based governance reforms, new ways of thinking and new invitees to the table. Running high on that wave, the BRICS held their first summit in 2009. The fifth summit was held in Durban, South Africa in April 2013 completing the first cycle of summits, one in each of the five member countries. The summit was held in the midst of deliberations for IMF reform and expansion of quotas for developing countries shifting six percentage points of total quota to developing countries. China was expected to become the third largest quota-holder at the Fund (second only to the US and Japan), and Brazil, Russia, and India would become top-ten quota-holders as well. Under the reform, U.S. voting power would decrease slightly but it would still maintain its veto. In addition, in reforming the Fund's Articles of Agreement, the change would move two of the 24 IMF directorships from European to developing countries.

There were major expectations amongst BRICS about these reforms. The Durban declaration made no bones about it. It was much more than a tepid call for keeping up negotiation. Unlike previous declarations, this one contained the first steps towards creating institutions. The most widely publicized among them was the BRICS development bank. Even though it was greeted with skepticism, the BRICS were conscious of the need to make a move. Once this interest in pushing global economic governance away from Western dominance was made clear, there was more glue in the BRICS' project than commonly assumed. They have long called for the reform of the IMF and the World Bank only to meet with all sorts of resistance. Rather than waiting, they decided to move on. The development bank had first been proposed in New Delhi

the year before. The five leaders were charged with exploring the idea, which led them to be able to declare it viable and feasible in Durham. Undoubtedly the differences in economic weight and economic outlook will play a role when working out the details and need to be worked around. And there are signs that it might be. For example, the Chiang Mai Initiative, a reserve pooling scheme that includes China, Japan and 11 other countries, does give biggest contributors more voting power, but no veto (such as the US has at the World Bank) and it is designed to be used by the more vulnerable countries. There were other initiatives put forward at Durban. A Contingent Reserve Agreement to pool reserves was created, with China contributing \$41bn, Brazil, India and Russia \$18bn each and South Africa \$5bn. There was a Multilateral Agreement on Co-operation and Co-financing for Sustainable Development between the development/export-import banks of the five countries as well as a Multilateral Agreement on Infrastructure Co-financing for Africa. The BRICS also made a particular point of calling for strengthening UNCTAD's capacity to deliver on its programmes of consensus building, policy dialogue, research, technical co-operation and capacity building. Just so charmingly turning the tables they also pointed fingers to the deleterious effects of European austerity policies combined with the Federal Reserve's lax monetary policy. Their growing economic self-confidence is also expressed in political assertiveness reinforcing the message of global transition that underlies the group's policy priorities.

The Durban declaration did not shy away from security issues. It showed voice. It showed entitlement. On Syria at that time it asked for "all parties to allow and facilitate immediate, safe, full and unimpeded access to humanitarian organizations to all in need

of assistance" and there were also statements on Mali, Palestine, Iran, the Central African Republic and the Democratic Republic of the Congo. Finally, for the first time, "China and Russia reiterate[d] the importance they attach to the status of Brazil, India and South Africa in international affairs and support[ed] their aspiration to play a greater role in the UN". This may not amount to satisfying their aspirations to join the UN Security Council but it was a signal of a coalition in the making in this area.<sup>1</sup>

While finance, credit and investment are certainly priority areas so long as they have more clearly redistributive effects, the phenomenon of BRICS cannot be understood without perceiving it as a coming together of global governance reformers. Yes, interdependencies may be fledgling, but they are subject to political management and to policy action. Politics is not simply about interactions between specific actors with one state seeking to change or shape the actions of another. It cannot be reduced to the interactions of pre-given actors. It is also about the constitution of action and of the material and discursive conditions for action. Thus leadership is not a given but involves crafting stakes in the ongoing project, and on the diffusion of economic and political ideas. As power shifts and as the interests of the new players evolve, so dominant patterns of institutionalization will automatically follow. The crucial issue for the future of BRICS as a global player is its gradual transformation from an informal forum and an instrument to coordinate positions on a limited number of issues into a fuller-scale mechanism for strategic interaction on key issues of the world politics and economy. While other papers in this volume look at individual policy preferences, most interesting puzzles arise from the strategic interactions

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<sup>1</sup> Radhica Desai, <http://www.guardian.co.uk/commentisfree/2013/apr/02/brics-challenge-western-supremacy>, accessed May 2014



of the countries themselves. What might all this say for a more contextualized discussion of leadership? - the objective of our project.

## **2. Power and leadership**

Changes in leadership may at first be ripples in the pond but they require doing away with old practices and adjustment to new ways of doing things. As such they are prone to conflict and perhaps disorder. As Palan (2012) observed E. H Carr's and Hans generation lived with wars and devastation lurking in the background of all international politics. International relations theorists not only had the duty of hope but also the duty to develop a science of peace and war (Aron, 1966). Ever on the verge of war, it was as crucial to understand when governments or the military would end up pushing their people back to the front. Theories of individual and collective decision making processes, including, social psychology and bureaucratic decision-making were highly sought after. This left an indelible mark in that psychological theories of decision-making processes which are essentially about individuals and can best be applied to the behavior and choices of politicians but not of easy extrapolation to complex organisations such as states. A second and important surge in international relations and theory came in late 1960s and early 1970s. The hike in world commodity prices brought into prominence the issue of development, states and markets and serious questioning of international organizations. Scholars began to pay greater attention to economic relations. Three classical templates have managed to frame the debate on economic power and leadership.

In his historical analyses Charles Kindleberger (1986) provides a contrast between British and US leadership and connects money/finances with public goods. Leaders provide public goods in order to secure stability. Global public goods are produced, if at all, by the leading power, a so-called ‘hegemon’. This aspect of hegemonic stability theory has held enormous sway in and beyond the discipline, especially in the United State.<sup>2</sup> The hegemon is, simultaneously, a “stabilizer.” The stabilizer provides a market for distressed goods, a steady flow of capital, and a rediscount mechanism for providing liquidity in times of panic. Kindleberger’s contribution on economic power pivots on the notion of *public goods*. Smaller countries cannot aspire to the vanguard; they have no economic power and they also have no responsibility for the overall system. They are merely free riders. This self-sacrificing view of the leader was a pillar of much theorizing about the role of the US and its responsibility in world affairs. All other countries and would-be-leaders were always found wanting in relation to their benevolent delivery of public goods and how they ought to lead.

Gilpin’s later work (1981) manages to thrust benevolence aside. He associates hegemony with rather more self interested traits and the actual pursuit of national interests. The hegemonic state to be so must provide public goods, in this case stability and peace. The strategic calculation is that ensuring an order acceptable for the other states is wiser or more cost effective than resorting to the use of force, although naturally it must deploy a wide range of sticks and carrots in the bargaining process. In this strand of the literature there tends to be undifferentiated usage of hegemony and leadership and in both a single leader is assumed, a leader that takes on the responsibility of stability

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<sup>2</sup> For a critique as it applied to the GATT, see Tussie (1991), Jarrod Wiener (1995)

(Destradi, 2008). Both these approaches are largely derived from one experience, that of U.S. hegemony after World War II. They are based on the idea of continuity or maintenance of an hierarchical international system where hierarchy depends on the distribution of material resources and the dominant state is keen to become and remain the gatekeeper of the status quo.

Strange in contrast did not bother much with leadership. Her work was more open to change. She made a careful distinction between relational and structural power. Relational power was above all about being able to lead and extract particular courses of action from allies and competitors. Structural power is exercised in a spiraling manner (Strange, 1975):

- There is a microfoundation to economic power so long as core countries configure the structure of the global economy through the pattern of their investments, production, trade, and consumption.
- Based on those preferences governments exercise economic power through regulation and non-regulation of markets.
- A big domestic market and a large number of multinational businesses (that drive global production) have a bearing on others writ large.

But if leadership/hegemony raises important puzzles, the process of change raises still more. Wisely moving away from the notion of hegemony, our volume takes up the notion of leadership (Van Langenhove, Zwartjes and Papanagnou in this volume). The leader opens the way for others — “leads” other states in order to realize or facilitate a common

objective. In essence a significant commonality of interests is assumed between leader and followers. The features of the leader are character traits that stem from theories from social psychology and political science, the fields in which the study of leadership began.

To take two of the three traits, both willingness and acceptance are inferred from behavior. The question is whether leadership excludes the exercise of coercion since great significance is attributed to the followers' needs. All in all this conception is radically different from the materialistic assumptions of hegemonic stability, which identifies leadership with the provision of an infrastructure for the conduct of international relations public goods, or the structural framework of Strange. In a more structural fashion how rising powers are constituted, what material interests they push, what sort of economic polity they are, all matter a great deal to what ultimately takes place at the systemic level. As Rosecrance intimated in 1986: "The trading world is not composed of states ranked in order of their power and territory, all seeking preponderance. Instead, it is composed of nations differentiated in terms of function" (Rosecrance, 1986:24). Because nations supply different services and products they ultimately project outwards in different manners.

In this direction leadership is not just about willingness and acceptance; it is also about a project and a purpose for using given attributes and for pursuing preferences. All too often leadership is seen only from the top down. As both liberals and Gramscian theorists have long recognized, such an approach ignores, or downplays the obvious point that the stability of hegemonic power depends on consensus as well as coercion and on the capacity

to engender collaboration. Material factors and ideational aspects such as norms, rules, value orientations, or, more generally, an influence on the “way to see the world” rise to the forefront of our discussion.

### **3. Leadership at home**

Leadership, as a process, is never static or absolute. It’s dynamic, contested and negotiated. The projection of leadership and the ways in which it is understood from the bottom-up has been often downplayed. The capacity to lead has never been solely about the administration of the state bureaucracy. Nor exclusively is it about the games of alliance-building and competition within the parameters of formal political institutions and actors. It is also about the ongoing politics of representation and cooptation that mediate (as well as structure) state-society relations. This takes place through both formal and informal institutional spaces. Resistances constitute an inseparable dimension of power relations.

International leadership always requires acquiescence of domestic interests. For over a decade the governments of BRICS countries have successfully exercised hegemonic leadership. This allowed them to undertake the socio-economic transformations that led to economic growth and social improvement renewing their mandates through electoral processes (except China) and maintaining high levels of credibility and legitimacy. Yet, the socio-economic changes experienced in BRICS societies are opening new cleavages that generate tension and social unrest. In particular, the growth of BRICS economies introduced *new dynamics of inclusion and exclusion* that are gradually reconfiguring the political economy context of these societies. Emerging tensions raise new challenges to the

leadership of BRICS governments domestically and internationally, as well as to the political, social and environmental future trajectories of BRICS as a bloc.

Tensions that stem from such dynamics of inclusion and exclusion relate, firstly, to the unequal distribution of wealth. Economic growth in BRICS countries in the last decades has resulted in the considerable reduction of extreme poverty, particularly in Brazil and China. India and South Africa's reductions were less dramatic, and among the group, India has the highest headcount poverty rate – with about 42% of its population living on less than USD 1.25 a day. Russia virtually eradicated absolute poverty since 2009 (Ivins, 2013).

Yet, economic growth has not translated into an improvement of inequality levels - defined in terms of the Gini and the UNDP Human Development Index. Within the bloc, South Africa and Brazil are the most unequal, although in comparison with the 1990s it is clear that Brazil was the only country in the BRICS where income inequality decreased. In all other members of the bloc inequality increased (especially in China and India) between the early 1990s and late 2000s (Ivins, 2013). The exception of Brazil in this respect is attributed to the fact that GDP growth has been proportional to the rate of employment generation, which had a positive effect in reducing inequality (Fernandes and Garcia, 2013).

Economic growth and a mix of redistributive policies for social inclusion permitted large sectors of the population to come out of poverty and to have access to consumption. This led to the emergence of new “middle classes”, a phenomenon that characterizes all BRICS societies. This experience of social inclusion in BRICS societies has been tied to rapid urbanization. Cities became the site of social mobility (Cunca Bocayuva and Jobim

Martins, 2013). BRICS cities are following a particular version of global city (Sassen, 2011) as the articulating sites of global transnational flows - capital, trade, labour, etc.

Rapid urbanization exposes one side of the new dynamics of inclusion and exclusion, where economic growth and persistent inequalities shape the reconfigurations of urban space. Social and spatial stratification is seen with the simultaneous processes of urban gentrification and persistent precariousness and informality. This is most evident in Russia and China, where main cities have experienced proportionally greater economic growth than the interior areas. Chinese leadership has prioritized economic growth over other considerations such as growing inequality, public investment in public goods like pensions, affordable healthcare or public education. China's supply of cheap exports has depended on abundant migrant labor, in a system ("hukou system") that ties peasants to the land and deprives them of all social rights if they pack up in search of work. This has built a dual urbanization pattern where only few are officially registered inhabitants of a city while the rest have no rights to housing, education or healthcare and live on subsistence wages (like in the city of Guangzhou).

Dual urbanization becomes a terrain of social conflict, as excluded sectors confined to degraded and peripheral city areas have begun to protest demanding affordable housing, urban development and programs aimed at improving the quality of life (Cunca Bocayuva and Jobim Martins, 2013). In Brazil a cycle of social protests erupted in 2013 demanding better health, education and transport services by still semi-precarious sectors that improved their livelihoods considerably, yet continue to face barriers to inclusion. Lagging public investments in these public sectors became manifest in contrast to large infrastructure investments the Football World Cup (2014) and Olympic Games (2016). Protests reflected

the need to expand social rights and public policies. Likewise, in China, there is growing tension in response to the expropriations by local governments of land from villages to be sold to private developers for real state as part of the urbanization rush. This involves little to no compensation and it affects approximately 4 million Chinese farmers every year. Grievances over forced land requisitions account for an estimated 65 percent of the 180,000 annual "mass incidents" in China (Landesa, 2012).

Another face of the new dynamics of inclusion and exclusion in BRICS societies relate to environmental problems. Economic growth and greater consumption led to greater environmental strains on soil, water and air. Environmental concerns in China are becoming a growing source of contention – mainly among urban middle class sectors. The World Bank estimates that at least 750,000 Chinese die prematurely each year from pollution-related causes. This is leading to the birth of an active environmental movement. In line with a growing concern about the poor quality of air there has been escalating clashes of protestors that oppose the opening of contaminating industries. The most noticeable cases have been: the conflicts in the northern city of Dalian in 2011 to close a chemical plant; riots in Shifang in 2012 to oppose the construction of a metals refinery that posed health hazards (Bradsher, 2012); demonstrations in Guangzhou in 2012 to petition the relocation of an incinerator project; or the cycle of protests at Kunming during 2013 demanding a halt of the construction of a giant new petrochemical plant in a neighboring county. After high-profile protests like the one in Kunming, the government's concern over potential public dismay has prompted officials to shelve a series of industrial projects across the country (Hook, 2013). Beyond the extreme cases of pollution in China, BRICS cities have not found a pathway to sustainability (Cunca Bocayuva and Jobim Martins, 2013).



Economic concentration is another face of inequality. Leading economic sectors in BRICS countries have consolidated dominant positions, often aided by political arrangements between the state, business and in some cases trade unions. In Brazil the agribusiness sector linked to the soya bean complex has grown at the expense of small agricultural production, generating historical conflicts with peasants, cooperatives and indigenous communities. At the same time, in India, there have been tensions regarding the decision to allow the entry of large transnational companies - Walmart, Carrefour, Tesco and Metro - in the food retail sector. Opposition claims that this will destroy the fabric of Indian small businesses, trades and cooperative stores, conferring a dominant position to these supermarkets to set food prices with profound implications for consumers and producers, particularly in a largely peasant economy as rural India.

These cleavages expose new patterns of inclusion and exclusion that are reshaping the political economy contexts of BRICS societies. They pose new challenges to the leadership capacities and imagination of current and future governments. Overall material improvement allows for a better exercise of citizen rights, in as much as new expectations support new social demands. Namely, material improvement of some is no longer the sole bar by which to measure political support. Emerging issues become part of public debate, perhaps since so called basic necessities are being addressed. Inequality has created a new underclass and an affluent middle class. This has put strain on the bases of political support underpinning the leadership of BRICS governments. More importantly, new cycles of social unrest demand new political responses - which can be seen as incentives for renewal at the level of policy and discourse, or else as signposts of an end of cycle. What is clear is that the so-called “miracle” of BRICS “development models” is increasingly open to question.

This is leading to a pluralization of public space. The emergence of a new middle class in China has had several repercussions in the citizen dynamics to open up greater transparency and democratization of public debate, in particular surrounding internet censorship and freedom of expression. Inspired by the “jasmine” protests in North Africa and the Middle East, there were a series of pro-democracy demonstrations in 2011 throughout multiple Chinese cities. Right to information campaigners opposed mining firms in Goa and Karnataka in India. In Russia conflicts around gender politics have erupted, particularly regarding LGBT rights from 2011 in relation to the Pussy Riots, a Russian feminist punk rock protest group. In India there is a rise of an anti corruption movement that became a political movement with the Common Man (or Aam Aadmi) Party. The novel political party appeals to referendums and public meetings to help them set policy. The irruption of new cycles of protest in Brazil placed the government in a position of having to appeal to an emerging middle class section of the electorate that is no longer identifying with the agendas of the core constituencies of the ruling Workers Party (PT).

Yet, despite tensions and social unrest there is little indication that the leadership is being systematically eroded. There are no significant and viable political alternatives at this point capable of articulating the new citizenship demands through electoral processes. This is evidenced with by resounding victory of Jacob Zuma’s African National Congress in the 2014 South African elections with 62% of the vote; Dilma Rousseff is the favoured candidate to win the October 2014 elections in Brazil; and Vladimir Putin retains unchallenged centrality in Russia. It is only in India where, Narendra Modi of the BJP Hindu nationalist party defeated the candidate of the Indian Congress Party (in power for all but 13 years since Independence) in the 2014 elections. In China the Communist Party is

processing the new social demands by adopting a flexible and negotiating stance of social protests as a particular governance approach. This has indeed contributed to the regime's resilience rather than to its destabilization (Chen, 2011).

Leadership of BRICS countries in the international scene is connected to leadership at home. The tensions experienced in BRICS societies stem from the cleavages that result from the structural changes brought about by the restructuring of global capitalism – where BRICS have become sites of production, finance and environmental strains. As discussed, this creates new dynamics of inclusion and exclusion, as seen in relation to inequality, urbanization, environmental degradation and economic concentration. The cleavages associated with these dynamics are sources of contention around which social protests are articulated with variable intensity, impact of state policy and legitimacy. The aspiration of BRICS governments to play a more decisive role in global and regional governance – trade, finance, development cooperation and others areas – is dependent on governments being able to renew bases of consent as a benign side of hegemonic leadership at home in light of new pressing demands and conflicts. In other words, the leadership challenge of BRICS governments is about the capacity to articulate global and local agendas as part of a political project based on representation, social and environmental justice. The extent to which current endeavors of BRICS leadership in the international scene can reinforce, contain or revert cleavages at home still remains an open question . These go a long way to explain some of the difficulties they face in trying to build a closely knit international front, as we shall see in the next section.

#### **4. BRICS as players in the multilateral arena**

The Chinese president Hu Jintao has described BRICS countries as defenders and promoters of developing countries (Jayan, 2013). There is no doubt that as we pointed out before BRICS are increasingly becoming an initiative to break out from the traditional North Atlantic axis. While in many cases the questioning on membership origin is valid, as BRICS are remarkably diverse, commonalities and political weight of the group has turned them into a recognized combination in the international arena. This legitimacy and projection of their global weight also comes from the interest of those countries of meeting periodically under the BRICS Summits. In fact, BRIC foreign ministers began to meet unofficially on the sidelines of the UN General Assembly in 2006, they were followed later by meetings of China, India and Russia and finally they organized the first BRIC meeting in 2009, while in 2010 South Africa was invited to join the BRICS group. Since then the BRICS summits became a forum where these countries do not have to contest for agenda-setting with Western powers, and which provides the possibility to have an impact –symbolically, rhetorically and programmatically – on the world scene and particularly for developing countries (IDS, 2014).

In the following BRICS ministerial their main objective to progressively develop the forum as a mechanism of long term coordination on various issues related to international economics and politics and a vessel in which BRICS have begun the construction of their global projection took shape. In addition, to the BRICS summits, since 2011, they have organized regular inter-ministerial meetings on key topics such as

health, finance, agriculture, education and urbanisation clearly related to their projection at the global level and many pressing issues they face domestically and as a group.

Together with their deepening collaboration, the BRICS have been committed to the G20 Leaders process, itself a manifestation of the need of an evolving global governance system. Along with a wide range of developing countries, all of the BRICS also engage in substantive engagement and joint work within the WTO.

It is still too soon to tell if these countries can represent an alternative order/disorder but we can analyse how they have performed in key multilateral forums in which they participate with certain influence given the more equal voting and representative characteristics of the G-20 and the WTO. The objective of this section is to analyze how BRICS have acted in the G-20 and the WTO evaluating if they have been able to articulate common positions and proposals that became alternatives to the current global governance order in finance and trade.

### **BRICS in the G-20**

The G-20 seems to be the forum in which BRICS can mask their internal differences better and that they use as a practice board. Among the diffuse common objectives agreed by BRICS the greatest concrete and general objective is governance reform of international financial institutions, a topic that is currently central to the G-20. Given this agenda, the G-20 is the main economic forum in which BRICS are more active as a coalition. The weight of BRICS seems more important at the G-20 probably because both the G-20 and the BRICS are self-selected groups of countries with divergent interests and no clear legitimate representativeness.

Despite the active participation at the G-20 BRICS common actions in the forum have been limited by their internal differences related to global macroeconomic imbalances, particularly Brazil, India and South Africa were affected by the under valuation of the Chinese exchange rate. So as a group they have pragmatically avoided an open opposition to China's exchange policies leaving the U.S. to handle this problem.

All the BRICS support the reform of international financial institutions but little progress has been made in that direction. Some authors argue that since their incorporation in the G-20 they have been more focused on increasing their participation in the global system rather than changing the system itself. In addition, BRICS have been criticized for their failure to concert on common candidates for president of the World Bank.

The following chart summarizes the main topics in which BRICS are interested and their positions in the G-20:

**Table 1: BRICS positions in key G-20 topics**

	BRICS in the G-20			
	International Financial institutions	Global imbalances	Price volatility	Common positions
<b>Brazil</b>	Demand of better representation in international financial institutions	-Affected by Chinese devaluation particularly by the increasing imports of Chinese industrial products. -Criticizes the expansive monetary policy of U.S.	-It is ally with the U.S. against regulation of commodities markets.  -Supports the creation of foodstuff stocks	-Cooperation to overcome European crisis.  -IMF reform  -Creation of financial mechanisms intra-BRICS  -Increase resources of BRICS Development banks
<b>Russia</b>	Idem	- Focus in restoring investor confidence in Europe -Sorting out state debts		
<b>India</b>	Idem	-Affected by the Chinese		

		devaluation -Supports U.S. expansive monetary policy		
China	Idem	-Criticizes U.S. expansive monetary policy	-Rejects the creation of foodstuff stocks	
South Africa	Idem	-Affected by Chinese undervalued currency		
Source: Own elaboration				

Russia's actions in Ukraine pushed G-7 countries to suspend the G-8 meeting to be held in Russia. The planned meeting of world leaders in the Russian resort of Sochi that was scheduled for June 2014 was suspended owing to events in Ukraine. The EU and U.S. imposed sanctions on Russian officials after Russia's annexation of Crimea from Ukraine. This raised questions about whether Russia would also be suspended on the G-20. The BRICS have had their say on this issue. On 24 March their foreign ministers issued a joint statement saying that Russia should not be excluded from the G-20 Brisbane Summit to be held in Brisbane in November 2014.

This statement showed clearly that ownership of the G-20 belongs to all Member States equally and traditional powerful members cannot unilaterally determine its nature or character. The statement clearly showed the key differences between the G-7 and the G-20. While the G-7 is a group of like-minded countries, members and supporters of the North- Atlantic Alliance, the G-20 is a far more diverse group of countries in which emerging economies and BRICS are an important group. This showed that even though Russia can be thrown out of the G-8 due to the lack of shared values, in the case of the G-20 divergent values are the underpinning trait of the forum (Callaghan, 2014). The forcefulness of the BRICS statement is significant. Even if there has been some questioning of the extent of common interests among the BRICS and whether they will

continue to be an influential bloc on the international stage, they have, however, demonstrated that they can throw their weight around.

And they may well become more active on other issues in the G-20. It will be interesting to see if their frustrations over U.S. failure to ratify IMF governance reforms results in more powerful actions. Russia, for one, has suggested the G-20 should go ahead with IMF reforms without the U.S. It was never clear what this may involve, but given current tensions and the continuing failure by the U.S. to move on the IMF issue, Russia may rally the BRICS into some form of action so as to continue catalyzing the reform of global economic governance.

### **BRICS at the WTO**

For this group of countries international trade represents different priorities in their development models. On the one hand, Brazil, India and South Africa were among the initial 23 countries that signed the General Agreement on Tariffs and Trade that entered into force in 1948. On the other hand, China and Russia are among the countries that very recently joined the World Trade Organization. In both cases their accession negotiations were complex and long. China started negotiations to access GATT in 1987 and finally negotiations concluded after 14 years in 2001. In turn, Russia concluded its accession process to the WTO in 2012 after two decades of negotiations.

The different paths BRICS countries followed in the WTO are related to the importance that international trade has for these countries. While Brazil, India and South Africa have prioritized the development of their domestic markets through demand



expansion and inflation controls, international trade has not been a key element in their strategies. On the contrary, China has focused its development strategy on international trade and participation in global value chains for more than three decades. The country has developed an economic policy based on state capitalism in which international trade has a key role (Polonia Ríos, Da Motta Veiga, 2013). In turn, Russia has an economy in transition from central planning to a market economy and international trade is the fastest way to reduce economic dependency on exports of energy products like oil and gas. Thus Russia had an interest to diversify its international trade and join the WTO .

Historically, Brazil, China and South Africa have been □selective multilateralists □preferring bilateral over multilateral arrangements but (Chin and Thakur, 2010). In contrast, India has been more intransigent in its approach to global multilateral engagement gaining fame as a blocker. In fact, many of the coalitions in which India has actively participated in the WTO have been block-type coalitions (Tussie and Narlikar, 2004). In turn Russia, has historically had limited commitment to any type of multilateralism and has been mainly interested in managing great power relations via multi-polarity or great power balancing.

Interesting examples of the active engagement of Brazil and South Africa at the multilateral level is the 2001 Doha Declaration on TRIPS and Public Health. The TRIPS-health coalition brought together countries with similar interests focused on a very specific issue. The declaration asserted that the TRIPS agreement does not and should not prevent members from taking measures to protect public health. Thus the rights of patent holders were tempered with public health imperatives. This declaration has its origins in

trade disputes related to AIDS drugs that South Africa and Brazil faced with drug companies from developed countries. Those two countries were key to the signature of this declaration and were later members of other enterprises that were key for developing countries in the WTO and the Group of 20.

The Group of 20, also known as G-20, which includes all the emerging economies, was founded under the leadership of Brazil, India and South Africa after their meeting in Brasilia in June 2003. Even BRICS interests were divergent in the case of agriculture. Brazil and South Africa were members of the Group of Cairns that gathered agricultural exporters. On the other hand, India and China which are more prone to protect domestic producers found common ground. Developing countries came together when they realised that the EU and the U.S. – the two subsidizing countries- joined forces to propose a common text on agriculture that was highly unsatisfactory for them (Narlikar and Tussie, 2004). For the first time in multilateral trade history the Quad countries saw their hegemony challenged by the G-20 that intended to change the balance of forces in favor of agricultural producers. Those countries became a blocking coalition in Doha negotiations looking for better recognition of developing countries' needs and provoked a debacle in the Cancun ministerial meeting where the Quad countries were unable to force their preferences on the WTO agenda.

Besides these important experiences in particular topics and negotiations, BRICS interests at the WTO have been divergent mainly due to their export specialization. Brazil and South Africa given their productive profile are in favor of liberalization of trade in agricultural products. In turn, India and China shared the interest of eliminating

agricultural subsidies, but at the same time have a defensive position to protect their fragile agricultural sectors.

In relation to the liberalization of manufacturing products Brazil and India hold a defensive strategy and both have articulated positions at the WTO on Non-agricultural market access negotiations (NAMA). China kept a balanced position in the NAMAs, expecting to improve its market access to emerging countries for its manufacturing products. And South Africa has no interest to articulate positions with Brazil and India since its tariffs for manufacturing products are consolidated at the WTO at a much lower level than for the average for the other two countries.

As Da Motta Veiga and Rios point out (2013) one topic in which BRICS seem to agree is to preserve room to maneuver to implement domestic support policies. Brazil defends its long term financing instruments and export credits. In turn, India and South Africa want more policy space to apply domestic support measures, while China keeps a balanced position that allows the country to preserve its domestic policies with high state intervention. While in relation to services India is the more aggressive country looking for higher liberalization in that area.

	BRICS in the WTO				
	Agriculture and trade	NAMA	Subsidies	Services	Convergent positions
<b>Brazil</b>	-Aggressive position favoring liberalization for agricultural trade	-Defensive position related to manufactures liberalization (NAMA)	-Preservation of policy space to apply domestic support to productive sectors	-Moderate position	<ul style="list-style-type: none"> <li>- All the BRICS have competitive problems</li> <li>- All want to keep policy space to implement domestic support to production.</li> <li>- All want to reinforce the</li> </ul>
<b>Russia</b>	-New member in the WTO				
<b>India</b>	-Defensive position in agriculture to guarantee	-Defensive position related to manufactures	-Preservation of policy space to apply domestic support to	-Offensive position. Favors services	

	protection of its sector	liberalization (NAMA)	productive sectors	liberalization	WTO
<b>China</b>	-Defensive position in agriculture to guarantee protection of its sector	-Discrete position, looks for market access in Brazil and India	-Preservation of policy space to apply domestic support to productive sectors		
<b>South Africa</b>	-Aggressive position favoring liberalization of agricultural trade	-Moderate position in relation to NAMAs liberalization	-Preservation of policy space to apply domestic support to productive sectors		
Source: Own elaboration					

Despite the BRICS' differences in negotiation topics they all share certain common strategies in the WTO given that all BRICS face competitiveness problems and they all want to preserve policy space for their development strategies and domestic policies of production support. In addition, now that the WTO is under the leadership of a Brazilian, this might change the game at the multilateral level. However this is a very difficult context as the WTO has to grapple with a wave of regional free trade agreements and particularly mega-regional agreements in the Atlantic and Trans-Pacific areas that so far exclude BRICS.

## Conclusion

The staying power of individual and collective leadership of the BRICS group is must be assessed not only in respect to their new global standing but also in respect to the need to address the social pact that can ensure domestic stability As the new patterns of inclusion and exclusion upset given balances this is a hard chore, even for the most authoritarian of governments at any time. Despite such challenges the BRICS as a group push on. The reform of global economic governance is high on their agenda which looks

for windows of opportunity and moves both by accretion and big leaps, sometimes in fear of a loss of momentum. This is a job that has domestic yields and legitimizes efforts of convergence with their peers. The main glue in the project of convergence in that sense is the announcement in 2013 to found their development bank with a budget of \$100 billion. The main aim of the bank will be to finance joint development projects. Russia, Brazil and India will contribute \$18 billion to the BRICS currency reserve pool, while China will give in \$41 billion and South Africa \$5 billion. It seems that in terms of initial budget outlays they will agree to contribute a total of \$10 billion in cash and another \$40 billion in sovereign guarantees to capitalize the new lender when their leaders meet at a BRICS summit in Brazil in July 2014. In two years, the BRICS Bank's capital is expected to double, giving it a total lending capacity of \$350 billion over time. That would make it a more important infrastructure financier than today's World Bank. There are still a number of technicalities to sort out as they expect that the project would be ready by 2015.

The bank is designed to help finance infrastructure and development projects in the BRICS countries and will pool foreign currencies to fend off any future financial crisis. The institutionalization of a development bank does only show that they are willing to make indents in economic reform but also that they have the capacity to do so. It would be the first sign of institutionalization of a group that so far was an informal and consultative group working with non-binding rules. It could show that they act on the conviction that it is in their best joint interests to restructure the formal multilateral machinery to bring political clout in line with the new economic geography. In addition, the establishment of the Bank shows a challenge to the World Bank that coincidentally has

announced the creation of a Global Infrastructure Facility in a hinted competition with the BRICS Development Bank.

BRICS as a group remain geographically relatively isolated from each other. Except for China, which has strong economic ties with all the other BRICS, intra-BRICS trade is surprisingly low. Brazil's trade with India, for example, is a mere \$10 billion, seven times smaller than Brazil's economic ties with China. The same applies to the other BRICS, whose trade is dominated by China. Intra-BRICS trade in total is smaller than the BRICS' trade with Africa, showing how loosely the BRICS are truly inter-dependent. Given the lack of substantive cohesion, the intra-BRICS co-operation agenda is focused today in topics such as public health, trade facilitation, agriculture, cities, revenue collection, statistics, co-operatives, academia, the judiciary and defense. Those topics deal with low economic cooperation. In turn, governments have established a group of initiatives to find ways to increase connections, among them regular meetings between trade ministers; competition authorities; the BRICS co-operatives forum; and the BRICS Business Forum. However, as we have pointed out in this chapter the increasing financial systemic instability and uncertainty and the implosion of the Anglo-American-led financial system since 2008 have led developing countries and particularly the BRICS to explore alternative routes to global governance without opening a frontal assault on established multilateral institutions. The BRICS' goals are less about replacing the IMF and the World Bank and more about supplementing the extant architecture. In the case of the G-20 and the WTO, both multilateral forums are more democratic than the IMF and the World Bank and have enabled BRICS to flesh out some common interests and participate more actively. In both there is a preceding tradition of coalition formation

from the G77 or the G24 and the like. Particularly the global trading regime seems more malleable than the global financial regime in allowing BRICS influence and so here is where we will see more action if only by accretion.

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