BRICS – what's in a name?

by Eva Gross

The BRICS – Brazil, Russia, India, China, and South Africa – constitute a fledgling ´club´ that aims to coordinate positions and work jointly towards reforming global economic governance to make it better reflect the realities of the twenty-first century. This grouping also increasingly attempts to formulate a common political agenda that focuses on what unites rather than (still) divides its members.

From (emerging) 'markets' to 'powers'

The genesis of the BRICS is somewhat artificial: then Goldman Sachs chief economist Jim O´Neill coined the shorthand term 'BRICs' in 2001 to convey the notion that these four countries were likely to play an increasingly dominant role in the world economy over the next fifty years. This sparked other nominations of emerging countries, with attendant acronyms, to reflect ´high potentials´ in a changing world economy. But it is the BRICS moniker in particular that has not only stuck but gained gravitas as the grouping – which since late 2009 encompasses also South Africa – continues to evolve into an entity that holds regular summits and consultations, and attempts to institutionalise itself to form a potential counterweight to Western-dominated international bodies. The recently stated intention to create a BRICS Development Bank indicates ambitions for economic governance that could eventually be complemented with foreign policy ambitions.

The emergence of the BRICS, highlighting as it does the changing distribution of global power and setup of the international system, has reinforced engagement on the part of both the EU as a whole and some of its member states with powers that potentially challenge their traditional view of multilateralism. Indeed, the five BRICS countries often diverge from the EU-28 on key issues, and remain reluctant to assume international responsibilities commensurate with their size and stated diplomatic ambitions. But what impact are these five individual countries – and this particular grouping to which they belong – likely to have in global politics in the years to come, and what future trajectory might the BRICS club take? And how could the EU respond?

Strength in numbers

In economic and demographic terms, the BRICS collectively possess capabilities and resources to potentially determine the direction of any future emerging international system alongside the traditional 'West': namely the EU, the US and, arguably, Japan. China stands out in every way, but the collective BRICS figures give reliable evidence of the distribution and growth of future workforces and purchasing power, as well as security priorities and aspirations. And, while South Africa does not count among the economic (potential) heavyweights, its inclusion highlights both Pretoria's intention to claim leadership in Africa and the BRICS' ambition to represent the 'global South'.

Four of the five members – the BRICs' original club – are the world´s largest emerging economies, although China remains bigger than all the others put together: its economy is about 20 times the size of South Africa's and four times as big as Russia´s or India´s. The five BRICS presently account for 17% of global trade, and China alone makes up 62.5% of the BRICS total. Intra-BRICS trade is growing. Having increased from $27 billion in 2002 to $282 billion in 2012, it is expected to reach $500 billion in 2015. That said, most of the intra-BRICS trade is in commodities rather than industrial goods – and all five BRICS countries have extensive trade links with traditional partners like the US, the EU and Japan.

Economic forecasts have been readjusted recently, and continued growth is not necessarily there to stay. A deteriorating economic outlook in some of the BRICS might indeed have implications for the assertiveness and cohesion of the bloc. The economic performances of Brazil and in particular India have been disappointing, and Russia faces a demanding modernisation and diversification agenda. Internal opposition – such as street protests in Brazil, uncertainty and disenchantment in India, or protests and even riots in Moscow – also shows that the rise of a new middle class can translate into social unrest if expectations on wealth or public services are not met.

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Still, the BRICS hold solid assets, including in demographic terms. To start with, they have larger – and younger – populations. Collectively, they make up 43% of the world´s inhabitants and, with the exception of Russia, their individual populations are set to keep growing. What is more, median ages in the BRICS are projected to range from 33.7 (South Africa) to 46.3 (China) by 2050, resulting in a larger and younger workforce. By contrast, Europe´s population is projected to decline by 14% between 2013 and 2100.

The BRICS are also becoming more active in the security arena, and their collective defence spending is also increasing. In 2012, according to the International Institute for Security Studies (IISS), it amounted to $240 billion – nearly 50% of which was solely attributable to China – as compared to $664 billion for the US and 250 billion for the EU-28. Yet this increase may simultaneously indicate rising international ambitions and growing risks of regional conflict and instability. The way in which the BRICS wield these assets will determine their collective and individual influence in an emerging new global system.

BRICS management

Since the term was first coined, the grouping has become increasingly institutionalised. Over the past seven years, especially since the first meeting of BRIC foreign ministers in 2006, the BRICS have evolved into an entity with ever-more formalised summit meetings, plus additional consultations beyond and in-between summits. BRICS trade ministers, in fact, now coordinate in international forums, as the 18 sectoral meetings held so far testify. The summit held in Durban in late March 2013 may be considered the last of the first 'generation' of BRICS gatherings.

The BRICS Development Bank idea, first floated at the 2012 Delhi summit, was agreed to then and is likely now to be formally launched at the next BRICS summit, to be held in Brazil in 2014. At the short meeting the five countries held, significantly, on the margin of the G-20 summit in St. Petersburg, last September, it was agreed that the New Development Bank will have an initial subscribed capital of $50 billion. Its goals include the creation of a 'Contingent Reserve Arrangement' of $100 billion – a currency reserve pool to which China will commit $41 billion, Brazil, Russia and India $18 billion each, and South Africa $5 billion– to help member countries withstand future financial shocks as well as the provision of initial funding for major infrastructural projects. This would constitute an indirect challenge to Western-dominated financial institutions such as the International Monetary Fund (IMF) and the World Bank. Despite all the talk about a 'new paradigm', however, the initiative is still marred by unresolved issues such as the location of the headquarters and other technical details.

The Durban summit established a BRICS think tank council (BTTC) and business council – as well as a 'trade and investment cooperation framework' following the meeting of BRICS trade ministers in Durban. The Durban Declaration 'BRICS and Africa' also aims at 'progressively developing into a full-fledged mechanism of current and long-term coordination on a wide range of key issues of the world economy and politics' and exploring the creation of a 'virtual' secretariat.

All these developments also point towards growing foreign policy coordination. BRICS national security advisors met for the first time in early 2013. There have also been attempts to coordinate positions with respect to Syria and Iran. In March 3013 Syrian President Bashar al-Assad sent a letter to the Durban summit urging the BRICS leaders to 'work for an immediate cessation of violence that would guarantee the success of the political solution' in Syria. While the leaders did not include the topic in their public remarks, the final summit communiqué did address it. BRICS foreign ministers also met at the margins of the latest session of the United Nations General Assembly to discuss issues of mutual interest, from Syria to the Israeli-Palestinian negotiations and cybersecurity.

Unity in diversity?

All these developments signal increasing efforts at developing a common position across policy fields, but the main reform agenda of the BRICS to date has been the global economic governance structure, and notably the West's overrepresentation in international financial institutions. However, such a 'negative' agenda – that plays on the reluctance especially of European countries to draw the institutional conclusions of their relative decline and gathers support from other developing and emerging countries worldwide – has not yet translated into a common 'positive' agenda, either on the reform of the IMF/World Bank or on trade policy more generally. This is also because criticism of the old trade 'order' goes hand-in-hand with fears of Chinese competition (particularly as far as India and Brazil are concerned), major differences in potential *among* and lingering protectionist attitudes within BRICS members.

Beyond trade policy, the temporary emergence of the BASICs (Brazil, South Africa, India and China, with Russia waiting in the wings) at the 2009 Copenhagen climate conference represented, yet again, more the expression of a shared opposition – especially against the EU's ambitious proposals – than of a shared alternative platform on the issue, as the subsequent lack of progress in the negotiations has shown. Back then, however, European leaders were caught by surprise, suffering a painful setback.

These discrepancies underline the fact that the current status and future ambitions of the BRICS on the international scene vary significantly among and across the five countries. Russia and China are permanent members of the UN Security Council – Russia very much an 'old' great power with a post-imperial perception and legacy, and China simultaneously an established and an emerging power, both a developing and a financially rich country that, by all expectations, is going to play a pivotal role in world affairs in the years to come. By contrast, Brazil, India and now also South Africa see and use the BRICS framework as a means to foster their individual ambitions to great/regional power status and legitimise, albeit indirectly, their own individual bid for a permanent seat at the UNSC on behalf of their respective continents.

Regarding the latest and smallest club member, Pretoria is also interested in attracting foreign investment and encouraging 'South-South' solidarity and cooperation (an argument that resonates well also in Delhi), as the BRICS collectively trade more with the African continent than between themselves. For Moscow, instead, the main interest is political – and it is all about countering the 'West' in terms of both values and interests. When it comes to the underlying purpose of BRICS membership, then, there is a sense that goals of cooperation and solidarity co-exist alongside 'traditional' power objectives, including some internal balancing against Chinese dominance.

Moreover, old bilateral conflicts and rivalries among individual BRICS have not disappeared – between neighbouring Russia and China or China and India (while Brazil and South Africa lie further away) – although they may be temporarily swept under the carpet when talking up the BRICS' future potential. Still, just one month ago Beijing signed two landmark agreements with, respectively, Moscow (on energy) and Delhi (on borders as well as economic cooperation) that speak volumes about the pragmatic, mainly interests-based shift currently under way.

Finally, the difference in political systems remains an issue, although often diluted by convergence on the principles of national sovereignty and non-interference in domestic affairs. As a matter of fact, the three democratic BRICS – India, Brazil and South Africa – also form IBSA, a Dialogue Forum that was launched in 2003 and that also holds annual summits. This framework combines, in their words, 'three large pluralistic, multicultural and multiracial societies from three continents as a purely South-South grouping of like-minded countries, committed to inclusive sustainable development, in pursuit of the well-being for their peoples and those of the developing world'. While the objectives of IBSA overlap in substance and (partial) membership with those of the BRICS, deeply rooted differences in political systems and potentially diverging policy approaches may still cast a shadow over the BRICS' cohesion. Even on Syria, last May, the three IBSA countries abstained on a resolution drafted by Qatar in the UN General Assembly, while Russia and China voted against.

Still, despite all these caveats, the BRICS have (sort of) stood the test of time. While not all four BRIC economies have grown at the expected rate, in actual policy and institutional terms the BRICS grouping has endured and expanded its ambitions, even if the results have yet to be gauged (and monitored). The 'club' may or may not last – in its present or another formation – but it is a wake-up call for the EU to deepen its bilateral relations with individual BRICS and possibly reconsider its own position in the emerging system of global governance.

Five 'strategic' partners

The BRICS are all 'strategic partners' of the Union – and all five are now full members of the World Trade Organisation (WTO). Incidentally, the recent appointment of Brazil's Roberto Azevedo as WTO Director General further highlights their growing influence in the international community and ability to garner support from developing countries – particularly as developed countries supported the Mexican candidate to succeed Pascal Lamy.

The EU launched 'strategic partnerships' with China and Russia in 2003, with India in 2004, and with Brazil and South Africa in 2007. But the depth and scope of each bilateral relationship between the Union and each of the BRICS countries vary markedly, in both diplomatic and commercial terms. And the same goes for the individual EU member states: some are now engaging much more than others in developing stronger ties, and can build more than others on pre-established historical connections.

The EU´s relationship with Russia is perhaps the most developed in political as well as economic terms, although it is certainly not without recurrent tensions and geopolitical competition. The EU`s relationship with China rests on economic interests, although the political and security dimension is gaining traction. In the case of India, trade concerns take precedence while the political aspects remain somewhat undeveloped. Similarly, there is limited progress on the political dimension in the EU´s relationship with Brazil, although the financial crisis has drawn the two sides closer together. For its part South Africa, which aims to play an important role not just in the African continent but also in the African Union, impacts on EU interests and objectives in ways that are still difficult to decipher and predict.

Thus, the impression is that all these 'strategic partnerships' have – albeit to different degrees – a significant untapped potential. As long as this remains the case, the Union risks failing to engage the BRICS – both bilaterally and multilaterally – on a commonly agreed positive agenda as well as to complement and integrate the initiatives that the most proactive and farsighted member states are already undertaking. For their part the BRICS, too, could see their own interests better fostered by cultivating or building upon existing bilateral relations with individual European countries rather than the EU as a whole.

This problem risks becoming all the more acute as, across the Atlantic, the US is developing its own strategy *vis-à-vis* the changing distribution of global power. Such strategy involves the stated 'rebalancing' to Asia, with all its possible (and feared) implications for Europe. On trade, with the Doha negotiations stalled (due to inter alia. the rigid positions of some of the BRICS), Washington is currently pursuing a two-pronged, wide-ranging liberalisation project encompassing the Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP). Both aim at creating parallel, US-centred regulatory communities and free trade areas. The EU is associated to one – but not the other.

The TTIP is crucial not just for setting shared regulatory standards or consolidating the Western economic area. It would also give the quintessentially 'strategic' transatlantic partnership a new purpose and send a political signal that the countries of the 'West', despite economic crises and perceived decline, continue to band together and shape the global agenda. Yet Europe might need to invest more, too, in its own relations with the 'rest' – starting with the BRICS.

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