Cooperation among BRICS: What Implications for Global Governance?

By Ralph A. Cossa and Virginia Marantidou

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Executive Summary

The acronym BRICS, which stands for Brazil, Russia, India, China, and South Africa, was first introduced in a Goldman Sachs paper in 2001 (the acronym then was BRICs since South Africa was not included), but hasn’t institutionalized until eight years later when the first four countries met for the first time to identify areas of common interest and concern. Since then the BRICS have held regular summits, Track-II meetings, and peer learning activities.

For many, the emergence of the BRICS, a group of dynamic emerging economies, signals the beginning of a challenge to the Western-dominated international system. Whether seen as destined to challenge the Western-dominated international system or simply a reform of existing institutions, the BRICS have demonstrated their potential to engage in global governance issues and advocate common positions in multilateral institutions. As a result of their discontent with the Western leadership monopoly in key financial institutions, the BRICS found a common voice and called for the adjustment of quotas and voting shares in the World Bank and the International Monetary Fund and a more open and meritocratic leadership selection procedure within these organizations. Another area where their interests converge is international security governance. The BRICS have united in opposition to humanitarian norms such as the Responsibility to Protect (R2P), and in their support for structural UN reforms. More recently, however, they announced the establishment of a New Development Bank and the creation of a Contingency Reserve Arrangement.

This paper critically examines the BRICS group, focusing on its ability to meaningfully introduce reforms into the global governance structure. It identifies major impediments to cooperation, including most important, the structural and economic imbalance between China and the rest of the group. There is evidence that the other BRICS members fear that the new economic institutions will become vehicles for Chinese interests. As a result, the BRICS will likely find it difficult to coordinate funding and operational priorities. However, these institutions are still in their infancy. Decisions on upstream selection of project funding will reveal the extent to which conflicting interests among the group rise to the surface as well as discord about who has the upper hand in decision-making.

For China, participation in the BRICS is primarily about strategic interests. China has twin goals of allaying fears about its rise and countering Western containment. Therefore, solidarity does not seem to be the priority. Despite rhetorical support for the restructuring of the UNSC, China (and Russia) refuses to yield its institutional advantage in favor of Security Council reform that requires the extension of permanent membership to other BRICS members, namely India and Brazil.

Geopolitical rivalry among the BRICS is likely to prevail over solidarity or common purpose. Being “sovereignty hawks” and believe in a narrow interpretation of national interest will make the BRICS countries prioritize particular interests over multilateral cooperation. If the group aspires to be a strong political force in the international arena, then it needs to move beyond issues that are of short-term convenience, beyond just being “anti,” and instead forge a common vision with which they can contribute to global governance.
Cooperation among BRICS: What implications for global governance?
By Ralph A. Cossa and Virginia Marantidou*

The making of a new multipolar world order has become a cliché in contemporary international political discourse. The BRICS term, which stands for the grouping of the emerging economies of Brazil, Russia, India, China, and South Africa, was an acronym that first appeared as BRICs (South Africa was not included at that time) in a 2001 Goldman Sachs paper. The BRICS is for many the greatest manifestation of the start of a new era in world history as these countries’ increasing economic weight is reflected in demands for greater political participation in world affairs. These rising powers are seen by some as destined to challenge the Western-dominated international system as they strive for a larger role and better representation in global governance. Others argue that their major contribution could be in reforming, not replacing international organizations. Only time will tell which, if either, prediction is correct.

The recent BRICS summit in Fortaleza, Brazil in July 2014 stirred debate about the future of the group and its international impact. The main reason has been the 72-point Fortaleza Declaration which, among other elements, includes an agreement on the establishment of a BRICS New Development Bank (NDB) to fund infrastructure and development programs in the BRICS and other developing countries. It also includes a memorandum for the establishment of a Contingent Reserve Arrangement, which aims to “help countries forestall short-term liquidity pressures, promote further BRICS cooperation, strengthen the global financial safety net, and complement existing international arrangement”.¹ The prospect of establishing alternative financial institutions is by itself a rival idea to the existing global economic order. Provisions on how these institutions will run add fuel to the fire as they explicitly criticize the operation of financial institutions such as the IMF and the World Bank. In the aftermath of the BRICS Summit in Fortaleza, Brazilian Finance Minister Guido Manteiga noted that “at the World Bank, the US has a veto. In the BRICS' New Development Bank, all shareholders are equal”. He continued, “presidency of the NDB will not be the prerogative of a particular continent; instead, it will change every five years, rotating among the BRICS countries”.²

This paper examines the BRICS grouping in the light of their cooperation on global governance issues. We admit to being dual skeptics: skeptical about BRICS but also skeptical about US/Western approaches to BRICS and other so-called “rival” economic groupings. The paper goes beyond criticisms of group diversity in absolute terms and instead focuses on the ability of the BRICS as a political grouping to meaningfully introduce reforms into the global governance structure. It also raises the issue of the major impediments for cooperation, including

*This paper was prepared for the International Symposium on Building Governance Systems and Capabilities of BRICS Countries in Beijing, China, Nov. 19-20, 2014

most importantly, the structural and economic imbalance between China and the rest of the group. We hope readers will find the criticisms, suggestions, and observations to be constructive.

BRICS: More than an acronym in the international alphabet soup?

While the term BRICS, like many other concepts in international politics discourse, is a Western construct, the genesis of the grouping was instigated to a large degree by distrust and discontent with the Western-led global economic and political order. What Jim O’ Neil of Goldman Sachs saw when he coined the term in his 2001 paper “Building Better Global Economic BRICs” (as mentioned, South Africa was included in the group in 2011) was a tremendous potential for economic growth in these countries which would reshape the world economic order.

On the surface, there appear to be more characteristics that separate BRICS countries from one another than there are characteristics that all five have in common. Nonetheless, there are some significant unifying factors. Currently, Brazil, Russia, India, and China and to a lesser extent South Africa constitute the fastest growing and largest emerging economies. The four original BRIC countries account for about a quarter of global Gross Domestic Product (GDP) and along with South Africa more than half of global growth. Furthermore, it has been projected that by 2050 they will have displaced most of the top seven economies (G-7) and account for a third of the global economy, if measured in purchasing power parity (PPP) terms. Over the past two decades, the rate of growth of per capita GDP in the BRICS has outpaced the global trend. Their economic size shape global investment flows and has profound impact on trading patterns and trends.

Beyond their economic performance, other characteristics group them together. First, demographically, they constitute the homelands of 3 billion people or just less than half the world’s population, with a dynamic, emerging middle-class that fuels new demand growth as higher spending power derives from rising incomes. Despite evidence of deceleration or stagnation in their population growth – the case of China and Russia, respectively – their working-age population decline is projected to be slower than in the developed economies.

Second, in the same fashion that these countries share triumphs in the economic sphere they share similar anxieties and challenges, including domestic changes, institutional stability, social inequality, and service delivery issues in sectors such as welfare and education.

Last, they tend to share a broader worldview. They all attach great importance to the principle of sovereignty. They often view globalization as detrimental to their sovereignty and as a vehicle for their exploitation from other (Western) powers in what they perceive as neo-colonialism. However, what brought the BRICS closer, opening a window of opportunity for more institutionalized cooperation, was the global economic recession.

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A confluence of factors in the international environment has provided a common ground for cooperation and strengthened the BRICS perception of a common goal in the global governance sphere. First, there is the origins of international financial instability, largely founded in the United States’ financial system crisis, which caused the US to be seen as an “irresponsible stakeholder” in the international arena. Second, and more importantly, the perceived inability of the traditional Western-led financial governance centers to effectively manage the crisis and lead to recovery, which created a legitimacy crisis of the international financial system. Third, and a new dynamic, was the rise of non-Western regional power centers and their advocacy for greater participation of the developing world in international decision-making.

The BRICS were fast to grasp the opportunity to focus their coordinated criticism on the global governance architecture while outlining their intentions for deeper engagement in global governance affairs. Their main criticisms involve key multilateral institutions such as the World Bank, the International Monetary Fund (IMF), and the United Nations, pointing out the underrepresentation of the new emerging economies within the governing bodies of these institutions. The BRICS have long demanded reform within these bodies and more fair distribution of power that would reflect their rising economic weight. The IMF’s voting structure these claims are put in perspective. Voting power in the IMF is determined by contributions to the institution. However, contributions are determined by variables such as the Gross Domestic Product (GDP) in nominal terms. If the GDP was measured in – PPP terms which some argue better reflects a country’s economic size – there would be a dramatic change in the voting shares of many countries. For instance, Belgium, which currently holds 50 percent more votes than Brazil, would have one-third less than Brazil after reform.

Early glimpses of consciousness of common goals appeared in meetings on the sidelines of the 61stand 63rd UN General Assembly, in 2006 and 2008, respectively. The BRICS gathered to identify areas of cooperation and possible joint steps on issues examined at upcoming international forums. The BRICS’ first official meeting was held in Yekaterinburg, Russia, in June, 2009. Their joint communiqué called for “the reform of international financial institutions, so as to reflect changes in the world economy”:

“The emerging and developing economies must have greater voice and representation in international financial institutions, and their heads and senior leadership should be appointed through an open, transparent, and merit-based selection process. We express our strong commitment to multilateral diplomacy with the United Nations playing the central role in dealing with global challenges and threats. In this respect, we reaffirm the need for a comprehensive reform of the UN with a view to making it more efficient so that it can deal with today’s global challenges more effectively and the importance we attach to the status of India and Brazil in international affairs, and understand and support their aspirations to play a greater role in the United Nations.”

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6 Ibid.
Since then, the group holds regular summits, peer-learning activities, and track-two meetings such as the International Symposium on Building Governance Systems and Capabilities of BRICS Countries and the follow-on BRICS Think Tank Council Meeting.

**Cooperation amongst the BRICS in global governance**

As mentioned, a common characteristic that the BRICS share is their grievance with the existing global governance structure. They argue that the world order of the post-World War II order is an antiquated structure that fails to meet the demands of the new and dynamically rising regional power centers. New global threats such as global financial instability, terrorism, or climate change cannot be solely addressed based on western decision-making formulas. Therefore, the BRICS desire their transition from “rule-takers to rule-makers” and thus shape global decision making in a way that is more inclusive of their own needs (and allegedly of the developing world as well). The section that follows examines the main global governance areas where their common vision has been bundled and cooperation has taken place.


There are two main areas where the BRICS have cooperated within the United Nations (UN) to shape outcomes and change structures in the international security realm. The first regard the reform of the United Nations Security Council (UNSC) and the second focuses on international humanitarian action.

The BRICS seem to hold similar views on the need for reforms within the UN structure. It is widely believed that the UNSC remains anachronistic. It is composed of five permanent members with a veto power – US, Russia, China, Britain, and France – and 10 rotating members from the UN regional groups. With India and Brazil being among the largest contributors of peacekeeping forces as well as in the process of increasing their UN payments, the two countries are pitching for a permanent membership. Since the African group is the third largest group within the UN, it comes as no surprise that it has raised demands for two permanent seats, one of them probably to be reserved for South Africa. The BRICS have collectively advocated broadening representation in the UN Security Council and there seems to be a common front in backing their co-members’ efforts for permanent membership. In 2011 in their Sanya Summit Declaration the BRICS stated:

“We express our strong commitment to multilateral diplomacy with the United Nations playing the central role in dealing with global challenges and threats. In this respect, we reaffirm the need for a comprehensive reform of the UN, including its Security Council, with a view to making it more effective, efficient and representative, so that it can deal with contemporary global challenges more successfully. China and Russia reiterate the importance they attach to the status of

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India, Brazil and South Africa in international affairs, and understand and support their aspiration to play a greater role in the UN.\textsuperscript{11}

This statement has been repeated in subsequent years.\textsuperscript{12} Yet, despite rhetorical support for Security Council expansion, Russia and China are unlikely to back such a reform if it was under serious consideration because it would dilute their influence on the Council. Nevertheless, the fact that such supportive statements would not have been made if the BRICS had not emerged as a political group make some believe that deeper cooperation among them in the future might make Russia and China reconsider their position.

Even here, however, there are disagreements. India has been supportive of Japan also having a permanent seat, just as Tokyo has supported Delhi’s bid much more strongly than has China, which also strongly opposes Japan’s bid. So there is no common definition of what UNSC “reform” would look like.

In regard to humanitarian action, in many instances the BRICS have opposed humanitarian intervention, expressed by the responsibility to protect (R2P) norm since they deem it as an encroachment on the national sovereignty of individual states. Their collective opposition not only sends a message about their ability to collectively express their common views in multilateral organizations, but also generates questions about their future role and ability to obstruct the development of such actions and overall impact on global governance norms.\textsuperscript{13}

The Libyan and Syrian crises are indicative. In 2011, when the Libyan civil war erupted, all BRICS members held a seat in the United Nations Security Council (China and Russia as permanent members and India, Brazil, and South Africa in rotating seats). The intensification of the internal clashes and the Gaddafi regime’s atrocities against its own people prompted action by the UN Security Council which approved the use of force to protect civilians in resolution 1973. With the exception of South Africa (which voted for), the rest of the BRICS members abstained. Abstention was not open opposition but the criticisms that followed the humanitarian action are indicative of the BRICS collective stance. The BRICS individually and collectively condemned the resolution as imposing far-reaching measures that were not agreed in the first place. They criticized NATO for abusing emerging-powers’ good faith by exceeding the UN mandate and instead of the protection of civilians it was pushing for regime change. \textsuperscript{14} In their third summit in Sanya, China, in April 2011, the joint declaration denounced the use of force by the allied forces.

\textsuperscript{11}“Sanya Declaration,” BRICS Information Centre, University of Toronto, April 14, 2011 http://www.brics.utoronto.ca/docs/110414-leaders.html
\textsuperscript{12}“The 6th BRICS Summit: Fortaleza Declaration”, Information Centre, University of Toronto, July 15, 2014 http://www.brics.utoronto.ca/docs/140715-leaders.html
\textsuperscript{14}Stuenkel, O. 2014. The BRICS and the Future of R2P: Was Syria or Libya the Exeption. Global Responsibility to Protect 6, p.13
The Libyan experience seems to have served as a precedent for the Syrian case. In October the same year, France drafted a resolution in which the Syrian regime’s crackdown on protesters was condemned. The text considered further action if the Syrian regime failed to comply with the resolution’s provisions. Russia and China vetoed the draft while South Africa, India, and Brazil abstained. Despite the ongoing humanitarian crisis in Syria the UN has failed to reach agreement on appropriate responses mainly because of difference in opinions between the Western powers and the BRICS. Although, Russia and China hold a firm stance toward measures against the Assad regime, the rest of the BRICS hold a more neutral position. Nevertheless, they all strongly object to any Libya-style military intervention. Russian and Chinese objections go much further, however. In May both vetoed a UN Security Council resolution that would have asked the International Criminal Court (ICC) to investigate war crimes in Syria. They were the only two of 15 countries to vote against the resolution. This has complicated negotiations and has created an impasse to resolution of the crisis.

Many would argue that the Libyan and Syrian cases represent discord within the BRICS rather than unity, even in cases where their votes were in harmony with one another. Each BRICS member abstained not because of common views among the group but because of their very own individual interests. Additionally, critics say that in the Syrian case, all voted for most of the resolutions that condemn Assad; the disagreement concerned military intervention. Two BRICS members, China and Russia, have also served as protectors of North Korea, recently condemned by the UN General Assembly for crimes against humanity. China and Russia voted against the measure, which recommends that Pyongyang be taken to the ICC. The other members seem much less inclined to protect Pyongyang, with South Africa and India abstaining and Brazil voting in favor of the draft resolution. When the UNGA Human Rights Commission reviewed the issue last May, Russia and China also voted against, South Africa abstained, and Brazil voted in favor; India is currently not a member of the commission. Given its history, it is especially disappointing to see South Africa remain silent in the face of such human-rights abuses.

It is noteworthy that the BRICS members have at times breached their own principle of non-interference and territorial integrity and have militarily intervened in other states under the banner of humanitarian reasons when their own interests were at stake. Indicative are the cases of India and Russia. In 1971, Pakistani military’s crackdown on people in what was then East Pakistan drove India to express humanitarian concerns and moved its military there. Similarly, Russia’s intervention in Georgia and its recent annexation of Crimea took place under the banner of the R2P principle. Nevertheless, these events have not obstructed them from collectively opposing the same exact principle that they used as a pretext for their own activities.

The above are revealing of the fact that both the future viability of the R2P norm and the way it will be implemented are meant to shape the international standards of global governance. The BRICS’ individual as well as collective stance toward such norms – their willingness to tolerate, implement, strengthen or even manipulate R2P – backed by a future expanded UN

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Security Council to include more BRICS members could determine the direction of global governance in international security and the future of a rule-based international order. It is not by chance that Bashar al-Assad has sought for the BRICS’ help in his “fight of good against the evil.” If nothing else this move signifies the growing role that the BRICS play in international security arena and their potential increasing impact on the international security norms. Few, however, would brand this as a positive role.

One possible alternative: The role of the BRICS in reshaping global economic governance

The BRICS club’s strongest area of convergence is their desire for greater representation and leadership on the global economic stage. Although deliberative rather than decisional, the G20 group is an elevated form of the G7 and G8, which consisted only of industrial countries. The formation of the G20 amidst the global financial crisis, which includes both industrial and emerging-market countries, is a significant manifestation of the greater role that the developed economies attest to both the emerging economies and the regional balance. It is, also, an effort to strengthen international cooperation and effectively tackle contemporary global financial challenges. Such developments as well as the BRICS’ own realization of their economic weight on a global level have brought new dynamics in the international economic regimes.

For years, the BRICS countries expressed their discontent with the leadership monopoly of the Western industrial countries within the key international financial institutions, namely the World Bank and the IMF. Traditionally the World Bank’s presidency goes to an American while the IMF managing director is European. The opportunity to collectively express their desire for leadership roles within these institutions arose in April 2011 when the then World Bank President Robert Zoellick announced his desire to step down. A month later the IMF Managing Director Dominique Strauss-Kahn resigned. The BRICS pushed for a more open and competitive leadership selection process in the IMF and the World Bank, with some success and broader sympathy, even though the IMF ultimately appointed another European Director, France’s Christine Lagarde, and the World Bank head went to a Korean-American, Jim Yong Kim.

The BRICS have also closely cooperated in changing the voting power structures of the financial institutions. Here again the global financial crisis was a catalyst. To effectively respond to the global financial crisis and its sub-product, the Eurocrisis, the financial institutions were in dire need of additional capital. Therefore, they relied heavily on contributions from emerging economies, predominantly China and Brazil, since the advanced countries’ economic stagnation prevented extra capital flows. In exchange the BRICS demanded quota reforms within the institutions. Quotas represent capital subscriptions and associated voting rights, and are proportional to the economic and other power resources of the countries.

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18 Ibid.
For some time the BRICS have been advocating quota readjustment in their favor since their economic weight has become more significant in recent years. Their expanded financial contributions provided a good base for bargain and in 2010 negotiations resulted in quota reallocation deals that included 3.3 percent quota allocation to the developing countries in the World Bank and 6 percent in the IMF, with the major beneficiaries being the BRICS.\textsuperscript{20}

It is here that, in fairness, we must point out a major shortcoming, indeed failure, in US policy. The Obama administration backed the BRICS effort for reform but has been widely criticized for the failure to implement the deals that followed.\textsuperscript{21} IMF reform has been held up in the US Congress and the November 2014 Congressional elections make progress even less likely. It is hypocritical of the West in general and US in particular to challenge China and the other BRICS members to step up and play a more constructive role – remember the “responsible stakeholder” challenge – and then not be supportive when such efforts take place. Washington needs to be less negative toward BRICS initiatives (see the BRICS Bank discussion below) and stop being outright obstructionist regarding similar Chinese initiatives such as the Asian Infrastructure Investment Bank. (The US is right to ask tough questions regarding the objectives and lending standards of such banks and how they relate to/complement existing organizations and one another, but this should be done in a constructive rather than obstructionist manner. The current US position, largely perceived as pressuring its allies not to join, reinforce the view that the US is trying to contain China, which is counterproductive to US foreign policy objectives.)

Other initiatives have stirred discussions about not only strengthened cooperation amongst the BRICS but also an overt institutional challenge to the existing global financial architecture. In the past the BRICS expressed their desire to move away from the dollar and start conducting intra-BRICS trade in local currencies and even to use an IMF-style Special Drawing Rights as a “global currency.” In their sixth summit, in Fortaleza, Brazil, they reiterated their previous desire to establish the aforementioned New Development Bank (NDB) while they also announced the creation of a Contingency Reserve Arrangement (CRA) with initial capital of $50 billion and $100 billion respectively.\textsuperscript{22} The new institutions aim at strengthening BRICS cooperation and channeling funds in areas that the BRICS consider priorities i.e. development projects in economically less advanced countries. It has been also agreed that member states will contribute equally to the bank’s capital and share equal voting rights, an apparent difference with existing financial institutions. To strengthen this position the BRICS have also agreed to a more equal “division of labor.” China will host the bank’s headquarters in Shanghai, India will appoint the first president of the bank, and the first chair of the board of governors will be from Russia.

Roadblocks to cooperation: the China dimension

Despite their instances of cooperation, the BRICS seem to be as divided as united. For instance, the durability of the group has been vividly questioned based on their continuity as

\textsuperscript{21}For more details see: Rediker, D. 2012, “Losing at the IMF” Foreign Policy, October 10, http://www.foreignpolicy.com/articles/2012/10/10/losing_at_the_imf
\textsuperscript{22}“The 6th BRICS Summit: Fortaleza Declaration,” Information Centre, University of Toronto, July 15, 2014
economic powerhouses, a focus on comparative growth rates, their divergent economies and political systems.

Signs of economic deceleration in the past two years have made scholars skeptical about the BRICS “miracle,” prompting discussions “that the rise of the ‘rest’ (BRICS) will yield to the rise of the select.” China’s double-digit growth has fallen to lower than 8 percent in 2013 while average growth rate in the other emerging economies fell by 4 percent to just 2.5 percent, causing some to ask “Is it the rise of BRICS, or just the rise of China?”

Within the BRICS, South Africa is deemed tiny in economic size in comparison to the rest of the group. China on the other hand dwarfs the rest since it has become second largest economy in the world. India’s per capital GDP is only $1,325 while Brazil and Russia surpass $12,000(data from 2011). China and Russia are relatively open economies in contrast to India and Brazil. Brazil, India, and South Africa are vibrant democracies, China is a one-party state, while Russia’s system is highly centralized.

Nevertheless, it is not so much this diversity that will determine the sustainability of the group as it is China’s overwhelming presence. As King’s College Professor Harsh V Pant puts it “the structural disparity between China and the rest is the most important contributor to the dysfunction of the BRICS idea.”

For better or worse, China is the mortar that connects the BRICS. Its economic weight is the one that has given momentum to the group. The Chinese economy is larger than all the other BRICS’ economies combined. China is the largest trading partner of Russia, Brazil, and South Africa and the second largest of India. At the same time, none of the other BRICS is particularly important to China’s trade in terms of value or has significant trade volumes with the others. Of note, there appears to be no effort to establish a BRICS Free Trade Area or to otherwise institutionalize trade arrangements among the five. There appears to be no willingness for any type of economic integration, despite the claim that their collective economic weight has the potential to reshape the world economic order.

Meanwhile, the BRICS countries have stronger economic ties with the West than they have with each other. In regard to their foreign policy relations, the other BRICS are so regional that their encounters take place mostly in multilateral settings. Being the connecting link among them, China’s attitude within and toward the group will play a significant role in promoting or hampering cooperation.

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26TohCh.H.J, Brazil, Russia, India and China (BRIC): Reshaping the World Order in the 21st Century. US Naval War College (no date) p. 3 https://www.usnwc.edu/Lucent/OpenPdf.aspx?id=93
28 Ibid, p.98.
China’s economic preponderance already raises other members’ concerns over dominance in the group and over the BRICS becoming a vehicle for Chinese interests. The NDB is indicative. Contributions to the bank have been agreed on an equal basis (after the insistence of India and Russia). It has been also agreed that every member will have equal voting rights. Equality, though, does not necessarily mean good coordination. In such multilateral institutions leadership is important. China’s economic weight and relations with the other members will probably provide it with the advantage of taking the role of the “coordinator.”

China has already proposed to subsidize the entry of Brazil and South Africa which struggle to ensure adequate funds and, if that happens, it will expand China’s leverage within the bank. On the other hand, China’s contribution to the new fund, the CRA, is $41billion of the initial $100billion, dwarfing the contribution of all other members. This generates suspicions over the future distribution of power within the new institutions. Although quite anecdotal, critics have drawn parallels between the headquarters of the new bank being in Shanghai (a city of the largest member) and the Western-led institutions’ cases (based in the US).

Indians have been particularly critical of China. A 2013 editorial in *The Hindustan Times* wrote on the issue of the NDB: “The BRICS Bank is already crippled by concerns it will become the multilateral bank of Beijing because of China’s deeper pockets” and continues “New Delhi, having proposed the idea now drags its heels for fear it will be subsidizing Chinese soft power with India’s taxpayers money.”

Indian finance officials in the past expressed the view that the NDB will legitimize the use of Chinese currency overseas. Although, by no means these statements represent official positions, they illustrate the general mistrust towards China’s preponderance in the group as well potential different positions on the function of the bank.

For example, China’s development finance practices could become a source of discord within the BRICS. China’s “tied aid” for infrastructure favors the Chinese, mostly state-owned, companies while its loans often are closely tied with access to natural resources. Apart from economic reasons China uses its aid for foreign policy objectives, to advance its influence in geopolitically important regions. When countries borrow money to fund infrastructure projects (NDB’s main role is to fund infrastructure projects in the developing world) they are basically obtaining foreign currency to import the substantial materials for the project. Given the fact that China has a production overcapacity in such materials, engineering technology and expertise its involvement in such projects functions as a domestic stimulus, while it enhances internationalization of its currency and its overseas influence.

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Therefore, China not only neglects issues of transparency, governance or fairness but often acquiesces or supports sketchy activities and regimes to achieve its goals, which very often comes under international scrutiny. BRICS could find it difficult to coordinate on funding and operational priorities, such as who to fund and the way through which they provide aid. This discord will not only be based on morals or different worldviews but also stem from conflicting interests.

China is too big and influential for its views to be discarded and traditionally does not get involved in organizations or arrangements that it cannot control to the highest possible degree. Therefore, the upstream selection of project funding will not only reveal disagreement among the BRICS but also who will eventually have the upper hand in final decisions. The BRICS have agreed that initially the bank will fund the infrastructure needs of the BRICS themselves. But China is highly unlikely to need the banks’ money to fund development ventures. It is the other poorer BRICS members that might need it. This will reinforce the imbalances within the group.

China’s involvement in the BRICS stems also from global strategic interests. For China its economic rise has come with a price; the deterioration of its external environment due to what it perceives as containment and encirclement by the US. However, not being able to translate its economic power into comprehensive national power, China cannot openly challenge US primacy. Therefore, the BRICS group seems to be vital for China in its effort to build networks and partnerships that will help it counterbalance western supremacy. Zhao Gancheng, of the Shanghai Institute of International Studies, has indicatively stated: “[China’s] objective is through cooperation to strengthen its position in the international system, but at the same time, not try to challenge the US in a confrontational mode.”

Nevertheless, when and if China manages to assert itself to superpower status, it seems highly unlikely that it will continue to ascribe the same importance to the BRICS and promote an “equitable” world order.

Despite solidarity declarations, for example, China has actively opposed Brazil’s and India’s bid for permanent membership in the UNSC. On one hand, China is not willing to yield its institutional privileges within the UNSC, nor does Russia. On the other hand geopolitical considerations seem to determine China’s stance toward UNSC reform. China and India are regional rivals who seek to play a leadership role in their common neighborhood. China and India have unresolved border disputes, while they are wary of its others’ intrusion within their spheres of influence. India is concerned about China’s close partnership with its perennial enemy Pakistan, while China feels threatened by India’s “Look East” policy, which seeks for deeper involvement of India in East Asia. Accordingly, China fears that if India gains a permanent seat

on the table it will antagonize China over the role of the predominant Asian power while it could even coalesce with the US to undermine its interests. India’s quid pro quo support for a Japanese permanent UNSC seat further compounds the problem.

The aforementioned reveal the difficulties especially for the neighboring BRICS to transcend great power-politics in favor of allegedly common goals. Being “sovereignty hawks” – a characteristic that scholars use to group them together – and entrenched behind a narrow interpretation of national interest will make them prioritize their geopolitical interests higher than any multilateral cooperation. Similarly to the Sino-India relation, a creeping competition might undermine the foundations of the Sino-Russia cooperation and spillover suspicion against each other within the BRICS. China’s advancement into Central Asia and the Russian Far East as well as China’s fast economic and military development alerts Russia, which sees its influence in its backyard waning. Although Moscow may think that it is an equal partner to China, the relationship becomes increasingly unequal, which will fuel future frictions.

China’s relations with the other two BRICS- Brazil and South Africa- are not frictionless, either. The more their ties grow, the more their differences surface. China’s manipulation of its currency has caused significant problems for the manufacturing sectors in Brazil and South Africa. In 2011 almost 67 percent of the Brazilian export business competing with Chinese have lost foreign market share. Brazil regards Chinese competition unfair because of China’s dumping policies and has started imposing tariffs on Chinese industrial goods imports. China’s growing economic engagement in South America is deemed threatening for Brazilian exports in neighboring markets.

South Africa’s manufacturing sector is also struggling to compete with China’s growing economic clout. The influx of Chinese goods in South Africa, coupled with the exploitation by China of South Africa’s resources, has created significant trade imbalances, turning South Africa increasingly wary of China.

Other roadblocks to cooperation

If China accepts an “equal” or (more likely) “first among equals” role, there are other roadblocks to cooperation. Some, like traditional rivalries (China-India, China-Russia, etc.) have been mentioned. There are, of course, also significant differences regarding social and political systems, democratic principles, and world views. There are few “common values” binding the group. When they cooperate in international forums, it is usually to block, impede, or criticize, rather than make positive recommendations. China and India have been particularly bad in this

40 Pant H.V., 2013. The BRICS Fallacy
regard when it comes to the ASEAN Regional Forum (ARF), where its efforts to proceed beyond confidence building measures to preventive diplomacy (as called for in the ARF Vision Statement) have met with Chinese and Indian objectives and obstruction.

As mentioned, all are also more dependent on economic relations with others than they are with one another, beyond their growing reliance on bilateral trade with China. Trade among BRICS members is dwarfed by each member’s trade with the US, EU, and the West in general. No efforts are being made to create greater economic interdependence or integration among the five. India even turned down China’s invitation to come to the 2014 Asia Pacific Economic Cooperation (APEC) Leaders Meeting in Beijing, where China promoted greater economic integration and cooperation within the Asia-Pacific region.

All also face significant internal challenges, high among them in many instances being corruption, but have different approaches and priorities in dealing with them. Political solidarity is also challenging. Can all continue to remain silent as Russia violently interferes in the internal affairs of its Ukrainian neighbor or, as China continues expanding its influence in Central Asia, an area we have argued could host a 21st Century version of the Great Game (see PacNet #73, “The great game in Central Asia,” Sept. 30, 2014)? How will China’s continuing “special relationship” with Pakistan impact Sino-Indian cooperation the next time tensions between the two South Asian neighbors rise (as they inevitably will)?

Even in areas where they agree in principle, we do not see concrete proposals for action. All BRICS members (as has the rest of the civilized world) have expressed outrage over ISIS’ crimes against humanity and see the growing threat posed by radical Islamic movements. But what are their proposals for joint action to counter this threat? All worry about proliferation of weapons of mass destruction but have charted no paths forward. In fact, one member remains outside the NPT Regime (and sees the nuclear program of one of its BRICS colleagues as one of the main justifications for its own nuclear weapons program).

At this International Symposium on Building Governance Systems and Capabilities of BRICS Countries, many spoke about common concerns but few provided concrete recommendations on how to address these concerns. Indeed, a lot has been said, very seriously and with great insight and sincerity, about China’s commitment to improve its own governance capabilities in the wake of the 4th Plenum, but little has been said about China’s vision for how BRICS can promote good global governance. Much more needs to be done, starting with track-two efforts driven by the BRICS Think Tank Council, to develop not just a common long-term vision and objectives, but to also develop the common strategies and tactics required to get there. BRICS is still a “work in progress,” as its members clearly point out. It is yet to be subjected to comprehensive objective analysis. Deeper examination is needed both within and outside BRICS and, as Banning Garrett suggested, among the BRICS, US, and EU jointly as well.

**Conclusion**

The BRICS have gone beyond being an investment paper term into a real formation that not only has the dynamic to influence global governance norms but seems willing to work as a group toward this direction. Only six years after their first meeting, the BRICS nations have
demonstrated the potential to actively engage in global governance issues and advocate common positions in multilateral institutions. The agreement on the establishment of new financial institutions is a crucial development that could challenge or complement existing global arrangements.

Nevertheless, it remains not so much an international organization as a semi-structured grouping without a common vision with which it can be guided. Unlike the EU, or even ASEAN, there is unlikely to be a BRICS community built on common values or interests. Thus far, what they are against appears to be a greater unifying factor than what they are for. It is still to be seen whether cooperation stems from something more than temporary convenience on issues of common concern. China’s overwhelming presence within the group is the factor that will determine their future path. Unfortunately, even within this loose formation, China’s stance has the potential to create frictions and mistrust that are highly likely to grow as the BRICS seek more space to accommodate themselves in the international setting.
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About the Authors

Ralph A. Cossa is President of the Pacific Forum CSIS in Honolulu, a non-profit, foreign policy research institute affiliated with the Center for Strategic and International Studies (CSIS) in Washington, D.C. He is senior editor of the Forum's quarterly electronic journal, *Comparative Connections*. Mr. Cossa is a member of the ASEAN Regional Forum (ARF) Experts and Eminent Persons Group. He is a founding member of the multinational track two Council for Security Cooperation in the Asia Pacific (CSCAP). He co-chairs the CSCAP study group aimed at halting the proliferation of weapons of mass destruction in the Asia Pacific region and also serves as Executive Director of the US Member Committee (USCSCAP). He also serves on the Board of the Council on US-Korean Security Studies and the National Committee on US-China Relations (NY) and is a member of the International Institute for Strategic Studies (London). He is a frequent contributor to regional newspapers, including the *Japan Times, Korea Times,* and *International Herald Tribune.* His most recent works are *The United States and the Asia-Pacific Region: Security Strategy for the Obama Administration* (Washington DC: Center for a New American Security, 2009); "US-Japan Relations: What Should Washington Do?" in *America’s Role in Asia: Recommendations for US Policy from Both Sides of the Pacific* (San Francisco: Asia Foundation, 2008), pp. 207-218; and *An East Asian Community and the United States,* Ralph A. Cossa and Akihiko Tanaka, eds., (Washington, D.C.: CSIS Press, 2007).

Virginia Marantidou is a resident WSD- Handa Fellow, at Pacific Forum, CSIS in Honolulu. She has been engaged with Pacific Forum since 2013 both as a non-resident fellow and a Young Leader. She holds a MSc in Asian Politics from the School of Oriental and African Studies, University of London and a BA in International and European Studies from Panteion University of Athens. She spent one year at Science Po Bordeaux, specializing in Political Sciences and International Relations and one year in China under the Chinese Government Scholarship program, studying Mandarin at Hunan Normal University. Her research interests revolve around defense and security issues in the Asia-Pacific region with China as her main focus. Ms. Marantidou has cooperated with various International Relations Institutes in Greece while prior to her fellowship she worked as an editor at the International Relations and Security Network, ISN, Zurich.