The first edition of this book was quickly sold out. By publishing a reviewed and expanded second edition, Funag hopes to cater to the demand of a public that is increasingly interested in the theme of foreign policy and to contribute to a well-informed debate on the goals, the agenda, the possibilities and constraints of the BRICS.

The BRICS presents itself as a befitting theme for diplomatic and academic analyses for several reasons. Being a "work in progress", its goals, agenda and constraints are subject to a wide range of speculation. The five countries chose to combine forces and prestige in a moment when the international scenario is characterized, as well-put by Gelson Fonseca Jr., by a great search for order, but little offer. However, it is unsure to which point the BRICS want and can transform the global order. The composition of the group emphasizes the growing importance of Asia in international relations and the entrance of South Africa broadens the variety of themes essential to Brazilian diplomacy. Nevertheless, the asymmetries and potentialities of the relations between the five members raise questions of a practical nature. Will there be enough cohesive elements for the group to convert into a bloc? Will the five possess the vocation to become agreat power, or will they lose themselves in the ambitions of individual members? Will they develop means for cooperation among themselves, as did the three members of IBSA, and, like them, will they seek to constitute a model for emerging countries, or will they run out of breath at punctual goals, such as within the G20 and IMF?

This book contains the assessments of Brazilian and foreign academics and diplomats on these matters, which closely relate to relevant interests of the entire Brazilian society, and, for that reason, it becomes a timely and mandatory reading.

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BRAZIL, BRICS AND THE INTERNATIONAL AGENDA

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Brazil, BRICS and the international agenda

José Vicente de Sá Pimentel
Editor

In December 2011, Funag organized three debates that brought together diplomats, academics, journalists and entrepreneurs from several Brazilian states. The theme of the debates was the BRICS, a subject well-suited for this type of interaction between diplomatic negotiators and opinion-makers. This book contains the articles written by the participants of the first seminar, conducted in collaboration with FAAP, and the texts submitted by six of the participants of the third debate, which took place at FIESP.

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Brazil, BRICS and the international agenda

Editor: José Vicente de Sá Pimentel

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Brasília – 2013

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Varun Sahni



Foreword

José Vicente de Sá Pimentel

Bachelor in Law from the University of Brasilia (1970). Served at the Embassies in Washington (1973), Santiago (1976), Paris (1982), Guatemala (1985), New Delhi (2004) and Pretoria (2008). Director of the Research Institute in International Relations (IPRI), from May 2011 to June 2012. President of the Alexandre de Gusmão Foundation.

The first edition of this book was quickly sold out, an indication of considerable interest by the Brazilian public, chiefly in the academic sector, for knowledgeable information on BRICS. For this reason Funag launches this second edition, revised and extended, hoping that it will enrich the debate on the objectives, the agenda, the possibilities and the limits of the group formed by Brazil, Russia, India, China and South Africa.

In my presentation of the first edition, I recalled that in 2011, when taking over as Director of IPRI[1], Minister Antonio Patriota encouraged me to promote open cooperation among diplomats and academics for mutual benefit. Accordingly, I contacted professors and other intellectuals from several parts of Brazil in order to exchange ideas and develop issues for common work. In São Paulo, Sergio Amaral opened the doors of FAAP[2] for me and offered to host an event in partnership with Funag. We decided to organize a seminar and chose BRICS as its theme.

The seminar was held on December 6, 2011. At the opening, I offered Funag's resources to organize a high-level continuing dialogue among high officials of Itamaraty and the largest possible number of professionals involved in international relations. I stressed that my intention was not to co-opt anyone but rather to keep a fruitful dialogue for those who wanted to participate. The Government would gain from the sharing of perceptions that

1 Research Institute of International Relations.
2 Armando Alvares Penteado Foundation.

are even more opportune when international relations raise more questions than answers. Academics would also benefit from access to opinions and information on negotiating processes that usually take place behind closed doors.

The invitation was very well received. Besides officials from Itamaraty and other Government agencies, representatives of universities and centers of international relations from Pará, Ceará, Pernambuco, Minas Gerais and Rio Grande do Sul, in addition to the traditional axis São Paulo-Rio-Brasilia, participated in the seminar at FAAP. The essence of the debates is contained in the first 24 articles of this book.

In 2012, two other debates with a similar format were organized. On April 27 professors, diplomats and members of MDIC[3] and MAPA[4] examined at a roundtable in Itamaraty Palace in Rio de Janeiro the results of the fourth BRICS Summit (New Delhi, March 29, 2012). On July 31 next, FIESP[5], under the leadership of Rubens Barbosa, offered to host another roundtable, to which Brazilian officials and professors, besides the Russian journalist and academic Fyodor Lukyanov, the Indian professor Varun Sahni, the Chinese author and Professor Jin Canrong and the Director of the *South African Institute of International Affairs*, Elizabeth Sidiropoulos, were also invited.

This edition contains the text of the presentations by the first two foreign professors as well as those by Ambassador Ronaldo Sardenberg, former Minister of Science and Technology and former President of ANATEL, and from some of the most recognized Brazilian negotiators in economic and financial issues within BRICS, v.g. Ambassador Valdemar Carneiro Leão, Deputy

3 Ministry of Development, Industry and Foreign Trade.
4 Ministry of Agriculture, Livestock and Supply.
5 Federation of Industries of Sao Paulo State.

Under-Secretary General for Economic and Financial Affairs of the Ministry of External Relations, economist Paulo Nogueira Batista Jr., Brazilian Representative to the IMF and Counselor Fernando Pimentel, Deputy Secretary of International Affairs of the Ministry of Finance.

The debates of the two roundtables were recorded and will also be published by Funag. I hope that the two books fulfill the objective of stimulating readers to deepen the reflection on BRICS.

Having assumed the presidency of Funag in June 2012, it is my intention to further promote the dialogue with the Brazilian academic community and with other opinion makers who are increasingly important in the public debate on external policy and who exert influence, through their articles in newspapers, Internet *blogs* and TV programs, over a significant section of the Brazilian public. International matters have become everyday issues. Accordingly, Funag's mission is to promote debates that can enrich the understanding of public opinion about the action of Itamaraty and help it to transmit the importance of its work.

José Vicente de Sá Pimentel
Ambassador, President of Funag
Brasilia, May 2013

Part I

Texts from roundtable I

FAAP, São Paulo, december 6, 2011



BRICS: Notes and questions

Gelson Fonseca Jr.

Career diplomat. President of the Alexandre de Gusmão Foundation - Funag (1992-1995), Permanent Representative of Brazil to the United Nations (1999-2003), Ambassador in Santiago (2003-2006) and Consul-General in Madrid (2006-2009). Author of *Legitimidade e outras questões internacionais* (Paz e Terra, 1998), *O interesse e a regra: ensaios sobre o multilateralismo* (Paz e Terra, 2008) and several articles on Brazilian external policy and international relations.

At the time it was launched in 2001, the notion of BRICS rested on a prediction that came true, unlike many others made by economists: the economies of the four countries (Brazil, Russia, India and China, to which South Africa was recently added), would grow, their participation in world production would become more significant and, consequently, these countries would become favorable places for foreign investment. It is only natural that, as a banking establishment, the focus of Goldman Sachs' reflection was the interest of its clients. The creation of the acronym was a quick and effective way to signal where medium- and long-term good opportunities would be found.

Since predictions were following the right direction, the gains are obvious for those who preferred emerging markets to mortgages in the United States.[1] The figures are well known and with the exception of a few years of trouble in Russia and Brazil, BRICS are today more relevant to the global economy than they were ten years ago.

It is clear that the five countries would deserve attention from economic analysts and the media even if the acronym did

1 BRICS became consolidated in international trade and as a space for investment with evident success in the case of China (also as investor) Regarding applications, Leslie Armijo, quoting Bernstein, said: "between January 1988 and April 2006, the returns for emerging markets equity and the S&P 500 were 18.78% and 12.07%, respectively. However [...] the lion's share of the emerging markets return was earned before 1994, when there was little international interest in them. Begin the analysis in January 1994 and numbers changed from 7.76% for emerging markets and 10.72% for S&P's 500". ARMIJO, L. E., The BRICS Countries as Analytical Category. *Asian Perspectives*, v. 31, no. 4, 2007, p. 11. Figures from before the 2008 crisis.

not exist. Each one of them is important for its own economic, political or strategic reasons. Just to mention very few examples: China is today one of the engines of international economy; Russia has its own weight in security questions due to the size of its nuclear arsenal and its relevance in the energy market; India is worth its demographic weight and its regional influence, besides being the largest "real' democracy in the world; South Africa is a strategic actor in an increasingly important area as supplier of commodities; and Brazil is a fundamental actor in negotiations on sustainable development and trade. It is impossible to imagine that any international regime, whether in the area of security, economy or values can be articulated and consolidated without active participation of the BRICS. As Andrew Hurrell has said, "[...] [these] are countries [...] with some capacity to contribute to the management of the international order either in global or regional terms".[2]

In any case, there is the idea, in my view correct, that the acronym adds something to the four original members and South Africa. It adds right away a "brand", a new expression that distinguishes those five from the remaining emerging countries. In a world where there is no lack of information, establishing a brand is not a small result. "It is better to be BRICS than not", Ambassador Marcos Azambuja uses to remark.

Why did the brand stick? I believe it is because of something very simple that can be gleaned from any geography book: Brazil, China, India and Russia are countries with large territorial extension, huge populations, and diversified economies at the top of the growth rates of emerging economies.[3] That is, the

2 HURELL, A. "Hegemonia, liberalismo e ordem global", in HURELL, A. et al., *Os BRICS e a ordem global*. Rio de Janeiro, FGV, 2009, p. 10. Harrell adds that a second reason to watch the BRICS is "the fact that all these countries share a belief in their right to a more influential role in world matters".

3 GALVÃO, Marcos. Brand BRIC brings changes, *WorldToday.org,* Aug/Sept. 2010, p. 13.

acronym brings out *similarities* among countries that are obviously very different, located in different continents and that had very different bilateral relations among themselves (India and China fought a war in the 1960's; China and Russia were allies and later rivals, etc.).

Similarities, however, encompassed more than figures and geography. In my view, this is where the political history of the group starts. Similarities revealed positions of power. Besides investment opportunities, what brought them together were the opportunities for the exercise of power. In what sense? The start of the 21st century inverted the positive signs opened at the close of the Cold War. The decade of the 1990's opened with the expectation that with the end of the ideological conflict, globalization would distribute positive fruits universally and the international order would gradually be guided by multilateral principles as defined by the Charter of the United Nations (UN). Power would be replaced by multilateral solutions. A new legitimacy, defined by global conferences on human rights, sustainable development, women rights, urban settlements, would replace the selective and precarious legitimacy of rival ideologies.

This description is almost a caricature: after all, the 1990's were also marked by episodes that dramatically thwarted that optimism, both in financial crises and in humanitarian tragedies. However, the caricature is useful to convey, from the perspective of the international order, the huge contrast with the start of the 21stcentury that erased a large part of the optimism and hope resulting from the end of the Cold War.

It was quickly realized that if the ideal of "multilateral" order did not materialize and much less did a unilateral order led by the United States come about. The multilateral solution was close to Utopian (and the "social agents" to take it forward were lacking);

the unilateral solution would represent the negation of the very meaning of international order, which presupposes the combined articulation of "sovereign and diverse wills". By the way, the United States itself realized with a shock, through the difficulties faced in Afghanistan and Iraq, that it was necessary to resort to multilateralism, even if only to supplement and support measures inspired by unilateralism. To make matters simpler, since the end of the Cold War, but especially at the dawn of the 21st century, *there is a demand for order and it is not clear who will provide the offer*. The idea of an aimless, adrift world, marked by deadlocks, devoid of clear perspectives, becomes widespread. An article, "A rudderless world" by Kishoe Mahubani, not by chance an Asian thinker, captures the sentiment that "the world is adrift", and for several reasons. First, because the economic changes (the shift of the axis to Asia) are not reflected in the geopolitical universe, in which the former powers do not move to deal with the changes. There is also a lack of political and intellectual leadership: "[...] political leadership is always preceded by intellectual leadership. For several decades, Western intelligentzia provided intellectual leadership. Indeed, they used to tell the world what should be done. Today, they are clearly lost".[4] One simply knows that States still are the essential actors for the production of order, and the more influential among them (those who have more power...) would have special responsibility in the process.[5] But which ones? How?

4 MAHUBANI, K. A Rudderless world. New York Times, New York, 18 August 2011. Kishore says: "The geopolitics of the world are running at cross purposes with the geo-economics of the world. Geo-economics requires consensus, countries coming together. In geopolitics we are experiencing the greatest power shifts we have seen in centuries. Power is shifting from West to East. All this creates deep insecurity in the established powers. They want to cling to privileges acquired from previous days of glory".

5 Esther Barbé Izuel presents with clarity the same argument: "[…] los países emergentes entran dentro del cálculo de los otros actors internacionales en tanto que potencias globales [...] se comportan y negocian en los marcos multilaterales como grandes potencias [...] y constituyen un desafío, dentro

That demand, which corresponds to the inability of the traditional powers to generate new paradigms of order, flows almost automatically into the slot that is opening for countries (and groups) emerging at that moment to look for their own room in order to "assist", with interests and ideas, ways to design perspectives of order. It must be said at once that there is nothing radical, nothing revolutionary on the side of the emerging countries. To recall Kissinger's categories, they want to "improve" the conditions of legitimacy, not to create alternatives to the existing ones. In the case of BRICS, the five States would play some role in any equation on the international order. Or rather, they already played a role before the acronym was suggested.

There was not and neither there is, however, any geographic, ideological or economic imposition that would recommend that the five should get politically together, except the fact that theoretically they possess weight and influence. Let it be noted that the space is not open only for the BRICS. In the case of Brazil, IBSA is another component in the search for influence, the search for a place in a more open order. There are others, some of them new, such as the G20, the Shanghai Cooperation Group, the Union of South American Nations (UNASUR), as well as older ones that are revising their roles (Association of Southeast Asian Nations – ASEAN, Asia-Pacific Economic Cooperation – APEC, etc.).

In the framework of this wider process, the transformation of BRICS into a political instance, albeit informal, enshrines the idea that they already exerted influence separately; together, they could influence even more (although, in itself, ascending in the

de la continuidad, para el sistema institucional multilateral asentado sobre princípios liberales [...]." IZUEL, Esther B. Multilateralismo: adaptación a un mundo de potencias emergentes. REDI, v. 67, 2010, p. 2.

scale of power does not mean convergence among those that rise, but often the opposite).

The reflection about the BRICS and the construction of the international order starts from there. In this field perhaps the skeptical views are prevalent, stressing the significant differences among the partners, in such a way that any stronger association aiming at the articulation of common interests would either be accidental or artificial. On the opposite side, some say that these countries should have an objective to come together because they would play, increasingly, the role of creating conditions for the consolidation of a multipolar system. But one of the requirements for that is to abate the power of the United States, which would determine the exercise of *soft balancing vis-à-vis* the USA as the privileged function of the group. This is an interesting starting point for reflection, although I believe that complete and definitive answers to clarify what the group will become in the medium run are currently impossible to formulate. Thus we have to collect a number of observations that, even if they do not solve the problem, may help to think about the BRICS phenomenon.

A first entry would have to deal with the nature of the new group. BRICS constitute today an informal association and is far from being a multilateral organization (mini-lateral, to be more precise). It lacks a secretariat and does not produce binding decisions, but enjoys a kind of double-pronged international presence that is like that of a multilateral organ. To recall the old distinction from CECLA, they have a dimension *hacia adentro* (toward the inside) which is expressed in activities of cooperation such as health, energy, judicial issues; and a second dimension *hacia afuera* (toward the outside), which would transform the BRICS into a platform for coordinated action to present proposals and claims aimed at influencing decisions by multilateral organizations, especially in the financial domain.

Usually, the *hacia adentro* dimension of groups of countries aims at exploring "natural affinities". To recall a group that also brings together countries of different continents, the Community of Portuguese Language Countries (CPLP) started from the reference provided by common language and made it a base for joint initiatives that brought its members culturally together. It must be stressed that the affinity was natural. Another example: APEC also brought together countries of different continents; the affinity was precisely the economic unity provided by the Pacific trade routes that would constitute the possible foundation for agreements on trade cooperation.

This kind of "natural affinity" does not occur in the case of the BRICS but does not eliminate the hypotheses of cooperation *hacia adentro*, which would be innumerable. They are different countries, but each one had undeniable accomplishments in several fields that could be the matter of specific cooperation mechanisms. One can think of instruments for closer association in high tech scientific, agricultural and even sports areas (China and Russia possess an Olympic tradition that Brazil and India lack). The understandings in the economic realm, especially in the financial sector, that have been, by the way, one of the highlights of the group, could even be stimulated further. However, the effort on this count is to project the BRICS *hacia afuera*.[6] It is clear, on the one hand, that the differences suggest cooperation, but on the other they impose difficulties. One may suppose that among democratic countries

6 It would be interesting, for example, to bring forth areas of bilateral cooperation between members of the BRICS and to imagine how they could be multilateralized. Hurrell calls attention to some movements, such as the cooperation between Russia and China through the Shanghai Cooperation Organization; Sino-Russian combined military exercises, rapprochement between China and India, the emergence of the G20 at the WTO, the creation of the IBSA forum, etc. See HURRELL, op. cit., p. 12. See also the work by LIMA, Maria Regina Soares de, "Brasil e polos emergentes do poder mundial: Rússia, Índia, África do Sul e China". BAUMANN, R. *O Brasil e os demais BRICS: comércio e política.* Brasilia, IPEA, 2010. This essay shows data about trade relations among the BRICS.

with similar economic regimes there would be stimuli, if not greater, at least different from those that do not share modes of political and economic organization. Conversely, the technological distance (such as nuclear or in missiles) between, on one side China and Russia, and to a lesser degree India, and on the other side Brazil and South Africa constitute an ambiguous terrain when it comes to cooperation. In any case, regular meetings of high-level officials already mean gains for the five countries, inasmuch as it provides a privileged and exclusive forum for exchanges of information on the regional and global situation. The very fact that they possess regional weight and (differentiated) participation in global issues stimulates and enriches the dialogue.

Still to be exploited, cooperation *hacia adentro* is attractive for the five countries. It contributes to consolidate the relationship among the partners and, if taken forward, will become a strengthening ingredient in their projections *hacia afuera*. The favorite themes for analysts, however, are the hypotheses of projection *hacia afuera* and the speculations about the possibilities that might affect the very manner of organizing the international system. The evolution of BRICS would help understand what shape the future international order would take, precisely because the group might be at the source of the multi-polarization of the international order. As the French political scientist Zaki Laïd says "Whether we want it or not, the BRICS are from now on part of the world geopolitical panorama. It remains to be seen whether the geopolitical acronym [...] is in a position to exert a structural influence on the world system" (unpublished document, 2011).

Questions about the future role of BRICS are natural and frequent. Not by chance a BRICS Policy Center was recently launched in Brazil. Answers, in exchange, are far from easy or obvious. They may vary from denial (the countries are individually important, but not as a group) to the acknowledgement that the

new multi-polar order may in part be identified with the rise of the bloc. The negative answers tend to stress the internal differences among its members; and the positive ones, the similarities.[7]

How to link the BRICS to the global problems of the order? The reflection could take as a starting point an article by Randall Schweller.[8] The author proposes three scenarios for the evolution of the international order. The first is the one he calls "great power conflict", recovering the realistic notions that the processes of power transition are necessarily conflictive. The appearance of a *rising challenger*, dissatisfied with the order and its legitimacy, would lead to processes of defiance of the hegemony which, in Gilpin's original model, would unleash military conflict (or, at least, constant attrition with harm to international stability, until such time as the new power becomes accepted). In this process, the emerging powers would act as spoilers. The second model, "great power concert", is rooted in liberal institutionalism. Transition from uni-polarity to multi-polarity would be peaceful because "the world is primed for peace: great power security is plentiful, territory is devalued and a robust liberal consensus exists among the established powers – one ensconced in a thick ensemble of institutions that put strict limits to power". In this model emerging powers would act as supporters and a new balance of power that would be expressed by strong multilateral institutions would be installed and ensure stability.

There would be a third model he calls "time's entropy" that does not presume a univocal role for the emergent countries, which could be *supporters, spoilers or shirkers*, depending on

7 The difficulty to characterize the group is quite clear in ARMIJO, Esther E's article. The BRICS countries (Brazil, Russia, India and China) as an analytical category: mirage or insight. Asian Perspective, v. 31, no. 4, pp. 7-42, 2007.

8 SCHWELLER, Randall. Emerging powers in an age of disorder. *Global Governance*, v. 17, no. 3, pp. 285-298, July/Sept. 2011.

the issue and on the interlocutor. Using the notion of entropy (which he identifies with the progressive reduction of the order) Schweller comes to the conclusion that the international system will not evolve either in the Hobbesian or in the Kantian direction: "It is instead heading for a place akin to perpetual purgatory – a chaotic realm of unknowable complexity and increasing disorder [...] succumbing to the unstoppable tide of increasing entropy, world politics is being subsumed by the forces of randomness and enervation, wearing away its order, variety and dynamism [...]". This model, the least clearly formulated, is close to a pessimistic and even perplexed attitude in the face of a reality increasingly impervious to simplifications.

In any case, the models provide a first analytical step to frame the BRICS. A consistent examination of its position in the international system will have to deal with two elements: that of the hypotheses of evolution of the international order and that of each one's attitude in the face of the possible models of order. Do they want different orders? Do they want the same kind? Would they be capable of harmonizing positions on global issues? What do they want today? Would they act together or does the unity proposal now initiated tend to be ephemeral?

Schweller's article (and many others) supposes that we are going through a moment of transition from a short-lived uni-polarity with a narrow scope to a multi-polarity that is imagined as global (it is the presence of the emerging countries that makes it truly global inasmuch as they have a growing weight in relevant questions in all continents). The transition can be more or less conflictive and leaves a trail of questions. What multi-polarity are we talking about? To which order would the "new multi-polarity" correspond? Would multi-polarity strengthen multilateralism? After all, which would be the new poles? Would the BRICS be the new poles? The answers to these questions are necessarily

speculative, but needed by whoever ventures into a reflection about the future of the international order.

One might start the speculative exercise with a few observations about the current equilibrium. The assumption that the international order would be uni-polar did not last long. It corresponds to a "moment" in the post-Cold War. Nevertheless, the element that persists is that of the evident power advantages of the United States, starting from the strategic and military ones (it is not necessary to recall that the American military budget is greater than the sum total of that of the next five powers in the ranking of military expenditures). However, the United States has suffered the frustrations of the wars in Iraq and Afghanistan, besides the inability to deal with the problem of nuclear proliferation in North Korea and of the Iranian question. Strategic frustrations have consequences, not only by revealing the limits of the military advantages but also in terms of legitimacy and consequently of soft power. After all, one of the elements of legitimacy is measured by the results of political action. A second consideration is that American behavior influences decisively the whole international agenda, especially if we think of the maintenance, reform or building of regimes.[9] A third element is that despite the influence, the post-Cold War world is not being shaped according to American standards (the environmental regime, human rights, trade, etc., are far from American dreams). It is also worth to add the recent difficulty of the United States to articulate "national interests" in view of the deep political cleavage between Republicans and Democrats and of the very complex nature of the issues they face.[10]

9 It is obvious that there are areas where the US influence is minimal, such as the periphery of Russia.

10 In an article published in *O Globo*, on October 25, 2011, "Barack Kissinger Obama", Thomas Friedman illustrates synthetically the problem: "[...] the world became more complicated and the USA lost influence. When Kissinger negotiated in the Middle East in the 1970's, he had to persuade three persons to come to an agreement: the all-powerful Syrian dictator Hafez Assad, an Egyptian Pharaoh, Anwar Sadat and an Israeli Prime Minister who enjoyed an overwhelming majority, Golda Meir. In

So, the American difficulties certainly point to the hypothesis that the building of the order requires more actors and will be a process for which there is not yet a clear blueprint (which explains the pessimism of the entropy model). However, beyond what happens in the field of relations among States, there is another factor, to which Hurrell calls attention: the transition from the traditional pluralist view of the international community toward a vision characterized by greater solidarity, which has represented "a substantial challenge to countries like Brazil, Russia, India and China".[11] These are countries that must at the same time affirm their sovereignty and deal with forces that try to shape it in the name of universal values.

This picture brings a few immediate consequences for the international system. *Partial multi-polarities* start to become articulated in the several issues of the international agenda. Let me explain: on the environmental issue, there are no relevant decisions unless a balance is found among five relevant partners (the USA, Brazil, India, China and South Africa – the BASIC); on the Doha Round, there is no progress without the agreement of the "five interested parties" (USA, Brazil, China, India and the European Union); in disarmament, there are fewer actors, but it is impossible to imagine imposed solutions. On more specific questions, such as the problem of nuclear proliferation by North Korea or Iran, again the actors involved are too many for a viable solution to be articulated. There would be yet another category of questions for which the articulation of mechanisms of solution is more fluid and does not follow established patterns (the problems are clearly universal and mutually influenced, but the solutions

order to make history, Obama and Secretary of State Hillary Clinton must hammer out agreement from a crumbling Syrian regime, a weak and irascible Israeli coalition and a Palestine movement broken in two."

11 HURRELL, op. cit., p. 14.

are considered separately – European, American etc. – and open space for new forums, such as the G20). Institutional problems, such as the reform of the Security Council, are kept in specific pigeonholes, since they bring up problems of regional and global balance of power, besides specific questions of legitimacy (is it possible to create permanent seats in the Security Council by vote and not by consensus?).

These observations, albeit superficial, reveal two obvious elements: (a) on practically all questions of the international agenda the BRICS have some kind of influence (on some, all of them, as in the financial questions; on others, some of them, as in disarmament); (b) on some issues, the positions of the countries of the bloc are convergent, but at first sight this is not the case in the largest part of the international agenda (something that has been widely stressed to prove the lack of viability of the group as a political actor). A third element is the special position of China among the BRICS; due to its characteristics the country might already possess attributes of power that make it a natural (although reluctant) candidate to superpower status, together with the United States (the G2).

A preliminary conclusion would be that exactly due to the new dispersion of power in the several issues of the agenda, there is a huge difficulty to achieve significant progress. It is not yet the entropic model, but many believe that the continuation of today's trends would mean its full acceptance. However, we will come back to this later on.

Having in mind those elements, it is possible to articulate some questions regarding multi-polarity. In the literature there would be two ways to deal with the problem. According to the first one the trend would be toward a uniform behavior, characterized

by what has been called *soft balancing*. In the second, the rule is diversity and for each issue there could be convergence or not.

In Flemes's view, *soft balancing* involves institutional strategies, such as the formation of coalitions or limited diplomatic *ententes*, such as BRICS, IBSA, G3 (a bloc formed by Brazil, India and South Africa) and the G21 (a group composed of developing countries and led by Brazil, Mexico, Argentina, South Africa, India and China) in order to limit the power of the established big powers.[12] It is never a direct challenge by military means to the big powers, and it is expressed through instruments such as territorial denial (refusal of permission of passage of US military forces through the territory, installation of bases, etc.), or such as *entangling diplomacy*, which places obstacles to the legitimization of American views on preemptive war and regime change, as well as reinforcement of economic cohesion to achieve an increase of influence in economic organizations or regimes (such as the IMF, the World Trade Organization – WTO, etc.).[13] *Soft balancing* does not necessarily entail a distancing from the power that one wishes to limit, and resistance is combined with processes of approximation.[14]

If we break up the agenda, the BRICS already make up, with *soft balancing*, the foundations of a multi-polar world. In this

12 FLEMES, Daniel. O Brasil na iniciativa BRIC: *soft balancing* numa ordem internacional de mudança? RBPI, vol. 53, no. 1, Jan/Jul 2010.

13 Flemes reminds us that "at the 2004 WTO Conference, in Geneva, Brazil and India were invited to join the preparatory group called C5, together with the European Union, the US and Australia. At the G8 summit (a group formed by the G7 countries with the additional participation of Russia) in Germany in 2007, Brazil, India and China (with South Africa and Mexico) were invited to formalize their dialogue with the elitist group of the most industrialized countries through the so-called Heiligendamm Process, or Process P-5". Flemes also notes the importance of the BRICS in the G20, which, in his view, will gradually replace the G8 in economic questions, reserving for the latter the security questions.

14 These are the so-called *binding strategies*, such as the Brazil-United States agreements in the field of bio-fuels, USA-Russia cooperation in the fight against terrorism, Chinese financing of the American deficit, etc.

perspective, it is not necessary for them to have unity of purpose. The advantages they get depend from the hypotheses of coalition that would not follow a "general plan". Some analysts, however, take a step forward. Without denying the internal differences, Skak makes a comparative analysis of the individual *soft balancing* behavior of the BRICS and comes to the conclusion that "[...] there are certain significant elements of soft balancing in the security policy considerations and conduct of all four BRICS – so, yes, Hurrell would seem to be right when positing the BRICS to be united in a common strategic culture as soft balancers."[15] Hurrell, mentioned by Skak, makes a sophisticated analysis of the unity and the difference among the countries of the group and, among the points he stresses, is the importance that they attribute to international institutions. There are several reasons for it. First, the institutions can constrain the more powerful through established rules and procedures. In his words:

> *The objective is to chain Gulliver up in all possible ways, regardless of the thinness of the ropes. It is not surprising therefore that Brazil and India are the fourth and fifth countries that most utilize the mechanism for the settlement of disputes at the WTO. Neither is it especially odd that Brazil, China and India wish to use international institutions in order to resist American attempts to promote new norms on the use of force, question the principle of sovereignty or use force to push regime change.*[16]

Hurrell calls attention to other factors that should provide unity to the BRICS countries by focusing on the importance that all of them attribute to multilateral institutions, which offer

15 SKAK, Mette. The BRICS as actors in world affairs: soft balancing or...? IPSA-ECPR *Joint Conference hosted by the Brazilian Political Association at the University of São Paulo,* Feb. 2011.

16 HURRELL, Andrew. "Hegemonia, liberalismo e ordem global: qual é o espaço?" HURRELL, A. et al. *Os BRICS e a ordem global.* Rio de Janeiro, FGV, 2009, p. 27.

a "visibility and an opportunity to be heard that allows weak countries to make their interests public and collect support".[17] The rise of the BRICS could mean, therefore, multi-polarity with a reinforcement of multilateralism.

It is possible to say that Hurrell has an almost positive view of the prospect of growing influence of the group. He does not neglect to note, however, the difficulties for the creation of a common identity, precisely because its members live in an essential ambiguity: that of combining the situation of aspiration to power status and the permanence of the sense of vulnerability that characterizes developing countries. This does not permit to conclude what the future behavior of the bloc will be, whether they would accept the globalized liberal order or not, what their ability to propose alternative projects would be, what degree of autonomy they would be able to retain in the process.

It is interesting to contrast Hurrell's vision with that of the French political scientist Zaki Laïd, who adopts a more critical perspective when discussing what the common intention of the countries of the group in the international system would be. For him, what provides unity to the BRICS, which he calls "a cartel of ambitious *sovereignists*", is

> *[...] to erode the hegemonic design of the West over the world by means of protection to the principle that, in their eyes, seems to be most threatened by it: the political sovereignty of States. The BRICS do not aspire at building an anti-Western political coalition sustained by a counter-project or a radically different vision. But they are concerned about the maintenance of their autonomy of judgment and action in an increasingly interdependent world [...].*[18]

17 Ibidem, p. 28.

18 LAÏD, Zaki. *O cartel dos soberanistas ambiciosos.* Mimeo. Unpublished, 2011.

One of the consequences of the "sovereignist" attitude is the distance between the members of BRICS and the liberal vision of Westerners when dealing, for instance, with limits to sovereignty such as those determined by the responsibility to protect or interventions to achieve regime change (and the example of the reluctance of the group in admitting any external intervention during the Arab Spring would be symptomatic). This observation did not escape Hurrell, who left it open. Laïd sees it in a more negative light, as if the architecture of the liberal project were ready and did not contain limits and contradictions. Laïd forgets, for instance, that for the Western powers the problem of sovereignty is not anchored in interpretations and uniform attitudes. In fact, Laïd's perspective represents an idealized view of the behavior of the Western powers. The reluctance of the United States to accept the International Criminal Court (ICC) is one of the salient examples of the importance attached by the big powers to their sovereignty, just as their resistance to verification mechanisms over countries possessing nuclear weapons or the European intransigence in agricultural issues at the Doha Round.

To confirm his opinions, Laïd attempts to measure the prospects of each of the members about the coalition and the difficulty to find real points of common action (even in the case of finances, he notes the lack of unity in the episode of Strauss-Khan's succession as an example of "weakness" of the BRICS). However, he neglects two fundamental questions to place the BRICS in the processes of global governance. The rise of the BRICS is a sign of multi-polarity in the international order, but does not define what kind of multi-polarity we are dealing with. The existence of poles does not define the nature of the order, which will depend on the degree of competition and rivalry among them. A second problem would be – admitting (as does Laïd) that the BRICS possess a

uniformity of the vision of the order – which would be the nature of the order that coincides with their rise.

In an extremely simplified version, "classic" multi-polarity presupposed that five or six powers would be in a condition to keep the international system stable. The dynamic was simple: every time one of them intended to obtain hegemony (normally expressed through territorial gain) the others would unite to block the claim. It is difficult to transfer the classic model to the reality of our time, except for the notion that hegemonic ambitions tend to be blocked, especially when they destabilize the system or lead to a concentration of advantages. In this sense, multi-polarity is a better foundation for the international order than uni-polar or even bi-polar systems, to the extent that it theoretically broadens the hypotheses of containing power (through power...). Perhaps this is the meaning when one equates multi-polarity with more democratization of the international decision-making processes.

In the contemporary world, territorial disputes no longer seem relevant (although indirectly the interventions in Iraq or Libya have territorial connotations, not of physical conquest, but of acquiring economic advantages). The disputes shift to other fields and normally occur in the framework of regimes. The aim is to expand the power of decision in institutions (reform of the Security Council, increase of quotas at the IMF, obtaining economic advantages through WTO rounds, etc.) or to minimize the costs in negotiating processes on sections of the international agenda (who bears the costs of climate change, who gains with more liberal trade practices, etc.), or else to strive to make certain world views to prevail as legitimate (security concepts, values, etc.).

As I pointed out, the BRICS are present, with more or less impact, in all items of the agenda and with marked differences

among themselves, as Maria Regina has shown.[19] In the medium run, the dispersion of power has not meant greater "agility" for the solution of problems. Somehow, chiefly when dealing with regimes, the international agenda is paralyzed or advances very slowly. To use Leidy's hypothesis, part of the paralysis can be ascribed to the *sovereignism* of the BRICS (or to the *sovereignism* of the traditional powers). In what sense? Here we introduce the theme of the nature of the order, which underpins the debate on the BRICS. Just as at the national level one may debate what is the best combination between market and State to ensure growth and equanimity, at the international level there is an ongoing parallel discussion. This is harder to characterize, but it essentially involves the degrees of transfer of power to multilateral entities and the forms of their management. In order to attain the objectives of climate change, is it necessary to constitute an organization with coercive powers (such as those of the WTO)? Is the concept of the security of the UN Charter obsolete and is it necessary to expand it with more possibilities of intervention, such as in the case of the responsibility to protect? Is it necessary to conclude agreements to control the traffic in small weapons? Is it possible to create verification mechanisms for the biological weapons convention?

It is hard to imagine, in abstract, solutions for those dilemmas (regarding which there are no uniform positions among the BRICS). Perhaps solutions will not be reached in the medium run and in this case we would be heading for the entropy suggested in Schweller's model. In fact, we do not have contradictory models on the established powers' side or in that of the emerging ones. When dealing with objectives, the discourse is almost always similar.

19 As she correctly points out, "(…) the BRICS forum is a coalition among the four countries for the defense of common positions in the global financial terrain. This coalition does not necessarily extend to other questions and negotiating arenas such as trade and climate change, for instance". LIMA, op. cit., p. 164.

Solutions for each regime mean reaching points of equilibrium when interests and responsibilities are discussed, something that, as we well know, is not easy to find (hence the feeling of uncomfortable inertia prevalent in the international order). In this instance the BRICS may or may not have a positive influence, initially because they open up the deliberative process, expand the visions that are put on the table and possess weight. This is relevant by itself and would hypothetically mean a "democratic" gain, but would still be insufficient to characterize which order will prevail. The second part is more speculative. If the BRICS can create bridges for consensus, if they find ways to contribute to stability in their regions, etc., they would facilitate the victory of optimistic solutions. However, if they take the opposite direction, their own weight will render the multi-polarity negative, in which conflicts would multiply, especially if, acquiring power, they would emulate the historic behavior of the global powers. One of the keys to speculate about the process would be the way in which the BRICS deal with their regional realities. Inasmuch as they serve as stabilizing forces, the global system stands to gain.

The ideal scenario would be to imagine a common action of the BRICS as a pole of the good causes, of more democracy in the decision-making systems, of action on security issues based on a global rationality (and not private strategic interests); as facilitators of regional stability, more multilateralism, etc.; and with such power that could make a benign multi-polarity prevail. It is a little premature (if not Utopian) to suppose that such a scenario is within the horizon, even because it would also suppose that other poles were taking the same direction. It would presume, in addition, that the BRICS make up a political actor, with a unified leadership and common long-term projects, something that is still not the case. Anyway, the question is inescapable: is it possible to progress in that direction?

The question leads to the issue, widely exploited by those who mistrust the group, of the differences between the countries that compose it. For our interests, and from a medium term perspective (the next ten of fifteen years), there are two differences that should be examined. In the first place, the (current) position in the hierarchy of the institutional places in the international system in which, on the one hand, Russia and China are located (permanent members of the Security Council), and, on the other, India, South Africa and Brazil (aspirants). Second, the nature of the relations between the countries of the BRICS and the existing poles of power (that probably would remain so in the next few years). There are obviously other significant differences, notably in the realm of values, but this is not the place to explore it.[20]

The difference of institutional places has ambiguous effects. On the one hand, it has served to bring countries closer together, especially when facing common problems at the Security Council (as seen recently in the cases of Libya and Syria). There is, perhaps, a common perspective regarding the ways to solve international disputes, in spite of different strategic interests. The common perspective may stem from what Hurrell characterized as *soft balancing* and essentially regards the relationship of the five countries with the United States and its allies in global issues, or rather issues that affect security globally. The question is whether the common perspective can go beyond possible coincidences at the Security Council (possible because the probability that the five take again the same position is remote) and suggest solutions for the current international problems. There are two factors to be considered in the answer. The first is the fact that, among the

20 Paulo Roberto de Almeida notes, for example, that no communiqué from the BRICS mentions the notion of human rights. ALMEIDA, Paulo Roberto de: "BRIC e a substituição das hegemonias: um exercício analítico (perspectiva histórico-diplomática sobre a emergência de um novo cenário global)", in BAUMANN, op. cit.

five, Russia, China and India have "classic" security problems (Chechnya, Taiwan, Georgia, etc. One may only recall that the question of Kashmir is among the oldest on the agenda of the Security Council), besides being nuclear weapon countries (a fact that generates singular positions when dealing with armament and non-proliferation regimes). Are Brazil and South Africa in tune with their partners on these questions? The same would be true if we consider that, in South America or in Africa, a large part of the most thorny questions (such as movements for the rupture of institutional order) involve positions on the defense of democracy such as, by the way, those adopted by the Southern Common Market (MERCOSUR) and the Organization of American States (OAS). Similarly, these positions would not be followed by their partners in BRICS. These are worlds apart, ruled by different logics; there would not be movements that reinforce regional positions of the partners. The optimistic vision, therefore, would have to consider the BRICS in global processes: there, indeed, they might combine their forces in a positive way.

The other point is the relationship with the current powers, especially the United States. The description of the relationship as one of *soft balancing* is promising, but has two limits. It does not cover the wide spectrum of the relations of each of the BRICS with the USA and all of them, to some extent; have points of convergence and cooperation with the North Americans. Some authors call attention to the institutional ties between Brazil and the United States in the Inter-American system; others, to the Indian trend to *bandwagon* with the USA, an attitude that would be the opposite of *soft balancing*. This reinforces the notion that *soft balancing* is segmented by the force of the very nature of the globalized international processes (all participate in a varied agenda in which each issue suggests a different logic). It is clear that the situation would change in the hypothesis of a "radicalization" of the external

policy of the United States, an extreme unilateralism that would surpass that of President Bush. Maybe in this case, not only the BRICS, but the poles, would change from *soft* to *hard balancing*.

To complete the questions, two other themes could be mentioned. It is worth insisting on a point when dealing with the problem of the order, starting from the acceptance that what unites the BRICS is the demand for participation, for the expansion of the international decision-making processes, something that would happen as a consequence of the change of their situation from emerging to poles (which, as we have seen, already occurs regarding several issues of the international agenda). The difference in positions, particularly in questions of security and United Nations reform, is today an obvious obstacle for the creation of unity of purpose in political issues. This is not an insurmountable obstacle, since the present cannot be changed into a necessary future. What may change the direction of the process is not clear, but the recent history of international relations has rejected repetitions.

In this sense, a last element to consider is what advantages each of the members of the BRICS would obtain by deepening the relationship and overcoming the fragile institutional framework that now exists. The multi-lateralization of those countries, which would mean uniform decisions with greater binding contents in "hard issues" would suppose, for all and each one, specific gains supported by some form of reciprocity. At present, for the BRICS, the acronym offers advantages (the brand itself, some coordinated action in the field of international finance, reinforcing attitudes at the Security Council, etc.) and few disadvantages (there is little to give up in order to achieve common decisions). If we project the multilateral increase in the density of the group, we must start from the difference between Brazil and South Africa, on the one hand, and China, Russia and

India, on the other. Without mentioning differences in culture and civilization (and their consequences for the external action of countries) the fact is that in a simplified model Brazil and South Africa would possess essentially the virtues of *soft power* (they are "good models"), something that Russia and China would lack, in contrast, as possessors of evident factors of *hard power* (India would be closer to the latter than to the former). For Brazil and South Africa it is hard to foresee situations in which the *hard power* of the partners could be "lent" and would strengthen them in some regional issue. Would China and Russia be interested in what we have in terms of *soft power*? Perhaps... The expanding Chinese presence in Africa and Latin America is often seen by local sectors with mistrust and criticism. To be on the same side as Brazil and South Africa does not solve the image problems that may exist, but certainly does not aggravate them. The Russian case may be different. It was one of the countries that possessed excess *soft power* in the times of the Soviet Union, as a stronghold of socialist ideas. Nowadays, the Russian presence is marked, besides the nuclear arsenal, by the weight of its oil market, etc., but the points in which it can project *soft power* are not clear. Thus, the association with Brazil and South Africa can be useful, although it is not possible to "lend" *soft power* as can be done with aircraft and tanks.

This essay did not attempt to prove a "thesis" about the BRICS, but simply to list questions, the majority of which may already have been looked at by other analysts. One conclusion, however, is clear: these countries may grow *hacia adentro* as much as *hacia afuera*. The existing differences limit the possibilities of common action, but do not prevent the search for them, since the advantages that the group can offer its members are many, starting by the possibilities of dialogue between countries that, in several ways, have growing responsibilities in the construction

of the international order. If they contribute to a benign multi-polarity, they will be contributing to an order in which tolerance and conciliation, brought about by multilateralism, can prevail.



BRICS: GENESIS AND EVOLUTION

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Introduction

In a recent comment on the occasion of the commemoration of the centennial of Baron of Rio Branco, Minister Antonio Patriota stated that

> *A great legacy from him [Baron of Rio Branco] is the ability to absorb change. At a time when the economic dynamics and the axis of power moved from Europe to the United States, he had the vision to establish a good relationship with the United States. In today terms, this would mean the ability to coordinate with the BRICS.*[11]

Minister Patriota's words show the dimension of the growing relevance of BRICS in the international panorama. Thus, it is no wonder that a large number of commentators are devoted to explaining better what the BRIC[2], or BRICS[3] is, and what can be expected from this group.

1 *Folha de S. Paulo,* February 10, 2012. Available at: <http://www1.folha.uol.com.br/fsp/mundo/25004-os-brics-são-hoje-os-eua-da-epoca-de-rio-branco-diz-patriota.shtml>.

2 Acronym conceived by the economist Jim O' Neill, from the Goldman Sachs investment bank, in the study "Building better Global Economic BRICs" to designate the group of countries composed by Brazil, Russia, India and China, characterized as emergent economies destined to occupy positions of growing relevance in the world economy. The report can be read at <http://www.goldmansachs.com/our-thinking/brics/brics-reports-pdfs/build-better-brics.pdf>.

3 Acronym resulting from the incorporation of South Africa, decided at the meeting of Foreign Ministers of BRIC, held on the margins of the UN General Assembly in September 2010, and formalized on the occasion of the 3rd Summit of the group, at Sanya, Hainan Province, China, on April 14, 2011.

There are those who classify the group as a new center of influence in a multi-polar power structure that would come to rule the international order in the 21st century; there are those who ask, in this connection, what place these countries aspire to hold in such a new power structure; there are those who argue that they changed the perspective through which we see the world[4]; there are the skeptics who do not foresee any future for a group of countries economically and culturally so diverse and with sometimes conflicting economic interests. Among these there are those who believe that the BRICS do not go beyond an ensemble of improbable characters of a naïve fable.[5] Some classify it only as a short-lived acronym in the alphabet soup prepared by the investment banks;[6] others harshly disqualify it, mentioning that these countries are incapable of helping in providing resources for the European Stabilization Fund[7]; and there are also those who simply ask: do the BRICS exist?[8]

There are also those who nurture suspicions that the BRICS group is being formed to the detriment of the interests of the "West".[99] However, others argue, even within the "Western" editorial establishment, that the countries of the group should persevere in the search for greater political influence,

4 LAÏDI, Zaki. Os BRICS e o novo equilíbrio mundial. *Valor Econômico,* May 27, 2011. Available at: <http://www.valor.com.br/arquivo/890013/os-brics-e-o-novo-equilibrio-mundial>.

5 TAINO, Danilo. BRIC - A sigla do mundo de amanhã. Corriere della Sera, October 6, 2011.

6 BRIC-a-brac. *The Economist*. London, November 22, 2010. Available at: <http://www.economist.com/node/174933468>.

7 KURLANTYICK, Joshua. Don't bet on the BRICs. Council on Foreign Relations, November 3, 2011.

8 William Waack, in an interview with the managing director of the IMF, Christine Lagarde, on December 3, 2011, in the "Painel" show of *Globo News* channel. The video can be watched at <http://globotv.globo.com/globo-news/globo-news-painel/todos-os-videos/v/christine-lagarde-se-considera-um-animal-do-fmi/1718879>. The answer was: "Yes, and I have seen them."

9 TEPHENS, Philip, in the article "That wall of the BRICS could collapse" (The Financial Times, November 28, 2011) wrote that "to lump together China and India, Brazil and Russia is to nourish a narrative that the new global order is best defined as a contest between the West and the rest".

acknowledging that its Summit meetings do not intend to replace the established international organizations.[10]

These perceptions about the BRICS, many of which turned toward aspects of international politics, could not result only from the acronym formulated by the Goldman Sachs bank. As an instrument of financial marketing, the group BRIC, which recently completed ten years of existence, has been successfully fulfilling its role of attraction for investors, making fortunes (and fame for the author of the acronym) and going much beyond the predictions on the growth of the economies of Brazil, Russia, India and China.[11] There are, however, other acronyms created by financial institutions that are successful in attracting investments. I mention the acronyms N-11 (Next Eleven), also coined by Goldman Sachs (it includes Indonesia, Bangladesh, Egypt, Iran Mexico, Nigeria, Pakistan, Philippines, South Korea, Turkey and Vietnam), CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa), conceived by HSBC; and VISTA (Vietnam, Indonesia, South Africa, Turkey and Argentina), created by Japanese institutions. If the BRICS had not been established as a politico-diplomatic mechanism, this acronym would possibly have today a status similar to that of those other groups.

Thus, what causes alarm, perplexity, skepticism, admiration, fear or hope is not the concept designed to identify economies with a huge growth potential in the next few decades, but the rise of the BRICS as a politico-diplomatic mechanism that takes shape at a time when global governance is being redesigned and in which the perception of the deficit of representativeness, and hence of

10 WAGSTYK, Stefan. BRICS at 10. Not dead yet. *The Financial Times*. December 5, 2011.

11 According to a 2003 study by Goldman Sachs, ("Dreaming with BRICs: the path to 2050"), Brazil would surpass Italy as the seventh largest world economy only in 2025. Instead, Brazil surpassed the United Kingdom in 2011, becoming the sixth largest. Available at <http://www.golsmansachs.com/our-thinking/brics/brics-reports-pdfs/brics-dream.pdf>.

legitimacy, of the structures generated in the post-World War II becomes increasingly sharper.

The present text aims at discussing the formation and evolution of the group as a politico-diplomatic mechanism. As the Brazilian *Sherpa* for the BRICS, charged with the negotiations regarding the different aspects of the agenda of the forum, as well as with the organization of the meetings of ministers and heads of State and government, I shall endeavor to present, in the following pages, the way in which the group was formed, how it evolved and what it has actually accomplished until now. I hope to contribute, in this way, to the debate on what can be expected from the BRICS in the future.

Antecedents

Still at the start of the 1990's, when the world was changing and it was not clear in what direction, reflections on how the international order would be configured were plentiful. At that time, at the Under-Secretariat for Policy and Economic Planning of Itamaraty, where I worked from 1989 to 1995, we prepared scenarios of future promising partnerships with countries that, just like Brazil, possessed vast territories, large populations, plenty of natural resources and a certain degree of scientific and technological development. These countries were Russia, India and China. In the field of bilateral relations, the three countries – as well as South Africa – stood out among the most important strategic partners of Brazil. The relationship of China with Brazil was raised to that level still in 1993[12]. These countries also appeared

12 The strategic partnership with China was the first to be established by Brazil, reflecting the long term prospect of the bilateral relationship and the high degree of complementarity that we had identified in the relation with that country. The Sino-Brazilian Earth Resources Satellite (CBERS) represents one of the most relevant partnerships in high technology between two developing countries. China is

in several influential studies of the decade of the 1990's. George Kennan used the expression "monster countries" to describe the United States, China, Russia, Brazil and India, in his 1994 book *Around the Cragged Hill*. In this connection, the economist Roberto Macedo proposed the formulation "whale countries" which, by its turn, was recovered and disseminated in 1997 by Ignacy Sachs, in the article "*Two Whales in the Global Ocean*", which makes reference to India and mentions also China and Russia as other "whales".

Despite the significant weight of these countries, it would have been hard to conceive, in the 1990's, the formation of a group like today's BRICS, not only because each country faced political and economic internal difficulties but also because the G7 (a group formed by Canada, France, Italy, Germany, United States, Japan and the United Kingdom) represented, at the time, the hard core of economic power. However, the economic and political scenario changed significantly since then. In the first few years of the 21st century China rose to the rank of second economy in the world and largest global exporter (2010); Brazil took the place of sixth largest economy in the planet (2011); India maintains high yearly growth rates and is the ninth largest economy; Russia recovered its self-esteem as eleventh largest economy[13]; and South Africa stands before the world with its national dignity rebuilt with the end of *apartheid* and the strengthening of its democracy and its economy.

Brazil's main trade partner (US$ 77 billion in bilateral trade in 2011, with a US$ 11 billion surplus in favor of Brazil). In 2002 a strategic partnership was established with Russia, a country with which we have developed important cooperation in the space area, with emphasis on the Brazilian Satellite Launcher Vehicle (VLS) (in 2005, the strategic partnership with Russia was formalized). The strategic partnership with India appears in bilateral declarations since 2003. South Africa is a strategic partner of Brazil since 2010, with which we developed important economic-commercial, agricultural, scientific-technological and educational activities, among others.

13 2010 data for nominal GDP. Available at: <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD/countries?order=wbapi_data_value_2010%20wbapi_data_value%20wbap_data_valuelast&sort=desc&display=default>.

At present, the BRICS countries represent 43.03% of the world population, 18% of the world nominal Gross Domestic Product (GDP) (25% of the GDP *per capita*), 25.91% of the planet's land area and 46.3% of the global economic growth from 2000 to 2008. Moreover, according to the forecast published by the IMF on January 24, 2012, the countries of the group should contribute with 56% of the growth of the world GDP in 2012. The G7 contribution to the growth of the planet's economy will be 9%, lower than that of Latin America (9.5%)[14]. Several other characteristics of the members of the group also stand out. Brazil, Russia, India and China are the only countries – besides the United States – that possess at the same time (a) territorial area of over two million square kilometers (b) population of over 100 million people and (c) nominal GDP of over US$ 1 trillion. For the sake of comparison, Australia and Canada share extensive territorial area and large GDPs, but their population is less than 100 million inhabitants. Japan and Mexico, for their part, have a GDP of over 1 trillion and more than 100 million inhabitants, but their territories have less than two million square kilometers.

In spite of their credentials, Brazil, India, China and South Africa were not called, until recently, to participate in the main world economic directory, the G8 (a group formed by the G7 countries with the addition of Russia). When this reality became as distressing as unsustainable, these States, together with Mexico, started to be invited to "have coffee" after the G8 banquet, in the so-called *outreach G8+5* process, initiated at Gleneagles (Scotland) during the British presidency of the G8 (2005). Perhaps in order not to configure an incorporation of those five countries to the G8, other partners were circumstantially invited to the meetings of the

14 Data available at: <http://www.economist.com/blogs/graphicdetail/2012/01/daily-chart-10> and <http://www.imf.org/external/pubs/ft/survey/so/2012/NEW012412A.htm>.

Summit, according to the interest of the host nation. For instance, South Korea was present at Hokkaido (Japan, 2008) and Egypt at L'Aquila (Italy, 2009). Commenting the Summit held at L'Aquila, Bertrand Badie observes that the geometry of the meeting was extraordinarily complex, so as to project the image of the G8 as the center of world power: "Le G8 s'est ainsi réuni tout seul, puis avec le G-5 (Brésil, Chine, Inde, Afrique du Sud, Mexique)".[15] It is important to note that "to have coffee" meant to be informed of the decisions adopted – the five *outreach* countries did not participate in the debate on the course of the world economy. This betrayed the G8 perception that countries like Italy and Canada had a more important role in the decisions on the world economy than China, Brazil and India. The same kind of perception was reflected in other international forums. Until 2007, for instance, Brazil had only the 18th quota of votes in the IMF (1.3%), less than the Netherlands or Belgium[16]. An editorial of the British magazine *The Economist* even managed to argue that "it is absurd that Brazil, China and India have 20% less clout within the fund than the Netherlands, Belgium and Italy, although the emerging economies are four times the size of the European ones, once you adjust for currency differences."[17]

The start of the 21st century made bluntly explicit what Brazil (and other countries) was pointing out for decades: the lack of representativeness and hence of legitimacy of the international institutions spawned in the post-war. As Ambassador Gelson

15 BADIE, Bertrand. *La diplomatie de connivence*. Paris. Éditions La Découverte. 2011, p. 126. It should be observed that the L'Aquila Summit (July 2009) was held after the participation of Brazil, China, India and South Africa in the G20 Summit in Washington (2008) and London (April 2009) and just before the Pittsburg Summit (September 2009).

16 The editorial of the British magazine *The Economist* of April 20, 2006, titled "Reality check at the IMF", even argues that "It is absurd that Brazil, China and India have less clout within the Fund than Holland, Belgium and Italy, although the emerging economies are four times the size of the European ones, once you adjust for currency differences".

17 Available at: <http://www.economist.com/node/6826176>.

Fonseca stressed: "Since the end of the Cold War, but especially at the outbreak of the 21st century, there is a demand for order and it is not clear who is going to provide the offer".[18] This circumstance made room for the formation of new instances of articulation and coordination involving developing countries. It was in this context, and in this spirit, that the India-Brazil-South Africa (IBSA) forum was organized in 2003, without any prognosis from economic institutions, and the bi-regional Summits ASA (South America-Africa) and ASPA (South America-Arab Countries). Such mechanisms differ from the regional integration blocs, formed on the basis of territorial continuity or of neighborhood relations (MERCOSUR, UNASUR and the Community of Latin American and Caribbean States – CALC-CELAC). Their encompassing agendas also distinguish them from other groups of which Brazil is a part, such as the G-4 (Brazil, India, Japan and Germany), which deals exclusively with the reform of the Security Council of the United Nations; BASIC, which groups Brazil, South Africa, India and China in climate change negotiations, or the G20, focused on the global economic agenda.

BRICS was constituted after the formation of IBSA, ASA and ASPA, but follows the same principles. It came to being in order to complement global governance, rather than to compete with it. It started informally in 2006, at a working luncheon on the margins of the General Assembly of the United Nations (UNGA), under Russian coordination. In 2007, Brazil assumed the organization of the above-mentioned luncheon on the margin of the UNGA and at that occasion it was understood that the interest in deepening the dialogue warranted the organization of a specific meeting of Foreign Ministers of BRIC. The first formal meeting of foreign

18 FONSECA Jr., Gelson. "BRICS, notas e questões", text for a seminar on BRICS organized by the Institute of Research on International Relations (IPRI). FAAP, SP, December 6, 2011.

ministers was held already in the next year, on May 18, 2008, at Yekaterinburg, marking the moment when BRIC ceased to be only an acronym identifying four emerging countries to become a politico-diplomatic entity. It is important to record that the birth of the entity did not come about through a recommendation from Finance Ministers, but resulted from the initiative of two experienced and brilliant diplomats, specialists in international relations: the then Minister of External Relations of Brazil, Ambassador Celso Amorim,[19] and the Russian Foreign Minister, Ambassador Sergei Lavrov. In the Joint Communiqué agreed at Yekaterinburg, Brazil, Russia, India and China stress the following points of consensus:

- Strengthening of international security and stability;
- Need to ensure equal opportunities for the development of all countries;
- Strengthening of multilateralism, with the UN playing a central role;
- Need to reform the UN and its Security Council in order to make it more representative, legitimate and effective;
- China and Russia recorded support to the aspirations of Brazil and India to play a larger role at the United Nations;
- Support to the solution of disputes through political and diplomatic means;
- To favor disarmament and non-proliferation;
- Condemnation of terrorism in all its forms and manifestations;
- Recognition of the importance of international cooperation to confront the effects of climate change;

19 In his book *Conversas com jovens diplomatas,* Minister Celso Amorim comments about the formation of BRICS: "It is what, strangely, reviewing my 2003 notes, we used sometimes to call G3+2: the G3 was IBSA, and the +2 were Russia and China" (p. 461).

- Reiteration of the commitment to contribute to the fulfillment of the Millennium Goals and support to international efforts to combat hunger and poverty;
- Welcoming the Brazilian suggestion to organize meetings of Finance ministers of the BRICS to discuss economic and financial issues. Since then, such meetings have been held at least annually.

For a first meeting, coincident positions were identified in a significant number of areas. This is not negligible especially if we consider that the members of the group are countries with a strong diplomatic tradition and notable both for the independence of their external policies and for the deep commitment to the strengthening of multilateralism.[20] In July 2008, the Heads of State and Government of the BRICS met for the first time, in an informal setting, on the margins of the G8 Summit (Hokkaido, July 9). Presidents Luiz Inácio Lula da Silva, Dmitri Medvedev (Russia) and Hu Jintao (China), besides Prime Minister Manmohan Singh (India) instructed their Foreign Ministers to organize a meeting of Heads of State and Government of BRIC. Still in 2008 the first Meeting of Finance Ministers of BRIC was held in São Paulo, on November 7, recommended by Brazil at the meeting of Foreign Ministers at Yekaterinburg (May). It should be noted that in that year of 2008 the BRICS countries were already at work on an economic agenda, before the collapse of the Lehmann Brothers bank (September) and also before the first meeting of the G20 at the level of Heads of State and Government (the first G20 Summit was held in September 14 and 15, 2008, in Washington). Since 2009, the BRICS have held annual meetings at the Summit level.

20 Brazil acts globally and maintains diplomatic relations with all Member States of the United Nations. Just like China, it is a member of 73 international institutions, second only to Russia among the BRICS; the latter participates in 79, but Brazil has a larger participation than India (72) and South Africa (60). Source: <https://www.cia.gov/library/publication/the=world-factbook-fields/2107.html>.

First Summit

The First Summit (Yekaterinburg, June 16, 2009) was held under the impact of the crisis started in 2008, so that the economic issues were prominent. The Heads of State and Government stressed, in the first paragraph of the Declaration, "the central role played by the G20 Summits in dealing with the financial crisis. They have fostered cooperation, policy coordination and political dialogue regarding international economic and financial matters". A few months later, at the G20 Summit in Pittsburgh (September 24 and 25, 2009) the G20 was effectively designated as "premier forum" for international economic cooperation, as the BRICS countries had argued for in the Yekaterinburg Declaration.

The leaders of these countries committed themselves, in addition, to make progress in the reform of the international financial institutions, in order to reflect the changes in the global economy and affirmed the perception that emerging and developing countries should have greater voice and representation in those institutions. The coordination of the BRICS on these issues has had great visibility, since tangible results have been achieved, such as progress in the reform of the IMF and World Bank quotas. This has benefitted not only the BRICS countries, but many other developing nations.[21]

21 The 14th general review of the IMF quotas will result, upon its conclusion, in the transfer of more than 6% of the quotas of over-represented countries to under-represented ones. It will also result in the transfer of more than 6% of quotas to emerging economies and developing countries. In the case of the BRICS countries, China, India and Brazil, which represented respectively the 2nd, 4th and 8th economies in the world (GDP PPP) in 2010, occupied only the 7th, 8th and 13th principal positions in the universe of World Bank quota holders, and the 9th, 13th and 17th positions at the IMF. With the implementation of the governance reforms and voting power, these countries will occupy the 3rd, 7th and 12th positions at the World Bank, respectively, and the 3rd, 8th and 10th places at the IMF. For its part, Russia, (which held the 10th position at the World Bank and the IMF) will occupy the 8th place at the World Bank and the 9th at the Fund. Source: <http://www.imf.org/external/np/extfacts/quotas/htm>.

Coordination in the economic-financial field developed significantly in 2009. In that year alone, the BRICS Ministers of Finance met at Horsham (May 13), London (September 4) and Pittsburgh (September 24 and 25).

However, the BRICS were not sure of the continuation of their existence. As Minister Celso Amorim recalls, upon detecting a certain hesitation regarding the organization of the next BRICS Summit, Brazil offered to host the following meeting of Heads of State and Government of the BRICS.[22]

Second Summit

The Second Summit, held in Brasilia, on April 15, 2010, deepened the political concert among the members of BRICS. In the Joint Communiqué, the Heads of State and Government celebrated the confirmation of the G20 as the main forum for international economic coordination and cooperation and stressed the representativeness of this forum. They underlined, once again, the need for ambitious reform in the Bretton Woods institutions.

The great novelty of that Summit, however, was the exponential growth, in 2010, of the intra-BRICS initiatives for cooperation, with the holding, among other events, of the First Meeting of the Heads of Statistics institutes of the BRIC, on the margins of the meeting of the Statistics Committee of the United nations (New York, February 22), resulting in the publication of two volumes

22 AMORIM, Celso. *Carta Capital*, April 25, 2011. "And what do we note along this process? First, obviously, the consolidation of the group. When Brazil proposed to host last year's meeting the offer was accepted almost as a gesture of courtesy toward President Lula, since his mandate was near its close. Now, without anything similar happening, the next summit is already set for the coming year in India. In sum, the leaders of the BRICS no longer have doubts about the importance of meeting to discuss cooperation among them in issues of global interest, from finances to trade, from energy to climate change.

with joint statistics of the BRIC countries[23]; the First Program of Exchange of Magistrates of BRIC (Brasilia, March 1-12); the First Meeting of BRIC Ministers of Agriculture (Moscow, March 26), the Meeting of Presidents of BRIC Development Banks (Rio de Janeiro, April 13), when the Memorandum of Understanding among said banks was signed; the First Seminar of BRIC Think Tanks (Brasilia, April 14-15), the meeting of BRIC Cooperatives (Brasilia, April 15-16); the BRIC Entrepreneur Forum (Rio de Janeiro, April 14) and the Second Meeting of High Officials Responsible for Security Issues (Brasilia, April 15). The first event of the latter kind was held in 2009.

These initiatives contribute to create a mechanism whose activities are not limited to an exercise from one Summit to the next but provides for intense and continuous activity among its members in different areas. The Entrepreneurial Forum, for instance, has provided the opportunity for contact among entrepreneurs and political leaders, with a view to stimulate intra-BRICS trade, which has a huge potential. The value of the BRICS trade with the world grew from US$ 1 trillion in 2002 to US$ 4.6 trillion in 2010, while intra-BRICS trade was worth US$ 220 billion in 2010 (estimated). For the sake of comparison, intra-BRICS trade in 2002 was only about US$ 27 billion. Brazil-BRICS trade grew from US$ 10 billion in 2003 to US$ 96 billion in 2011.[24]

Third Summit

The Third BRICS Summit, held in Sanya, China, on April 14, 2011, formalized the accession of South Africa, previously

23 The publications can be found at the electronic address <http://www.itamaraty.gov.br/temas-mais-informacoes/saiba-mais-bric/livros-artigos-e-textos-academicos/view>.

24 For Brazil-BRICS trade, see the page of the Ministry of Development, Industry and Commerce <http://www.mdic.gov.br//sitio/interna/interna.php?area=5&menu=33858,refr=576>.

defined at the Meeting of Foreign Ministers of the forum, in September 2010, on the margins of the General Assembly of the United Nations. The inclusion of South Africa expanded the representativeness of the group, consolidating it as a politico-diplomatic forum composed of representatives of four continents. It should be noted that the author of the acronym himself, Jim O'Neill, went out of his way to record his dissatisfaction with this evolution of the BRIC, by writing: "When I created the acronym, I had not expected that a political club of the leaders of the BRIC countries would be formed as a result. In that regard, the purposes of the two might be regarded differently and more so after this news [the incorporation of South Africa]".[25]

The third meeting of leaders advanced toward the consolidation of the mechanism in its two pillars of action: coordination in multilateral forums on issues of common interest and the construction of a cooperation agenda within the BRICS. Cooperation by sectors in areas such as agriculture, statistics and development banks was strengthened and new fields of action were opened in science and technology and health, among others. Coupled with the Summit, a Think Tank seminar, in Beijing, the II Business Forum, in Sanya and the Meeting of BRICS Development Banks, also in Sanya, were held. On the margins of the Third Summit a meeting of BRICS Commerce Ministers was also organized, in order to discuss the future course of the Doha Round.

In the political sphere, all countries of the group were members of the United Nations Security Council in 2011, expanding the room for coordination and consultation on red-hot issues of the Council's agenda, such as the question of Libya. The meeting of Foreign Ministers on the margins of the General Assembly, in September 2011, deepened the political dialogue in support of promotion of

25 O'NEILL, Jim. South Africa as a BRIC? *Investment Week*, January 6, 2011. Available at: <http://investmentweek.co.uk/investment-week/opinion/1935362/jimoneill-south-africa-bric>.

democratization in the international system, promoted a debate on the Middle East and North Africa, dealt with the COP 17 Conference (Durban, December 2011) and the Rio+20 Conference (Brazil, June 2012); reiterated support to the adherence of Russia to the WTO and reaffirmed the importance of the completion of the reform of international financial institutions. Still with regard to coordination on political issues, a meeting of Vice-Ministers was held in Moscow, on November 24, to deal with the situation in the Middle East and North Africa, resulting in a wide ranging Declaration on questions such as the political situation in Syria, Libya and Yemen, the Arab-Israeli conflict and the Iranian nuclear program. Participants stressed the legitimacy of the aspirations of the peoples of the region for more political and social rights. Emphasis was given to the role of the Security Council, since it is entrusted with primary responsibility for the maintenance of international peace and security.

Conclusion

During the few years elapsed since it was formed (the first Summit took place less than three years ago) the BRICS already demonstrated its capacity to influence the reform of global governance. In the economic realm, its action with a view to the reform of the international financial institutions not only recognized (albeit partially) the economic weight of its members, but also benefitted the interests of other developing countries. In the political sphere, dialogue and understanding in issues of common interest deepen, such as the reform of the United Nations and its Security Council, combat to international terrorism, sustainable development, eradication of poverty, climate change and fulfillment of the Millennium Development Goals, among other questions.

The BRICS were also successful in the construction of their own cooperation agenda, especially with regard to the promotion of intra-BRICS trade, through Business Forums organized in the scope of the Summits; in the increase of mutual knowledge among the societies of the five countries, through the Academic Forum and the Sister Cities Forum; in the search for innovative instruments to stimulate trade and investment, through the rapprochement between development banks of the BRICS members. I also stress the current cooperation in areas such as agriculture, health and energy.

As this text is being drafted, preparations for the Fourth BRICS Summit, to be held at New Delhi, on March 29, 2012, are underway. The agenda for this meeting will not fail to devote special attention to the economic area, since the effects of the Euro Zone crisis already affect developing countries. Concern with the European crisis and with the future of world economy was the reason for a meeting of Heads of State and Government of the BRICS, on Brazilian initiative, on the margins of the G20 Summit at Cannes, in November 2011, and another meeting at this level may also be held in the context of the G20 Summit in Mexico. Thus, the Fourth BRICS Summit will be an opportunity for a dialogue on the role of these countries in the resumption of world economic growth. The agenda of the meeting, however, will not be restricted to economic questions, but shall include a political dialogue on issues such as international peace and security, reform of global governance institutions, promotion of sustainable development (with emphasis on the holding of Rio+20) and challenges to urbanization and biodiversity, among others issues of mutual interest.

After the Fourth Summit, South Africa is already preparing to host the meeting of Heads of State and Government in 2013 in

order to advance the process of deepening and consolidation of the group as a political-diplomatic mechanism.

As one reflects on the perceptions raised by the group, an observation becomes necessary. The BRICS were not formed against the interests of other countries. They are not looking for a zero-sum game, but rather a *win-win* situation, which, by the way, is a feature of Brazilian diplomatic action. As Baron of Rio Branco used to say, "combinations in which none of the parties lose, and even more, those in which all win, will always be best".[26] In President Dilma Rousseff's words, at the Sanya Summit, "The BRICS are not organized against any group of countries; In fact, we work for mechanisms of cooperation and global governance in tune with the 21st century".[27] So, the group is open to dialogue and cooperation with extra-BRICS countries and with international organizations, as recorded in the Sanya Declaration.

The countries of the group are not self-sufficient and do not make up a power condominium in the manner of other well-known "G's". It is not a coalition or an oligarchic alliance, but an association of countries that represent almost half of the planet's population and a growing section of the world economy, and that understand their responsibility in the construction of a renewed international order. As Minister Amorim stated:

> *These new organizations, BRIC as well as IBSA, are helping to change the world, but not in such a way that they become a new aristocracy. We do not wish to be the elite of the emerging countries. Neither do we want to replace an old*

26 RICUPERO, Rubens. *Folha de São Paulo,* November 16, 2008. Available at: <http://www1.folha.uol.com.br/fsp/dinheiro/fi1611200309.htm>.

27 Available at: <http://www2.planalto.gov.br/imprensa/discursos/declaracao-a-imprensa concedida-pela-presidenta-dilma-rousseff-apos-3a-cupulados-brics>.

> *G8 aristocracy with another aristocracy. What we want is to contribute to the creation of a more democratic world, a world in which everyone's voice is heard. This is the great role that BRIC and IBSA can play".*[28]

This perception seems to be shared by other important actors in the international community. The German Minister of Foreign Affairs, Guido Westerwelle, made an emblematic statement to the effect that the BRICS are not important only in economic terms, but rather necessary partners for global solutions:

> *By virtue of their economic rise, these countries have grown politically; without them, we cannot negotiate any global solutions. Not even the United States and Europe together will be able to achieve it. Their rise changes world politics in a fundamental way. Old rules are shaken and new ones have not yet come up, but we can recognize its outlines".*[29]

Brazil, Russia, India, China and South Africa joined forces in favor of the democratization of international relations, the strengthening of multilateralism and the promotion of development.

It is true that the five countries have different historical backgrounds and cultural roots, but perhaps precisely for this reason they may be able to generate a new paradigm of international action, as Minister Celso Amorim suggests: "The BRICS are an example of how countries with diverse cultures can unite around common projects in favor of peace, multilateralism and respect to international law".[30]

28 Available at: <http://agenciabrasil.ebc.com.br/noticia/2010-04-15/para-amorim-paises-do-brics-nao-querem-ser-nova-%E2%80%Caristocracia%E2%80%D-mundial>

29 Speech delivered on August 29, 2011, in Berlin, during a Conference of Ambassador at the Auswärtiges Amt.

30 *Economia Exterior* magazine (Spain). Spring 2010.

ANNEX: BRICS EVENTS (2006-2012)

2012

- Informal BRICS meeting during the 130th session of the Executive Council of the World Health Organization (Geneva, January 19)

2011

- Meeting of BRICS Trade Ministers on the margin of the 8th WTO Ministerial Meeting (Geneva, December 14)
- Meeting of the WG on access to medicines of the BRICS on the margin of the 29th Meeting of the Managing Committee of UNAIDS (Geneva, December 13)
- Meeting to discuss the establishment of the Contact Group on Economic and Commercial Affairs of BRICS (Beijing, December 2)
- 1st Conference of Sister-Cities and Local Governments of BRICS (Sanya, December 2 and 3)
- Meeting of Vice-Ministers of External Relations of the BRICS on the situation in the Middle East and North Africa (Moscow, November 24)
- Meeting of Heads of State and Government of the BRICS on the margins of the G20 Summit (Cannes, November 3)
- 2nd International Conference on Competition of the BRICS (Beijing, September 21)
- 2nd Meeting of Ministers of Agriculture and Agrarian Development of the BRICS (Chengdu, October 30)
- 2nd Meeting of the WG on Agricultural Cooperation (Chengdu, October 29)

- 3rd Meeting of Heads of Statistics Institutes of the BRICS (Beijing, September, 25)
- 4th Meeting of Foreign Ministers parallel to the 66th UNGA (New York, September 23)
- Meeting of Finance Ministers and Presidents of Central Banks of the BRICS, on the margins of the Annual Meeting of the IMF and of the International Bank for Reconstruction and Development (BIRD) (Washington, September 22)
- Meeting of Health Ministers of the BRICS on prevention and control of non-communicable diseases, on the margins of the UN High Level Meeting on Non-communicable Diseases (New York, September 20)
- 2rd BRICS International Conference on Competition (Beijing, September 21)
- Meeting of High Officials of the BRICS in the area of science, technology & innovation (Dalian, September 15)
- Meeting of the Working Group of Specialists in Agriculture of the BRICS (Beijing, August 3 to 6)
- Meeting of Health Ministers of the BRICS (Beijing, July 11)
- Meeting of the Presidents of Development Banks of the BRICS on the margins of the 15th St. Petersburg International Economic Forum and signature of Memorandum of Understanding (St. Petersburg, June 17)
- 2nd Meeting of Cooperatives of the BRICS (Beijing, June 14)
- Meeting of the Heads of Delegation of the BRICS on the margins of the 2nd Summit of the G20 Parliamentarian (Seoul, May 19)
- Meeting of Partner Cities of the BRICS, in which cooperation between Rio de Janeiro, St. Petersburg, Mumbai and Qingdao was formalized (Qingdao, May 18)

- Meeting of Health Ministers of the BRICS, on the margins of the 64th World Health Assembly (Geneva, May 17)
- 3rd BRICS Summit (Sanya, April 14)
- 2nd Meeting of Entrepreneurs of the BRICS (Sanya, April 13 and 14)
- Meeting of the Development Banks of the BRICS, as well as Financial Seminar (Sanya, April 13)
- Meeting of Trade Ministers of the BRICS (Sanya, April 13)
- 2nd Seminar of Think Tanks of the BRICS (Beijing, March 24 and 25)
- Meeting of Finance Ministers of the BRICS on the margins of the meeting of the G20 (Paris, February 19)
- Coordination meeting of institutes of statistics (Beijing, January 9 to 21)

2010

- Opening Ceremony of the BRIC Policy Center – BRIC Study and Research Center (Rio de Janeiro, December 10)
- 2nd meeting of Heads of Statistics Institutes of BRIC (Rio de Janeiro, November 29 and 30 to December 1)
- Meeting of Representatives of Development Banks of the BRICS (London, October 11 and 12)
- BRIC Meeting on the margins of the International Meeting of High Level Officials Responsible for Security Affairs (Sochi, October 5 and 6)
- 5th BRIC Ministerial Meeting on the margin of the 65th Session of the General Assembly of the United Nations (New York, September 21)
- 2nd BRIC Summit, (Brasilia, April 15)

- Meeting of High Level Officials Responsible for Security Affairs (Brasilia, April 15)
- 1st Meeting of Cooperatives of the BRICS (Brasilia, April 15 and 16)
- Entrepreneurial Forum IBSA+BRIC (Rio de Janeiro, April 14)
- BRICS *Think Tanks* Seminar (Brasilia, April 14 and 15)
- Meeting of Development Banks of the BRICS (Rio de Janeiro, April 13)
- Meeting of *Sherpa* Coordinators of the BRIC (Brasilia, April 13)
- Meeting of Ministers of Agriculture of the BRIC (Moscow, March 16)
- 1st Interchange Program of Magistrates of the BRIC (Brasilia, March 1 to 12)
- Seminar "An Agenda for the BRIC", organized by the City of Rio de Janeiro (February 22 and 23)
- 1st Meeting of Heads of Statistic Institutes of BRIC, on the margins of the Meeting of the Statistics Committee of the UN (New York, February 22)
- Meeting of "financial *Sherpas"* in parallel to the meeting of the G20 (Mexico City, January 14)

2009

- Ministerial coordination meeting of the BRIC in preparation for the Annual Assembly of the IMF and World Bank (Istanbul, October 6 and 7)
- Meeting of Finance Ministers of the BRIC at the Summit of the Financial G20 (Pittsburgh, September 24 and 25)
- BRICS Ministerial meeting on the margin of the 64th UNGA (New York, September 24)

- Meeting of Finance Ministers and Presidents of Central Banks for coordination prior to the meeting of the G20 counterparts (London, September 4)
- 1st BRIC Summit (Yekaterinburg, June 16)
- Meeting of High Officials Responsible for Security Affairs (Moscow, May 28 to 30)
- 2nd Meeting of Finance Ministers of the BRIC group (Horsham, March 13)

2008

- 1st Meeting of Finance Ministers of the BRIC group (São Paulo, November 7)
- 3rd Meeting of Foreign Ministers of the BRIC group, on the margins of the 63rd UNGA (New York, September)
- Meeting of Heads of States and Government of the BRIC group on the occasion of the G8 Summit (Hokkaido, July 9)
- 1st Ministerial Meeting of the BRIC group (Yekaterinburg, May 15 and 16)
- 1st Meeting of Vice-Ministers of the BRIC group (Rio de Janeiro, March 10 and 11)

2007

- 2nd Meeting of Foreign Ministers of the BRIC group, on the margins of the 62nd UNGA (New York, September 24)

2006

- 1st Meeting of Foreign Ministers of the BRIC group, on the margins of the 61st UNGA (New York, September 2006)



BRICS: IDENTITY AND ECONOMIC AGENDA – NOTES BY A DIPLOMATIC OBSERVER

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From the point of view of the diplomatic agent, within the BRICS or any other informal group of countries, two questions have an immediate interest: one is the *raison d'être* of the group (its objectives), another is what gives it substance and cohesion (its identity). It is imperative to understand both as preliminary questions in order to understand the limits of the group's action and the kind of agenda that each of its members can aspire to.

In economic diplomacy, no field has been more favorable to the rise of groups and alliances than that of the multilateral trade negotiations, in which one can observe an agglutination of countries in multiple geometries dictated by a coincidence of interests on themes or even in very specific topics. This phenomenon benefits from the wide scope of commercial questions (and that of the WTO in particular) as well as from the variety of actors on the stage. In general, these are ephemeral groups or alliances that dissolve once the aim is achieved or the issue that mobilized them is overcome. Their extension in time is the exception (as is the case of the Agricultural G20, established on the margins of the WTO Ministerial Conference in Cancún, in 2003, which still subsists).

In the economic-commercial sphere the rule is that the agenda generates the group, which often does not even present or develop a unique "identity".

Trade negotiations only serve as a reference in this essay. The case of the BRICS stands away from the usual model: in this case, "identity" precedes the objectives. However, neither is the

former based on obvious criteria of similarity or affinity, nor does the latter present clear outlines. This unique feature of the group does not make the work of the diplomatic agent easier.

Dissimilarities and identity

In the original conception of Jim O'Neill, only two components identified the BRICS: size of the economies and rates of growth. Since it was an intellectual construct aiming at detecting an ongoing change in the balance of economic power, it was only natural that O'Neill concentrated his focus on those two factors, although it is surprising that he completely neglected the remaining ones. Political factors could defeat all forecasts on which his thesis was based, namely that the G7, in its original composition, had ceased to be representative.

It is well known that O'Neill never understood the BRICS as a group with a unique identity. The differences among its participants were so obvious that there was no point in speculating about its potential of self-identification. These were simply countries that, with different degrees of priority, should be co-opted by the G7.

Ten years later, reality seems to tend to confirm the prediction of reconfiguration of economic power, albeit with a political development (the formation of the group) absent from the original concept. The very decision to join together, however, is precisely what generates greater interest and speculation at the political and academic levels, given the seeming non-existence of affinities.

As has been insistently pointed out, the histories of the five countries that make up the group are profoundly different, just as their models of social organization; their development experiences have followed totally diverse paths and the asymmetries in territory and population are considerable.

There are other structural differences: the strong points of their economies (that is, those of highest competitiveness) do not coincide either: agriculture in Brazil, energy in Russia, manufacture in China and, increasingly, services in India. Although seen in abstract these "specializations" may present a perfect complementarity, in fact this does not exist in practice.

Brazil-China and India-China trade are the only cases in which the economic agents have built significant exchange channels (and in the case of Brazil this happens according to a pattern that is not satisfactory for Brazil, as is well known). The volume of reciprocal investment has not revealed, so far, a differentiated level of interest among the five (Chinese investments in Brazil may, again, constitute the exception). Moreover, all have the objective to establish themselves as industrial powers (China is one already) and this may lead them even further away from the path of complementarity.

In sum, the elements that would favor an *a priori* identity of the BRICS are lacking, and this being so one must ask the reason far their advent and for the high political level (ministerial or Heads of State or Government) of their meetings.

The existence of a common denominator is suggested here, composed on the one hand by the awareness, by each of the four, of the potential of the whole group (a self-fulfilling prophecy whose origin is the non-intentional O'Neill finding) and, on the other, of an affinity, perceived rather than explicit, in the critical observation of the distribution of power in the global governance systems. In the first component there are two obvious elements that deserve to be pointed out due to their political implications: first, the image that each of the initial four members had of itself and, second, the acceptance of this image by its peers (with reciprocal perceptions that are certainly different, but do not cancel

out the will to associate). The recognition of such cross evaluations is remarkable because it is clear in the Declaration issued at the First Summit, at Yekaterinburg, in June 2009, where references to "emerging and developing countries" can be found. The BRICS set themselves apart from the remaining countries, even if the term "emerging" may include other non-specified States. In any case, there is consensus around another status that the group attributes to itself, although it does not claim the right to make demands only for its own sake: it should be noted that according to the Yekaterinburg Declaration, the increase of the representation in financial governance organs should benefit both emerging and developing countries.

The second component of identity is a reforming affinity with regard to the international order. Both the economic and the political angles were present at the inception of the group, but until now the former seems to have, in the short run, a greater potential of materialization than the latter, given the differences in institutional stature among the members of the group. Two of them have seats at the table of the important world political decisions and there are no signs that they are interested in promoting access for the other three.

Agenda and agendas

A clear set of objectives common to the BRICS is hard to identify. What would be closer to a body of common ideas is contained in paragraph 12 of the Joint Declaration issued at the First Summit of the group, at Yekaterinburg, on June 16. It says:

> *We underline our support for a more democratic and just multi-polar world order based on the rule of international law, equality, mutual respect, cooperation coordinated action and collective decision-making of all states. We*

> *reiterate our support for political and diplomatic efforts to peacefully resolve disputes in international relations.*

Further down, it states:

> *We express our strong commitment to 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 within the UN with a view to making it more efficient so that it can deal with today's challenges more effectively. We reiterate 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.*

In previous sections of the Declaration there is also an expression of support to the G20 (considered by the four countries as indispensable in view of the economic crisis) and the reformist endeavor of the group in what regards international economic governance. On the latter point, paragraph 3 points out:

> *We are committed to advancing the reform of international financial institutions, so as to reflect changes in the global economy. The emerging and developing economies must have greater voice and representation in international financial institutions, where heads and executives should be appointed through and open, transparent and merit-based selection process. We strongly believe that there is a strong need for a stable, predictable and more diversified international monetary system.*

It should be noted that the political profession of faith ("support for a more democratic and just multi-polar world order") is less programmatic than its financial counterpart ("greater voice and representation in international financial institutions" and

new criteria for appointments of officials for executive functions in those organizations). The financial goals are easier to identify and are binding and attainable, while those of a political nature, vaguely stated, would be more suitable for long-term action and would be subject, moreover, to different interpretations. In addition, the economic-financial crisis provided the group with a unique opportunity to make their growing economic weight felt.

In any case, the short existence of the BRICS (which experienced a change this year with the incorporation of South Africa) allows some preliminary observations on its agenda, still with fuzzy outlines but relevant for the diplomatic agent. Such an agenda presents the following characteristics:

(a) *opening: the five can deliberate on any relevant issue, either at the level of Heads of State or Ministers. The agenda of governance reform (more economic than political in the short run, as we have seen) does not restrict the scope of the BRICS's interest; they may express themselves on institutional questions (allotment of IMF quotas, for example) or on circumstantial but urgent issues with systemic implications (such as the Eurozone crisis), or else on topical problems, considered part of the "Bricsian project" (choice of the Managing Director of the IMF). The Heads of State hold annual meetings, always with a very wide-ranging agenda allowing a debate without rigid thematic limits.*

(b) *opportunity: it is not the moment that determines the agenda, but it may provoke it. Ministers and Vice-Ministers may express themselves at any time that they deem opportune; nothing prevents it, either, that in certain situations, when Heads of State are present, they themselves carry out ad hoc consultations if the dimension of the issue so requires. Here, again, it is worth mentioning the example of the Eurozone*

crisis, which became sharper on the eve of the G20 Summit in Cannes, in November of the current year, and which provided the opportunity, on a Brazilian suggestion, for a meeting of the five Heads of State a few hours before the start of the Summit.

(c) selectivity: this feature is dictated by the very essence of the group, whose heterogeneous character commands a careful choice of the issues that may be debated or to be the object of action or joint manifestation.

It is worth highlighting this last point, because it is the real limiting factor in the BRICS agenda as far as economic themes are concerned. The agenda is open, but self-limiting. As in any group of this kind, their discussions can be a mere exchange of positions (for mutual information) or contemplate the objective of joint action or manifestation. What seems different in the BRICS is that one does not yet perceive a trend toward *intra muros* negotiation of positions, that is, an exercise that entails significant individual concessions with a view to unified positioning is not underway. Thus, the agenda still does not encompass themes that involve an effort for rapprochement. There are well-known or deduced sensitivities, tacitly understood as "red lines" that cannot be ignored. It is possible that this intra-group "inhibitions" may be overcome with the passage of time, but it is also possible that the group will continue to prefer avoiding internal stress and restrict itself to questions where its action is unequivocal, without raising doubts about its objectives and its cohesion.

The question, then, is how effective the BRICS action can be. Three examples can be quoted from its economic agenda: in two of them the group's action was successful, and in one it was not. In the first case there is the agreed action of the BRICS with a view to a reform of the power of voice and vote at the IMF, reached at the Seoul Summit in 2010 (once implemented, the reform will raise Brazil to the 10th position among the quota holders) and the

agreed decision, at the informal meeting of Heads of State of the group, at Cannes (mentioned above) to extend financial support to Europe. On the other hand, despite a declaration from the Finance Ministers (May 2011) in favor of objective criteria and greater participation of emergent economies in the choice of the new Managing Director of the IMF, it was not possible to prevent the appointment of an European to that office, as has become customary. On balance, the outcome may have been positive (not only quantitatively but also qualitatively, in view of the relative importance of the issues) but more time will be needed for a better evaluation.

It may be asked whether it is possible to learn some lesson from the frustrated manifestation of the BRICS regarding the question of the directorship of the Fund, especially when it is well-known that the position of principle adopted by the group was undermined by indications of undeclared preference to the French candidate, Christine Lagarde. Multiple factors seem to have interfered with the process of choice (including the profile of the two candidates), but it is impossible not to conclude that the needed cohesion was missing from the start, confirming the observation that due to the lack of an intra-group negotiation the effectiveness of its action will only be felt when the convergence of positions becomes clear, without room for suspicion of different or contrary intentions. It will be therefore up to the diplomatic agent to assess the specific aspects of the real gain that may be obtained by an attempt at reaching a group position, especially when the positions of its members show nothing more than superficial coincidence.

Conclusion

With just over two years of existence (taking the Yekaterinburg Summit as initial mark) the BRICS have not yet undergone the test of time. Its heterogeneous nature is visible, its identity is a construction and its agenda is open but limited by the sensitiveness and differentiated agendas of its members. Centrifugal forces within the group are also at work, such as the specific weight of China and the interest of Russia to adhere to the Organization for European Cooperation and Development (OECD).

In spite of these weaknesses, they have in their favor the considerable increase in their economic (and political) weight resulting from the ensemble of its members and the common reforming inspiration. The BRICS are together because what they wish cannot be obtained by any of its members individually. Just as the United States needed the G7 in the 1980's and 1990's in order to establish the rules and the course of the world economy, the BRICS seem to need their alliance to amass enough weight (or counterweight) to interfere in the decision-making process in an effective manner. Their authority also stands to gain by a set of ideas that does not reject the basic principles of the international order and neither does it appear as iconoclastic with regard to the established institutions or to multilateralism. It demands reforms and improvements, but not its substitution.

It is too early to say how the BRICS will evolve, but by acting today in a coordinated and cohesive way, they possess enough weight either to push proposals forward or to block those that are not convenient to them. Although new in the "market", its brand projects the image of an emerging power and lends strength to its manifestations.



Brazil, BRICS and the innovative scene

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Innovation is nowadays the strategic element for the sustainable growth and economic and social development of the countries that belong to BRICS. At an event held in Dalian, China, in September 2011, that brought together the chief BRICS officials in the science, technology and innovation sectors, a Joint Declaration and future action were announced. These will be presented and analyzed here. Taking due account of their uniqueness and specificity, these countries have shown during the last decade a remarkable capacity to produce science, besides demonstrating at the same time a marked fragility in the transfer of knowledge to the productive sector. In this regard, China has been an exception vis-à-vis the other members of the group. Finally, the specific role of Brazil in the context of the BRICS will be discussed in the light of the rapid transformations of the present world that changed the conditions for competition and competitiveness.

Innovation as a central issue for the BRICS

The economic and social development of the countries belonging to BRICS (Brazil, Russia, India, China and South Africa) is increasingly based on science, technology and innovation (S, T & I) as strategic elements for sustainable growth. Accordingly, these nations have made innovation and support to research and

development (R & D) the central axis in their strategies to handle crises and to promote long-term growth.[1]

Innovation has to do with the development of a new product or process, as well as a hitherto unknown function of an existing product, responding to a specific demand of the consumer public or generating spaces not previously existing in the market.[2] Thus understood, innovation is deeply connected to the application of new knowledge linked to the development of science and technology, and is today the main driving element of the world economy and an essential factor of competitive differentiation between regions and countries.

Each of the BRICS countries have their own specificity but in general it may be said that they have distinguished themselves by the historic difficulties to produce and transfer cutting edge knowledge, although this reality has been recently changed in a different way in each one of them.

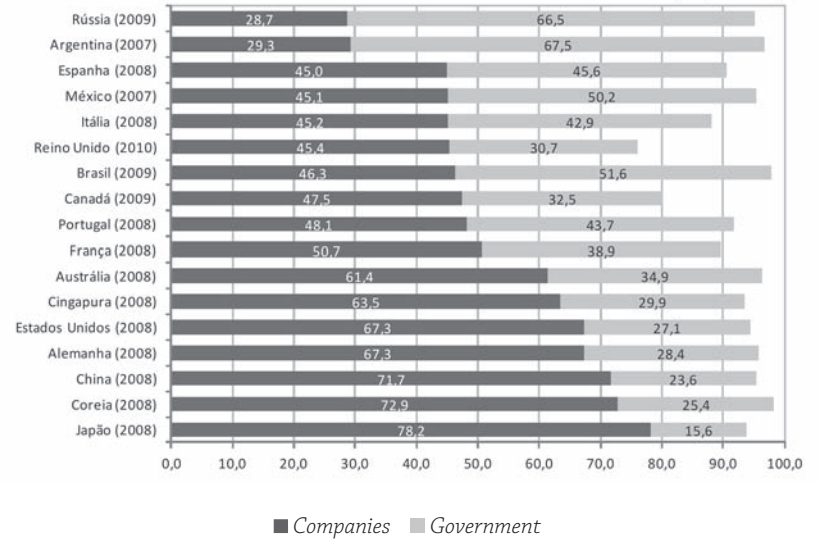
The recognition of the need to promote innovation in the productive sector is a common point in several countries; however, the practices of each of them explain significant differences. While in Brazil and other BRICS countries – with the exception of China, where the distinction between companies and government

1 *Emerging Economies and the Transformation of International Business: Brazil, Russia, India and China (BRICS)* (SUBHASH C. Jain ed. 2003). *The conference and the publication by Elgar Press was hosted and sponsored by the University of Connecticut's Center for International Business Education and Research (CIBER), a program funded by the U.S. Department of Education. Id.* at v, xv. *Other CIBERs at Columbia University, University of Memphis, Thunderbird, the Galvin School of Management, and the University of Wisconsin co-sponsored the event. Id.* at xiii.; KEDIA, Ben L., LAHIRI, Somnath & DEBMALYA, Mukherjee. "BRIC Economies: Earlier Growth Constraints, Contemporary Transformations and Future Potential, and Key Challenges". In: *Emerging Economies and the Transformation of International Business: Brazil, Russia, India and China (BRICS).* SUBHASH C. Jain ed. 2003, pp. 47-48. See also SWEETWOOD, Diane M. "Is Brazil's Economy Coming Back to Life?" *10 Multinat'l Bus.* Rev. 54, 2002.

2 *The Theory of Economic Development* (SCHUMPETER, J. A. ed. Trans. R. Opie from the 2nd German edition – Harvard University Press, Cambridge, 1934); *The Economics of Industrial Innovation* (FREEMAN C., Cambridge: MIT Press, 1982).

is complex – less than half (in the case of Brazil, around 46%) of expenditures in R & D is carried out by private companies, in other, more technologically dynamic countries (United States, Germany, China, Korea and Japan) that proportion is close to 70%, as can be seen in the following table.

Percentage of total expenditure in R & D by companies and government, in selected countries



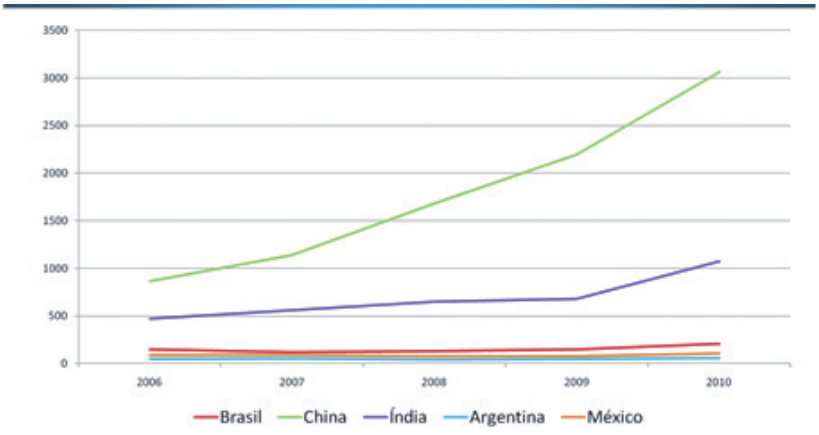
Source: MCTI – Monitoring and Assessment Unit – General Indicators Coordination.

As a consequence of the lesser entrepreneurial participation in emerging economies, with the general exception of China, there is an extremely small number or researchers active within private enterprises, in comparison with the more traditional countries in S, T & I. For example, in Brazil the largest part of researchers (57%) is in the institutions of higher learning, while only 38% of them are in private enterprises, a much lower percentage than

corresponding indicators in the United States, Korea, Japan, Germany and France.

Similarly, in 2009 Brazil registered 464 patents at the United States Patent and Trademark Office, while the most advanced economies and those of a size similar to Brazil's boasted of higher values, as follows: USA, 224,912; Japan, 81,982; Germany, 25,163; Korea, 23,950; England, 10,568; France, 9,332; and Italy, 3,940. It is important to stress, in this regard, that China and India have shown sustainable and remarkable growth in the past few years, pulling away from Brazil and the remaining BRICS, as can be seen in the following graph:

Patent invention concessions at the US patent office (USPTO)



United State Patent and Trademark Office (USPTO) - http://www.uspto.gov/about/stratplan/ar/index.jsp

In sum, the BRICS countries have in common the perception of the importance of innovation, even if each one's reality shows significant differences.

Initiatives by the BRICS

The first meeting of leaders responsible for science, technology and innovation of the BRICS met recently, in September 2011, at Dalian, China, in the Senior Officials Meeting (SOM) in Science, Technology and Innovation. The event sprang from the Joint Declaration resulting from the Third BRICS Summit, in April of that year, in Sanya, China.

According to the unanimous deliberations of the recent Meeting, bilateral and multilateral cooperation among the five countries should be based on:

- extensive exchange of strategies, policies and programs relating to the areas under consideration, especially the promotion of innovation, with the definition of potential priorities, mechanisms and tools;
- the agreements should be based on the principles of voluntary, egalitarian participation in mutual interest and reciprocity, as well as in accordance with the availability of resources in the member countries;
- the intention to increase cooperative linkages that facilitate socio-economic development based on science, technology and innovation.

Accordingly, in order to comply with the above mentioned points, the five countries agreed to (i) acknowledge that science, technology and innovation play a central and growing role in the consolidation of the BRICS process, allowing an improvement in the quality of life and competitiveness of participating countries and permitting a greater capacity to face the multiple common challenges; (ii) promote regular SOMs to enable the periodical review of strategic plans and the definition of future and immediate actions; and (iii) gradually and increasingly build

collaboration among countries in the strategic areas identified, including: (a) exchange of information on policies in the area, with special emphasis on innovation and technology transfer programs; (b) food security and sustainable agriculture; (c) climate change and natural disaster prevention; (d) renewable and new energy sources, and conservation; (e) basic research as an indispensable element for competitiveness and quality innovation; (f) aerospace and aeronautical sciences, astronomy and satellite imagery; (g) medicine and biotechnology; (h) hydro resources and pollution treatment; (i) technological parks and enterprise incubators; and (j) increase of the flow of scientists and young university students among countries, stimulating them to provide resources in special transit programs as well as for the holding of common events on themes of mutual interest.

To make such proposals effective, the five countries agreed that each should define one contact member to participate in the coordination nucleus, making sure that the programs would continue and that they could be constantly evaluated, especially on the occasion of the next annual event, to be held in South Africa in 2012.

Production and transfer of knowledge within the BRICS

It is traditionally assumed that pure and applied sciences can generate technologies which, depending on the capacity of absorption by the market and of the scale of the consumer public, may be characterized as innovations. This linear chain has long developed away from the free and uncommitted production of knowledge on the opposing end, linked to the demands of the consumer market.[3]

3 KHAN, Abdullah M.; ROY, Priya. "A Technological Innovation in The Bric Economies (Tseng, Chun-Yao)". *Research Technology Management*, v. 3, Mar./Apr. 2009. "Globalization and The Determinants

Recent reality makes it plain that the form of producing and transmitting knowledge has changed radically and profoundly.[4] Historically, science has been based on the individual freedom of teaching and on lines of research that characterized the classic researcher, whose primary function, alone or together with his/her students and rare partners, has been to widen frontiers beyond the state of the art. In general, the main motivations are the challenges inherent to the sub-area, and eventual future applications are defined in other contexts and in times of different scales, depending on the specific line of research.

The countries of the BRICS group, including Brazil, taking into account their respective singularities have demonstrated in general, along the last few decades, an extraordinary ability to increase the capacity to produce knowledge with an increasing scientific production at levels well above the world average in almost all areas. On the other hand, they have shown up to now a remarkable fragility in the transmission of knowledge to the productive sector, with China being a separate case; in Brazil, the exception are the areas of agro-business and very few well identified industrial sectors.

To worsen the picture, scientific production indicators have changed in such a way that a new dynamics forces the demands of society to become defining elements, albeit not the only ones, of the main research programs. In other words, what until recently had a complementary weight assumes hitherto unprecedented preponderance. From almost individual research we have quickly jumped to the indispensable research networks; we are migrating

of Innovation in Brics Versus OCDE Economies: A Macroeconomic Study". *Journal of Emerging Knowledge on Emerging Markets*, v. 3, article 4, 2011. Available at: <http://digitalcommons.kennesaw.edu/jekem/vol3/iss1/4>.

4 Global Network for Learning, Innovation and Competence Building Systems. See: <http://www.globelics.org>.

from almost isolated lines of research to multidisciplinary programs motivated by generally complex demands, untreatable in the light of isolated research lines or individuals, requiring multiple arrangements and approaches by integrated teams coming from several areas.

In other words, such movements can be described through the gradual substitution of the linear chain, which imposed a distance between science and innovation that were placed in opposing ends of a complete circle comprising science, technology and innovation. In this chain, innovation demands influence and in a certain way defines the course of science, depending on the specific area of knowledge.

From this re-structuring new stimuli result for the researcher, in addition to his/her classic action in universities or research centers, to explore almost virgin areas: in the case of Brazil, in technological institutions or research and development sectors within enterprises. Such areas influence, in their turn, through interaction with the demands, the research programs and the themes selected for the guidance of students.

These changes bring up the need for these countries to profoundly rethink the way in which they have been producing knowledge. Moreover, the forms of knowledge transmission require urgent analysis starting from the question of how to form able professionals, prepared to act in a scenario where innovation will play a central role, until now unknown. The usual methodologies are characterized by the practice of professors who, in imparting knowledge, presuppose apprentices who do not know anything about the subject being taught. These are pedagogies

based on study only after classes and assessing later whether the student has learned or not.[5]

Such practices are essentially contrary to the world of permanent education and are incongruous with the current educational revolution, characterized by a reality in which knowledge is increasingly accessible, instantly made available and distributed free of charge. In this new scenario, to stimulate self-instructing processes in their upper limits and to explore study before the classes – methods that acquire a new dynamics of a different quality and nature – are indispensable ingredients for the formative processes of citizens compatible with the world of innovation.

Brazil in the context of the BRICS and of innovation

The world has undergone very rapid changes and the BRICS have also been exposed to transformations that took place in the world economy during the last few years, including a global financial crises that altered the conditions of competition and competitiveness at a planetary scale. In this context, the rise of China as an economic power has changed the structure and the dynamics of the world economy. The spectacular growth of Chinese industry and its transition from a predominantly rural economy to an increasingly urbanized one generated a strong demand for food and raw materials.

5 MOTA, R. "O papel da inovação na sociedade e na educação". In: COLOMBO, Sonia; RODRIGUES, Gabriel (orgs.), *Desafios da gestão universitária contemporânea.* Porto Alegre, Artmed, 2011, pp. 81-96; MOTA, R. "A universidade aberta do Brasil em educação à distância". LITTO, F. M.; FORMIGA, M (orgs.). *O estado da arte*. São Paulo: Pearson Prentice Hall, 2008, pp. 290-296; MOTA, R.; MARTINS R. As políticas do MEC para educação superior e o ensino de Engenharia no Brasil. *Revista ABENGE/Ensino de Engenharia*, v. 27, no. 3, pp. 52-68, 2008; MOTA, R.; CHAVES FILHO, H. Educação transformadora e Inclusiva. *Inclusão Social*, v. 1, no. 1, p. 47, Brasília: IBICT, 2005; MOTA, R.; FLORES, R., SEPEL, L.; e LORETO E. *Método científico & fronteiras do conhecimento*. Santa Maria/RS: CESMA Edições, 2003.

Brazil, for its part, gradually consolidates its position as an important producer and exporter of commodities with an appreciated currency, contributing to a global scenario that tends to favor its specialization as exporter of primary products. The immediate consequence of this tacit division of roles is the increase of the participation of commodities in Brazilian exports and the undesired increasing participation of exports in domestic consumption, especially in the medium technology segments.

These developments have had an impact on the Brazilian productive structure, generating the urgent need to re-think the emphasis with which local innovation initiatives can confront the trend that should not be seen as inexorable, to be primarily an exporter of food and minerals. That is, the mission of Brazil must, indeed, encompass the advantages of being a central actor in commodities without giving up a competitive role in the industrial area, especially adding value through innovation in its products and processes.

The fact is that the country gradually became a great agricultural exporter due to its natural advantages and especially because it developed in a pioneer way and with great competence, a competitive and successful agriculture, resulting, to a large extent, from investments in agro-innovation.

Agricultural products tend to become more valuable in the international market and in food security, since they constitute a strategic item in global politics. Brazil is the country whose exportable surplus of foods grew most in the past decade, also as a result of research in biotechnology, soil management and practices that contribute to increasing agricultural and livestock productivity in a manner compatible with the preservation of the environmental patrimony.

Greater centrality of the policy of scientific and technological development, with emphasis on innovation, is perhaps the only way to bring about the continuity of the current cycle of growth of the Brazilian economy and the construction of a new standard of sustainable development. It is on this consensus that the central guidelines envisage the transformation of Brazil into a scientific and technological power.

Conclusions

In this text we have examined the elements that render viable the adoption of innovation as a central strategy for the countries that make up the BRICS bloc, valid for Brazil as a member of the group in the quest for sustainable economic and social development. In sum, we highlight among the guidelines presented here:

- Sustainability as a key element in research and innovation as an essential part of the agenda of the national strategies of S, T & I;
- Greater integration among emerging economies in the use of existing technologies and non-technological innovations to respond to social and infrastructure needs, such as water, health, education, transportation and energy;
- Strengthening of basic science as a high priority in S, T & I policies, seen as essential for future innovation, especially in what regards the technologies necessary for attaining sustainability in social and environmental development;
- Stimulus for strategic areas and technologies, with emphasis on: biotechnologies, nanotechnologies, information and communication technologies, new materials and advanced industries;

- Direct governmental support to entrepreneurial R & D and innovation activities, aiming at increasing access by small and medium businesses and be more effective and efficient;
- Formation of able human resources well prepared for the centrality of the innovation scenario, especially with a view to stimulating greater collaboration of academic circles with entrepreneurial sector, expansion of public-private partnerships, promotion of the entrepreneurial spirit, creation of new companies with a technological basis and the proposal of a set of new initiatives aiming at accelerating commercialization;
- Stimulation of the international mobility of researchers and young talents, as well as promoting events among countries with emerging economies in areas essential for sustainable development.



A NEW CONFIRMATION OF POWER

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The global distribution of economic power seems to move toward a multi-polar confirmation, but the changes may not be inducing corresponding transformations at the political level. Can the BRICS group be a pole to induce institutional transformations in the international system? Is there enough internal cohesion for the BRICS to act in concert and speed up such transformations?

As is well-known, there are growing signs of a new global distribution of economic power in a multi-polar direction. However, such trends are not yet reflected in other spheres of power distribution in the world.

The diagnosis of power erosion in the United States is visible and practically accepted by all observers. The uni-polar world that existed at the end of the Cold War showed increasing signs of exhaustion after the wars in Iraq, Afghanistan and above all following the 2008 financial crisis.

The pace of this wear is of course uncertain; by the same token, the exact date of its start cannot be set with precision. On the other hand, if there was an undoubted economic and even political wearing out, it is also worth to stress that the USA still holds a position of superiority in other areas, such as the strategic and cultural spheres.

The majority of analysts estimate that between 2020 and 2025 China, currently the second economic power in the world, will surpass the USA. We are thus progressing toward a multi-polar

world or, to be more precise, toward a world where growing signs of multi-polarity are apparent.

In a very simple attempt at a definition, power would merely express a country's ability to exert influence in some areas or simply in the international area. It would be the capacity of a State or of an organization to express its interests and its objectives beyond its borders, in other States or in the world community. Power also assumes different forms and manifestations and expresses itself in specific fields, such as the economic, political, strategic or cultural. The expansion and maintenance of these forms of power does not necessarily coincide in time.

We see today the Chinese economic growth which, as was said above, according to all indications will soon surpass the United States. However, the United States are keeping, and probably will still keep for a long time, superiority in the military field and to a certain extent in the political field too, even if its economic hegemony tends to diminish. But due to the blunders of the Bush administration, the legitimacy of American power underwent strong erosion according to all indications, although it is obviously not possible to identify precise levels in this particular. On the other hand, despite initial hopes, no signs of return to the basic or global legitimacy of the USA are noticeable with the current Obama administration.

Discrepancies between forms of power are easy to find in history.

Great Britain, for instance, in the second half of the 19th century, continued to play a role as a practically hegemonic power when both Germany, united since 1870, as well as the United States, had already attained a standard of economic power noticeably superior to the British. The United States, for its part, had clearly affirmed its position as the largest world economy in

the period between the two world wars. Its role in international politics at that time was characterized by isolationism and did not correspond to its economic weight. One generation after World War II Japan played an extremely modest role in world politics, despite having already reached a gigantic economy that then led it to the second place in the world.

China was already occupying an increasingly important political space despite having surpassed Japan only two years ago in the scale of economic might to become the second world power.

Therefore, economic power and political power do not necessarily coincide in time, at least not in the short or medium run.

In the case of China, the State concentrated its resources on economic development and kept a dizzying rate of expansion. In spite of accusations that were voiced, China's priority was not to develop its defense, but rather to ensure its expansion and the modernization of its society, with a successful effort, still underway, to raise the country from its low level of social and economic development and simply express in its region sufficient military might to guarantee its national objectives, such as the unity of the country.

It should also be mentioned that cultural power, what we call *soft power*, may remain for longer periods, away from the concrete indicators of economic or political power and even detached from them.

We feel clearly today an American *soft power* expressed through the domination of the English language, the movie industry and music from the United States, the American influence in the jargon of informatics. However, during the whole 19th century (as well as in the 18th) and a considerable part of the 20th, French was the language of culture and almost always

the *lingua franca* of international communications. However, France had ceased to be a superpower long before World War I and even since the end of the 19th century. The prestige and the weight of its culture remained, independently from the weight of French society in the international community.

On the other hand, it should be recalled that the American strategic superiority that exists today will probably not be expressed in the same manner as it did in the years that followed the end of the Cold War. Despite its military superiority, we witness today a growing difficulty on the part of the United States to face modern crises such as the one in Afghanistan and to bring to a satisfactory conclusion the Iraq conflict in accordance with its interests. We have seen American reluctance to take the leadership or a prominent position in the intervention by NATO countries in Libya. American power continues to exist and can still be defined as the most important but is used today more carefully than in the recent past. In sum, uni-polarity with one hegemonic State such as was heralded after the end of the Cold War constituted a model that did not consolidate. We are on our way to a complex world where several centers of power are rising but their economic weight does not always coincide with their political expression and where cultural superiority does not become firmly established.

In this complex world of today we take stock of the existence of the BRICS group. As is well known, the expression was coined at Goldman Sachs in 2001 and is not the result of any initiative by the members of the group.

The BRICS – Brazil, Russia, India and China, to which South Africa was added in 2010 (apparently to include Africa in the group) do not constitute a legal entity created by a formal treaty nor a military alliance, a free trade zone or a customs union. They do not develop a joint monetary policy.

The BRICS are profoundly different among themselves in the economic field. Despite still having over half of its population in the rural area, China already possesses a large industrial sector and developed its international trade on the basis of growing exports of products with increasingly higher technological content. Until recently, such exports were mainly made up of goods with low added value, such as textiles or toys. These products are being replaced by exports with increasing higher added value. A still considerable but diminishing section of the industry is for the time being under control of the State.

Russia's economic expression is based today mainly on exports of one product – oil and gas – despite the high level of education. Its economic growth oscillates with the value of those commodities. India sells services abroad, especially software.

Brazil, as is known by all, is an exporter of a growing basket of commodities – iron ore and soybeans and its sub-products. It also sells other commodities abroad, such as coffee, sugar, ethanol, cellulose, meats, orange juice, tobacco, niobium and others. It has started to export crude oil. The relative participation of industrial products in exports has been diminishing and tends to be concentrated on some specific areas, such as South America (Mercosur), Mexico and to a certain extent the United States and Europe. South Africa's export model is somewhat similar to that of Brazil. Thus, in the economic field, the BRICS often do not act jointly.

The stages of economic development of the members of the group are different. Russia is still on a higher social plateau than the others and India remains at the most modest place in this particular, despite the high standard of its specialized higher education.

The state of the respective infrastructures is also different. India is perhaps in the worst situation in this area, in which Brazil also faces considerable backwardness. China concentrates high volumes of investment in this sector.

Political systems within the BRICS also differ: from liberal democracy in certain countries to original forms of control by a single political party. The BRICS do not have a secretariat and common administrative services. They only have an incipient, or superficial, level of institutionalization. They meet periodically (the last meeting was held in April 2001) and the host country provides the secretarial services needed for the meetings (more or less like the G7/G8).

Their cultures are widely dissimilar. One of them, Brazil, clearly reflects an example of Western culture mingled its own characteristics. This is not the case of the others, but India and South Africa have political institutions and legal systems evidently inspired in the West. All BRICS, however, express clear cultural identities.

Trade among the BRICS tends to grow and in certain cases plays an important role. China is today the most important market for Brazilian exports, with 13% of the total (a surplus of US$ 5 billion in favor of Brazil).

Generally, however, trade among the BRICS is relatively modest and does not represent priority volumes for the respective members, with the already mentioned exception of Brazil vis-à-vis China. Brazilian exports to India represent, for instance, 2% of external sales. China, Japan and the United States are important markets for Brazilian exports, noticeably superior to sales toward the BRICS.

The BRICS also have divergences in important issues. There are no coincidences in areas such as monetary policy. Concerns about anti-dumping questions often do not coincide.

The BRICS are "emerging" countries. The process of industrialization already exists but it is still recent and does not define them as basically industrial societies. Urbanization predominates only in Russia and Brazil. The highest per capita GDP is only about one third of that of the developed countries.

They do not participate in institutions, such as the OECD, that define developed countries. They are not part of free trade areas or customs unions with the rich countries. Until now their currencies are not fully convertible.

What, then, do the BRICS have in common to be defined as a group?

These countries reach much higher rates of economic expansion than the developed ones, despite the fact that their respective paces of growth are noticeably different among themselves. As was already recalled, everything leads us to believe that between 2020 and 2025 China will be the first economic power in the world, India perhaps the third and Brazil the sixth, or even the fifth. The BRICS, in sum, represent the dynamic elements of the current state of the economy in the world.

The BRICS are continental countries with huge populations. They constitute colossal critical masses. Together they represent 42% of the population of the world. They are close to 20% of the total world GDP. Politically, the BRICS are separated from the developed countries, with which they do not maintain formal alliances.

Despite the fact that they do not constitute, in principle, an institutionalized political or economic united ensemble, the BRICS share common interests in proposing and defending changes in

the world economic *status quo*, for example in the relative weight of the members of the IMF. They support a reform of the United Nations, including the Security Council, even though they have not presented a precise proposal. They often exert joint pressures on the policies followed by developed countries to confront the current world crisis. They represent the opinion of the nations that are still poor to face the establishment of industrialized countries making up the Western group which prevails in the world since the start of the Industrial revolution and the formation of the modern colonial empires that are today in a state of crisis.

Officially, the BRICS demand a "multi-polar, equitable and democratic world order", although this has not been defined in precise terms. At no time has the group advocated the use of force to reach their objectives of reform. The BRICS can be defined as a conservative group to the extent that they do not present or define themselves as a revolutionary force with the aim of sweeping away the existing world order. They simply intend to reform it by using the argument that the order that has been kept until today does not correspond to the balance of forces in the modern world. More than a group, the BRICS express a level of political understanding among large countries.

On the other hand, despite their obviously marked differences, the BRICS represent a set of important countries in which it is easy to find wide-ranging areas of convergence and common interest. Such convergence is expressed in the decision to convene periodical meetings – the last was held in China – where, despite the lack of a secretariat or common institutions, the main questions of current times are reviewed.

On closer examination, it is possible to verify simply the existence of a group of important States that are not satisfied with the economic organization of the world following World War II, a time of predomination of Western power.

As was pointed out above, there certainly are among the BRICS wide areas where the economic interests do not coincide. The BRICS may perhaps correspond, to some extent, to a group, or a platform, of emerging nations that rises up before the space occupied by the G7 in the developed world. Thus, they may be considered essentially a forum bringing together the large emerging countries, the dynamic nations of the world, those that were only slightly affected by the 2008 crisis that still continues in Europe and the United States until today (the exception would be Russia, hit hard by the crisis).

As recalled, this forum cannot be considered as an instrument of commercial union or even of economic cooperation. Perhaps it corresponds to a mechanism of political dialogue or a place for the debate on the reform of the world order. The majority of economic and political observers analyzes the common positions of the BRICS – on political or economic issues –, studies the evolution of their commerce, follows their progress and evaluates their projects.

In a world in which the distribution of power in all its aspects seems to suffer pressures toward important changes, the BRICS constitute a group that must be examined with double attention even if it does not express an alliance or a close-knit union of States that intends to present precise formulas for the reorganization of the world.

Thus, despite their topical internal divergences, there does not seem to remain any doubt about the existence and the importance of the BRICS.

This group, whose concrete weight is sometimes called into question, includes obviously a giant, as was recalled at the beginning of this text. Any attempt at analyzing the new multi-polarity and the role of the BRICS will lead to an attempt at looking

more attentively into China's expansion and the eventual course that it will follow.

China has been the object of analysis by countless observers due to its evident and growing importance in the shifting of the axis of the world to the Pacific. The latest important analyst, whose work was recently presented, was the professor and former secretary of State Henry Kissinger in his book *On China*. This work was the subject of a study by Professor Ana Jaguaribe, in an article published in the magazine *Política Externa*.

In his book, Kissinger develops and insists (as did other authors) on the theme of the Chinese uniqueness that is prolonged until now. He recalls that such uniqueness is expressed by the fact that China, whose wealth until the end of the 18th century, in relative terms, reached the level of Europe at that time, defined itself not as a State – similar to other sovereign States – but as a civilization to which neighboring countries paid tribute and homage and whose culture they tried to assimilate. Beyond these countries marked by Chinese culture there were the barbarians, including the European peoples. The dominant ideology was Confucianism – distinguished by the respect for order, balance and stability – which today still gives increasing signs of returning as an important, maybe basic element of the Chinese culture. This ideology probably expresses itself in the emphasis attached to the idea of a "harmonious" society, officially adopted today.

Besides the uniqueness pointed out by several authors, including the former secretary of State, it is visible that modern China, after the proclamation of the second Republic and the dizzying economic expansion started over forty years ago and maintained since, became a partially industrial society (to the extent that half of the population is still rural). China once again occupies a space similar to the one it enjoyed until the end of

the 18th century. Its dimension and dynamism are so huge that observers coincide in defining it as the world's engine. It became important to study China's position in the distribution of power in the present world, where the West, including the USA, shows increasing signs of crisis in all aspects and a clear hollowing out of its might. Historians usually examine with special attention the moments or processes in which the powers that control the world are replaced by other powers or simply by a superpower.

The majority of observers, including Kissinger, agree in the conviction that China does not include among its national objectives the ambition of reaching global hegemony in the world or changing by force the current distribution of world power.

Several reasons explain that opinion. China has never expanded overseas and neither acquired or conquered a colonial empire, not even during the period when it clearly enjoyed economic and technical superiority over the rest of the world. At the beginning of the 15th century, under the Ming dynasty, as is well known, several Chinese naval expeditions, commanded by the same admiral, reached the eastern shores of Africa, the Arab peninsula and India, after travelling across the regions that constitute today's Indonesia and the Philippines. The Chinese expeditions were quickly suspended and the dispatch of imperial ships away from its shores was never again attempted, colonies or factories were never established, as was the case with Western countries.

The country's culture, impregnated with Confucianism, does not favor the idea of overseas conquests or imperialism of the Western model. The Chinese tradition postulates that the country – the Middle Kingdom – expresses a traditional power, sometimes symbolic, over a wide region – that is, Eastern Asia – without the over-employment of force. Historically, the supposed superiority

of Chinese culture, recognized in the region, would constitute the basis of that power. In terms of today, the consolidation of the "harmonious society" would reflect the Confucian culture.

However, such a seemingly peaceful ideal could correspond to the fact that China has aimed, and still aims, with priority, at an economic development up to now successful in the context of a modernization but which has not been fully attained, in order to ensure order, peace and the needed well-being for its gigantic population in a climate of stability. There is still a long way to travel before it can reach levels of prosperity that may bring it closer even to the other BRICS, not to mention the wealth of Western countries.

The priority attached to the expansion of the economy would set aside any fancy of entering into a dispute for space in the scale of strategic-military power.

Without special effort toward an arms race, the legitimacy of the regime seems to be established, probably based to a large extent on a kind of nationalism through which the adherence to the national objectives of national unity, power within its specific region is expressed, as well as those of economic expansion and modernization as already mentioned. The recognition of China as a great power, fully accepted today, probably contributes to the confirmation of that legitimacy.

Some contemporary sinologists, such as Barry Buzan, try to define the current Chinese objectives as "revisionist reformist", away from "revolutionary" ambitions that existed or were perceptible during most of Mao's government, as well as from "detached" attitudes before the international society or of satisfaction with the *status quo* (which clearly does not correspond to the present reality).

The "revisionist" reformism that supposedly characterizes the present Chinese State entails the acceptance of many institutions of the international society (the WTO, for example, to which the country already belongs). Such acceptance seems to coincide with a sense of dissatisfaction with the space still occupied by the global Western society, currently in crisis. It would express the intention of taking forward a peaceful expansion that permits the rise of the country to recognized higher levels of power. Without presenting an idealized picture, such expansion would correspond to a definition of projection of national power through peaceful means.

The model of opposing the existing world power system by force, put into practice mainly in Europe in the 19th and 20th centuries (as well as before that), when established hegemonies were confronted by force, seems to be absent from this apparent project.

This panorama, endorsed by Kissinger and sketched here seems to cast aside a design of traditional hegemony or of conflict to remake the hierarchy of the world on the part of the great rising power and thus opens the way for dialogue and pressure formulas by means of organizations similar to the BRICS, to the extent that open conflicts between great powers seem to be remote hypotheses.

The great emerging countries currently defined as BRICS also defend the idea of change, undoubtedly peaceful, of the predominantly Western world order.

The other members of the group still located at more modest levels in the modern scale of power share objectives to a certain extent similar to those of China.

They express, in this way, dissatisfaction with the economic order determined until now by the West. They consider that this order is seriously threatened today by a crisis that has not

yet been resolved. They assess that the crisis affect them, despite having had its start in the developed world. Directly or indirectly the BRICS will participate in the attempts to resolve or at least confront the crisis. Their large monetary reserves may be a tool in the attempt to be a part of the effort to face the great crisis. Their contribution can be significant in the effort to avoid a growing trend toward protectionism.

The BRICS will not constitute a market for the emerging economies to guard themselves against the effects of the crisis through inter-exchange among the countries of the group as a substitute for the developed markets in crisis.

Existing divergences among the BRICS will certainly remain. The already mentioned idiosyncrasies will continue to exist, as was the case in many alliances, understandings or groups formed among States whose objectives are close to each other but which often remain very different among themselves. Such differences will not prevent the BRICS from consolidating.

The members of the group will value their participation in the bloc in different ways. Certainly China – a great power that had its current status recognized by the international community and that opened channels of communication at a privileged level with the other centers of power in the world – will attach to its presence in the group a less strong priority than is the case with large countries whose political dimension still express mainly regional power, like Brazil. Participation in the BRICS will give regional powers the needed instruments, or at least a new way to transmit and support their world view beyond their respective regions, permitting better conditions for the defense of their interests. Above all, it will permit that these regional powers participate in better conditions of the discussion and eventual rivalries that will mark an increasing

multi-polar world which will replace, or is replacing, structures in which power expressed itself through hegemony.

As already remarked, this group constituted today by the BRICS will not present a global project of economic and political reorganization of the world but will defend policies for the reform of existing institutions that include or encompass their interests. The pressure they exert cannot be ignored, since they make up a forum where 42% of the world population and the dynamic sectors of the global economy are concentrated.

The group expresses an evident legitimacy. Any redesign of the international community in the context of the growing multi-polarity that seems to be emerging will have to take into account this great ensemble.

Obviously, nothing guarantees that the group will continue to exist in the future. Problems will emerge among its members, greater than the differences that keep the BRICS united, to a certain extent, as they are today.

Tomorrow it may be possible and even probable to imagine a complex world – with several stars, without hegemonies and leading stars – where forms of dialogue among partners will be developed according to models for the treatment of specific questions.

Without engaging in exercises in futurology, however, it can be seen that the BRICS enjoys a kind of flexibility that expresses pragmatism, absence of forms of leadership with a view to hegemonies and respect for existing institutions with the objective that the group, in its capacity as a forum of large countries, may continue to play in the future, at least in the near term, the role of useful instrument for rapprochement among States and the defense of the cause of peace.

Joint action by the BRICS is feasible, but due to the diversity of the group, the defense of a line of lower common denominator for all members would obviously only be possible after specific negotiation in each instance (as would be the case, by the way, for any organization composed of politically equal or autonomous elements). BRICS will not act as a group organized or structured under a leadership. Prior negotiations cannot affect the respective national interests defined as basic. It will not be possible, for instance, that China can be led to defend within the BRICS a policy contrary to its interests of foreign currency exchange or industrial exports. Conversely, Brazil will not adopt, in the name of solidarity with other members of the group, a policy that favors or encourages its imports of manufactured products in detriment of its industry.

In sum, the BRICS are at the same time powerful and fragile. They represent the world in movement. For the first time, this world is composed by countries that are still defined as poor but that until now participate only moderately in the economic and financial institutes created by the developed ones. On the other hand, the BRICS do not express a united set of interests nor intend to propose global solutions. The divisions within the group are well-known. The respective priority attached by its members to the group is also different.

The group that exists today expresses, in sum, a process or a forum, in which interests, projects and ambitions of an important section of humanity will be discussed. There seems to exist today a consensus that this section must be heard.



Brazil, BRICS and the international agenda

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From a smart acronym on promising markets coined by an investment bank to a blend of wide-ranging power on a world scale, the BRICS have trodden a path opposite to the usual; the proposal by the internationalized banks became a geopolitical reality. The Cinderella dream by countries that up to then – with the exception of China – found it extremely hard to see themselves as viable, and above all, endowed with inner relevance, expresses the difficulty to put its now vigorous economic preeminence to work as a political asset.

As a group, the four original countries nicknamed BRIC by Jim O'Neill in 2001 – Brazil, Russia, India and China – only started formal dialogue in 2006. The heads of State and Government met for the first time in June 2009, still without a defined positive agenda and with a negative agenda of criticism to the international financial system. The immediate result of the meeting was an indictment in favor of a new reference currency. From there one can conclude that opportunistic incentives induced these countries to circumstantial alignment devoid of tangible bases of support – there are no common interests or sufficiently dense shared values – resulting in a group with ethereal characteristics and little potential of permanence.

It is obvious that there is little common substance to bring the BRICS together. What is curious is to see that this superficiality, politically diaphanous and in certain cases – as between China and India – of blatant and historic antagonism, found shelter in several strategists and formulators of external policy in those countries.

In a certain way, it is understandable to conclude that the cohesion of the BRICS is based on their individual economic potentialities. As the current simplification goes, these four countries are sizable domestic markets and each one is a supplier of a kind of product in which its capability and current potential represent the control of significant sections of the market in the sectors where they act: China in manufactured goods; India in providing services; and Brazil and Russia as giant suppliers of natural resources in livestock, forests, minerals and energy.

The BRIC intrinsic strength was made clear by the financial crisis that erupted since 2007. The deep blows that struck the capital markets of the central economies from 2008 onwards led to an increase in the relative power of the BRIC. The loss of space by the members of the G7, accompanied by the continuous growth of the BRIC, brought about a shaping of the world whose outlines are still to be defined, but where there is already the certainty that those new actors will have a preponderant role, each one by itself. Thus, to take all four as a viable action group requires, to be effective, a valid and necessary, but also complex intellectual effort.

The reordering of power on a global scale brought about by the economic changes is not yet translated in the political field. Such a disproportionate effect happened for three reasons from different origins: (a) at the pluri-lateral level, the difficult articulation of a common agenda, not only on the part of the members of the BRIC themselves but also on that of the G7 and even more in the comprehensive formulation of the financial G20; (b) at the multilateral level, the obsolete and dysfunctional architecture of the global economic-financial governance; and (c) at the global level, the extreme uncertainty of the contemporary crisis, in its economic, financial, political and social aspects.

By joining the BRIC in 2010, the Republic of South Africa brought it representativeness emanating from a country located in a continent of one billion people with its domestic markets and its capacity of extracting natural resources in clear expansion. It also brings to the fore the success of a political experiment that was able to put together a social pact in which the poor and the rich from several different ethnic origins share a space of opportunity to individual prosperity and peace. Thus, the addition of South Africa contradicts the seminal element of the BRICS, namely the economic vigor of the member country; its contribution, rather, comes from the political democratic element that brings an example, albeit incomplete and imperfect, of a virtuous way out from a complex social crisis – precisely the formula that is now being sought for the world.

The political unraveling of the contemporary situation – or the construction of a new world order – needs to profit from good national lessons, but not only that. The unique experience of one nation, whether it is South Africa or any other, is not enough especially when it is taken within a group – the BRICS – whose members, in their totality, cannot be considered as well finished examples of representative democracies and democratic States under the rule of law. So, the BRICS proposal for a reordering of the system of nations still lacks minimum common internal denominators.

One of the great difficulties for translating the economic might of the BRICS into increased relative power for its members lies in the model adopted by the international organizations at the end of World War II. At the United Nations, two of the BRICS have seats in the Security Council, its decision-making pillar. This setup, however, mirrors the end of the old war and does not foresee the changes in society in the 21st century. In this sense, a reform of the Security Council stimulated by the rise of the BRICS will be nothing

more than a repetition of a past logic, when instead the BRICS have the historic opportunity to shape the future. Questions are raised, such as: must the new order be of the universal equality and low effectiveness of the General Assembly, or should it emulate the directory of the five powerful permanent members of the Security Council?

To reform the UNSC may serve only to legitimize the power of the decadent States, giving them a recovered validity based on their antecedents and not on what that allegedly renovated decision-making instance could have become. The same is true with regard to the International Monetary Fund and the World Bank, economic arms of the old order in which palliative changes only adjust the weights and measures of the new composition of the world GDP but do not intrinsically change these organizations to the extent of transforming them into effective guarantors and drivers of the global financial and productive circuit in its virtuous and healthy essence.

It would suit the BRICS, rather than an increasing penetration into archaic structures, to engender something new that encompasses its own aspirations and needs, as well as those of analogous countries, without, however, banning the contributing participation of any national States willing to share in an order of prosperity, growth and innovation. It is in the interest of the BRICS to hold their positions in the Security Council and in the United Nations system in general, in the IMF, the Inter-American Development Bank (BID), in the WTO and any other important forums. However, it is not convenient to fight for the reform of these organizations. It is more worthwhile to build, in parallel, an architecture of its own, that does not respond any longer to a world overwhelmed by war but rather to an updated logic that, despite and because of the financial crisis, can reflect the moment

of greater continuing growth and of greatest accumulated wealth in the history of mankind.

Neither is the internal cohesion of the BRICS sufficient to ensure that more ambitious agendas may prosper for the time being. The dissonance among the majority of the economic, political, strategic, social and environmental of Brazil, Russia, China, India and South Africa is clear-cut for anyone to see. However, it is also obvious that all of them benefit from each other, either as markets or as political actors. Nevertheless, they cannot give up their bilateral relations with the central countries in order to keep minimal elements for the maintenance of global order and stability. In the last analysis, what the BRICS must preserve jointly is peace, and what they can do as a result of their combined size is expressed in several dimensions: in food security, energy security, strategic power, population amounts, diplomatic influence, environmental assets, dimension of domestic markets, among others.

The economic-financial crisis started with the collapse of some financial institutions whose experimentation with heterodox assets was responsible for the failure of a considerable number of economic agents. This crisis reaches today the Treasuries of National States – Greece, Portugal, Italy, Spain and Ireland appear in the first row. There is the risk that by virtue of a domino effect the whole world becomes contaminated, putting a brake on economic transactions and the creation of global wealth for several years. The BRICS may well play, in this case, a role of a rescuing counterweight. This possibility was already announced by European high officials and may in fact represent for the BRICS, through the purchase of securities and bonds from the problematic countries, an alternative instrument for the increase of their global influence, as long as the necessary guarantees are assured. Taken individually, the reserves of

the BRICS in foreign securities and exchange certificates are already high. Taken together, these assets represent a powerful negotiation chip for the resolution and the way out of the crisis, both as simply an increase in hoarding or for the inclusion of conditions that permit a more effective presence of the BRICS in the definition of the course of the global economy. At that point in the process, each BRIC will play its own role according to its characteristics, its relative power and its interests. Brazil will not play a different role.

Brazil is a small multiple BRICS, as it were. We do not have the population of China or India nor do we possess the Russian arsenal. We are the most Western of the BRICS in customs and institutions, and certainly the most democratic. We are the best endowed in terms of environment and natural resources and can count on an agro-energy asset that becomes increasing valuable because of the abundance of hydro resources and solar power. The pre-salt is a reality; when it reaches full production within five or six years it will raise Brazil to the Pantheon of oil producing powers. The internal consumption market permits to predict that it will be a middle-class country in the near future, a phenomenon of great value to gauge the vitality of generation of domestic wealth. That being said, the great contribution of Brazil in the post-crisis world is to point out the escape route from financial weakness – we have the example of the *Real* Plan – together with perennial programs of social inclusion through conditional income transfer. It is not a question of temporary relief measures for circumstantial disadvantaged individuals, but to offer a constant and sustained menu of wide-ranging public and private actions, from macroeconomic handling to the micro-management of social policies, with a view to rescue people from poverty in an irreversible or almost irreversible way, avoiding both a suffocating fiscal orthodoxy and populist assistance policies.

This model of escape from the global crisis can be tested in the BRICS themselves. A program of identification of common weaknesses in specific zones in certain countries could be coordinated by a pluri-lateral agency that would put pilot projects to the test in the five countries. In the area of urban and rural sustainable development, it is foreseeable that the experiences of Brazil, India, China, Russia and South Africa may prove mutually fertile, allowing reciprocal improvements by perfecting a model that would have the potential to be transplanted to other regions. The path of international cooperation, if properly managed, in general produces little rejection and has the advantage that, in case it does not work as something to be emulated, at least tends to generate some positive effect in the areas that received the experiments.

The question of energy should be the subject of collective thinking within the BRICS, not only because there is a moral imperative to control the degradation of the environment or a desire not to ignore the norms set by international regimes. Among the BRICS, energy is above all an internal question because voluminous intra-BRICS currents represent strategic interests: China and India are huge importers of hydrocarbons, while Russia and pre-salt Brazil are huge exporters. A cleaner energy matrix should optimize the overall needs of these countries and of the planet, but must also serve the specific interests of the BRICS members. Oil consumption will continue to be strong at least for the next thirty years. The more efficient use of petroleum and fuels with less emission is a shared interest for the BRICS. Starting from this concrete issue of vital interest for the five countries, it is possible to arrive at a partial solution, through scientific research and joint technologies and cooperation among national energy companies, either State or private, in a question that concerns

the whole world and has the potential to be transferred to other regions.

The above mentioned elements of cooperation in social development and in energy will certainly result in an increase of intra-BRICS trade. In fact, this trade has been growing in the recent past, either because the market of the BRICS themselves grows or because they consume products offered by these partners. The penetration of Chinese manufactured goods in Brazil is well-known, counterbalanced by sales of soybeans, iron ore, sugar and meat toward China, India and Russia. Russia sends oil to China and China sends industrialized goods to India. There is enough density of interchange to justify the sketching of a commercial agreement among these countries. Reduction of customs tariffs will be of little relevance, but a normative framework that organizes and regulates investment, the rendering of services and intellectual property rights, and that deals with the solution of disputes and makes the mechanisms of commercial protection and health control compatible is worth a negotiation in order to gauge its limits and its current possibilities, besides planning and organizing the future of these transactions in a shared manner, for mutual gain.

The BRICS are the most powerful collective platform offered to Brazil for the near future. However, as a bilateral partner, the United States will remain as our primary reference. We share the same continent and suffer common sore points, such as crime linked to drug trafficking. This relationship is supported by an intricate web of reciprocal economic interests and affords important opportunities for scientific, technical and social cooperation. The trick for Brazil will be to muster ability to keep what already exists and works well, but without getting entangled and not giving up the mobility and the degrees of freedom to deal with what is new. What is new has a name: it is called

BRICS. The BRICS are the rising global order; they offer room for the innovative proposal and for its possible realization. It is a complex task, for dealing with China and Russia, with India and even with South Africa, full of the authority with which history and culture endowed them – not to mention economic and strategic aspects – will require inventiveness and cleverness from Brazil. There is room and time for us to test alternatives and possibilities, but a coordinated and all-encompassing effort on the part of the Brazilian State is necessary, including all ministries, agencies and autarchies. As these are continental countries, it may be useful that the sub-federal levels of States and Municipalities also join in this endeavor. A plan of external action of such magnitude will represent a positive potential of transformation in the Brazilian economy and society and will induce at least a higher degree of internationalization of Brazil, something both desired and postponed. In the scope of the rapprochement with the BRICS, Brazil can benefit from the longed for cultural diversity of the other members of the group.



Brazil, BRICS and the international agenda: skepticism, intersections and opportunities

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Port-au-Prince, in Haiti. Assistant for Defense at the Secretariat for Strategic Affairs of the Brazilian Presidency. Author of: *Relações Internacionais: teorias e agendas* (IBRI-FUNAG, 2002). Represents the area of International Relations at the Areas Committee of CAPES and coordinates the activities in the area at the Brazilian Political Science Association (ABCP). His scientific research and production is concentrated in the areas of Theory of International Relations, International Security, National Defense and External Policy of the United States.

This article examines several opportunities that are presented to Brazil in view of its long term objectives and its involvement in global governance arrangements linked to its participation in the BRICS group. It is divided in two parts according to the sections of the text and discusses structural aspects and trends of the international environment and places BRICS in that context, exploring its scope, its possibilities and its limitations. The brief conclusion summarizes among the possible articulations of the BRICS those that appear to be most appropriate for the attainment of the objectives of Brazilian external policy.

The circumstances of the BRICS: structural trends of the contemporary international environment

The current international environment is characterized by intense, and for many, surprising changes. Within it, three structural processes serve to put into context the current meaning of the BRICS and to provide information on which to build plausible scenarios about its evolution in the near future. Such interlinked processes may be summarized as: (a) evolution of demographic flows and its implications; (b) technological evolution; and (c) political reorganization, both in the international sphere and within the political communities. Here, this reorganization is understood as the redefinition of the relative capacities of individuals, power groups and governments to influence the course of the most relevant flows for contemporary societies.

Let us observe the Arab Spring, for instance. In it, the interaction of these three phenomena, not uncommon in critical situations, becomes evident. This phenomenon illustrates as few others could the speed with which new information is disseminated, whose cause relationship with the transformations that took place has not yet been satisfactorily examined. From all that happened, it became clear, until now, that the protest movement in Tunisia had an influence on uprisings in neighboring countries, but the full impact is not known.

Indeed, an ample range of reactions has been seen in the region, whose leaders have been trying to negotiate concessions and threats of coercion, aiming at remaining in power or lead the transitions: in the United Arab Emirates reforms initiated decades ago were almost imperceptibly and voluntarily deepened; in Saudi Arabia, the transfer of wealth to the population was expanded and superficial changes are being heralded in a still uncertain time frame; in Morocco, more generous social policies blend with a discourse of fight against corruption; in Syria, the violent action by the government is resisted by the Arab League, making the fall of the government more predictable. By the way, leaving aside the usual diplomatic rhetoric, the BRICS did not seem capable to express themselves in a harmonious way, and much less proactively, about these developments.

A few months ago, scenarios that pointed to possible changes in government in North Africa were rare. Those that did emphasized variables such as "food prices" and "repression levels". Today, the fall of Assad is predicted for the next few months, or weeks, and there are fears about the implications of such rebellions for the stability of the Middle East, especially when one thinks of demonstrations underway in Iran and the change in the pattern of the United States-Israel relationship. By the way, the reduction of American presence in the region has

been producing, by itself alone, geopolitical instabilities, leading countries like China and India, Russia, Iran and Turkey to revise their policies for the region.

Finally, the Middle East and North Africa join Sub-Saharan Africa and the South of Asia as theaters where emerging powers are attempting to occupy spaces that are believed to be emptied in the future, in case the relative American decadence at the global level becomes real. It is curious to note that sometimes this is done with the support of the United States themselves; for the USA, it is preferable to see national States exerting influence over the political processes in the region rather than to watch the strengthening of power groups driven by different motivations, such as Hezbollah, Hamas or the Taliban.

In this context, the role of Europe has been less predictable and articulated, as was evidenced by the negotiations of Resolution 1,973 of the United Nations Security Council, which authorized NATO to prevent air traffic over Lybia.[1]

This is not the place to develop the argument about how developments related to technological progress, population growth and its consequences interact among themselves, especially with regard to the increase in the demand for food and well-being. However, it is clear that the existing technological condition favor the entrepreneurial capacity of individuals and private organizations in the face of the growing reduction of the cost of access to information, knowledge and economic resources in general. A direct implication of these developments is precisely

1 See:<http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N11/268/39/PDF/N1126839.pdf?OpenElement>. Access on November 11, 2011. By the way, Brazil, China, India and Russia, together with Germany, abstained from sponsoring this initiative. This position, together with the arrangements made on the occasion of the change of the Managing Director of the IMF, signaled to the more advanced countries the intention of the emerging nations to participate more actively in the decision-making process of the main international organizations. Nonetheless, it should be observed that South Africa voted in favor of the Resolution.

the redefinition of the political relationship between citizens and their rulers, whose effectiveness in providing public goods increasingly becomes a necessary condition to remain in power. At first sight the result seems paradoxical: on the one hand, national States were strengthened by the fight against the 2008 economic crisis; on the other, the agendas of governments became more homogeneous and their margin of maneuver was reduced.

Indeed, investments in education of the last decade combined with easy access to information and the possibility of instant communication at low cost contributed to reinforce the capacity of political action by individuals. The creation of a global agenda of human development, mostly visible in the Millennium Goals, makes international comparisons easier and provides information to social activists and politicians that become instruments for their discourse and action, constraining governments to adopt public policies geared to the improvement of the well-being of societies.

Worldwide, governments worry about creating favorable conditions not only for economic development but also for the reduction of social inequalities. Individuals compare the conditions in which they live not only with what they had in the past, but also with those of their neighbors and of individuals living in other continents; feeling disadvantaged, they rebel.

Nevertheless, nothing guarantees that these revolts will be followed by governments that are less authoritarian or more committed to the ideas of social justice. This means that some regions of the world may experience long periods of instability, jeopardizing the recovery capacity of the world economy. This notwithstanding, it is possible to do something about this picture in an articulated way, opening for the BRICS an extraordinary opportunity to exert influence on the international agenda toward attaching priority to the reduction of inequalities, fight against

hunger and communicable diseases and the strengthening of norms leading to the promotion of economic development with less social inequality.[2]

Such an agenda deepens the recent guidelines of Brazilian external policy without betraying its commitment to tradition and at the same time contrasts with what Ruggie characterized as the mark of *embedded liberalism* inherent to the Bretton Woods order. Indeed, the wide commercial liberalization established after World War II contributed both to consolidate global production structures and to create wealth, albeit at the cost of widening inequalities within and among economies. Until recently this did not seem a serious problem, but the 2008 economic crisis made it clear that in times of shortage political behavior tends to be stirred up and may even compromise the tacit agreement about the rules of the game in force and consequently the very stability of the established order. On the one hand, closed States and repressive governments become increasingly impracticable, although the integration into the global economy does not necessarily require the establishment of democratic regimes; on the other, the safety valves provided for in the system are no longer enough to accommodate domestic pressures, even in the more advanced economies. If the BRICS are able to take articulated positions on the substance of the envisaged international order they would find ample political space in an international environment that lacks leadership capable of pointing out the path to be followed.

However, one of the reasons why the idea of the BRICS captured the attention of analysts and political operators is precisely the fact that each of its members possesses a unique trajectory, an

2 The election of a Brazilian to head FAO expands the room for dialogue with the BRICS on this agenda and offers them real possibilities to create rules and establish practices that can transform the logic that presides over the production of food in the world.

experience that could be emulated by other governments. There is much to do in order to build a common agenda. With regard to these issues, although the prevailing logic is to privilege the individual interests of the BRICS, coincidences are not unusual. Such intersections configure opportunities for action. The problem is mainly one of political leadership.

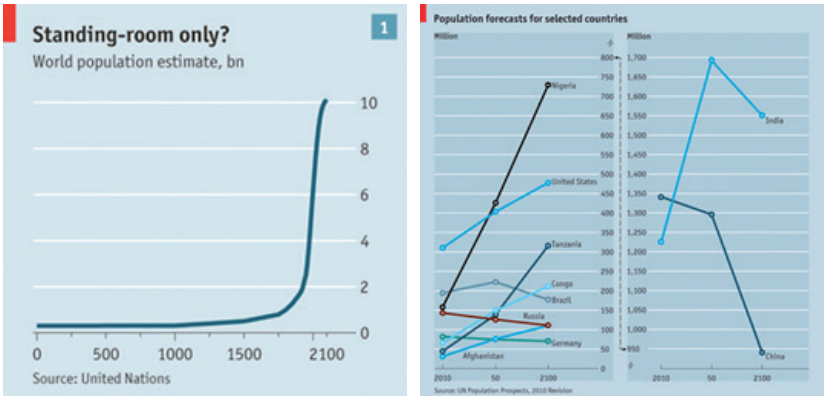
In one word, and in a very simplified manner, particularly since the end of the 19th century, contemporary international relations were marked by the speeding up of technological innovations which favored both the multiplication of human beings and the creation of means that put their survival on Earth at risk. In this process, individuals were strengthened, and their relationship with their governments is redefined to the extent that social demands become more relevant than in the past. In other words, the process well described by Polanyi in his argument about the great transformation became exacerbated.

The recent estimate by the Population Division of the United Nations to the effect that mankind topped 7 billion individuals commanded the attention of world press. The realization that at the turn of the 20th century we were 1.2 billion and that progress in sanitation and medicine favor the expansion of life expectation in a global scale reinforces the idea that mankind is facing a fact that in the long run has relevant implications for international relations.

This affects the BRICS in different ways. Among other factors, the reduction of fertility rates and migration policies has a strong influence on the demographic evolution of countries. Simple projections raise specific challenges for each country. This is what Graphs 1 and 2 show. For the objectives of the proposed discussion, it suffices to understand clearly the structural trend of the increase in population together with a growing rise in the demand for food

as seen in the escalation of the prices of the main primary products recorded in Graph 3.

Graphs 1 and 2: Estimated world population and projections for selected countries[3]



Graph 3: evolution of food prices[4]



3 Source: *The Economist*, October 22, 2011, based on statistics from the Population Division of the United Nations. Available at: <http://www.economist.com/node/21533364/print>. Access on October 7, 2011. Graph 2 was taken from the *Economist Intelligence Unit* on the same date.

4 Source: FAO Food Price Index, November 2011. Available at <http://www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/>. Access on November 13, 2011.

China and India face different demographic problems. The former benefitted, in the last few years, from bonuses that explain in part its vigorous economic development, while the latter resists any policy aiming at population control. China has to deal with the need to create millions of jobs every year[5] to respond to the demands of a population that is aware of the benefits of modern times and wants to have an increasingly active participation in them. India faces impressive statistics and ever harder challenges. In the absence of effective policies to reduce the rate of birth or of bloody conflicts, the demographic explosion will require a pace of growth faster than the current one, and few analysts foresee a peaceful management of the expectations of the multitudes that gradually migrate to cities. It is worth recalling that India refused to accept the terms proposed for the conclusion of the Doha Round in 2008 out of concern with the impacts that the agreement would have on its rural population.

Brazil and South Africa are the countries with better conditions in this respect, mainly because they can benefit from relatively young populations and in productive ages. Depending on the wisdom with which their governments plan the accumulation of human capital, their economies can be strengthened in a sustainable manner, establishing both countries as the mainstays of the global economic recovery and as new poles of economic dynamism in the world. The case of Russia contrasts strongly with that of the other BRICS, in view of the progressive reduction of life expectation for its population, whose work force, moreover, has been experiencing a decline in productivity. In other words,

5 Former President George W. Bush reports in his book of recollections (Decision Points, Crown Publishing, New York, 2010) that Hu Jintao mentioned the need to create 25 million new jobs every year as his main concern.

although being in better conditions than more developed economies, each of the BRICS faces huge internal challenges.

It is not yet clear to what extent efforts within the BRICS will contribute to confront their respective internal challenges in a satisfactory way. At the same time that it called attention to a relevant dynamic of the international environment, this section pointed out expectations raised about the BRICS, highlighting the fact that it is necessary to understand the global dynamics in order to consider the possibilities and limitations before this group of countries in their possible concerted action in the international sphere. Possible convergences of these countries in the face of global challenges and their respective internal problems will be examined below.

Possibilities and limitations for the BRICS

When Goldman Sachs published the study in which Jim O'Neill coined the acronym BRICS, a decade ago, the rhythm and sustainability of the economic growth in these countries was regarded with great mistrust. The very title of the article, *Dreaming with BRICs*, pointed to the precarious nature of the proposal. Indeed, the idea was simply to call the attention of long term investors to economies whose growth could be more robust than what was projected for advanced economies. Surrounded by huge skepticism on the part of economic agents excited by the impressive pace of growth of the American economy until 2008, the idea also faced relative indifference on the part of concerned governments which did not consider themselves as partners in a joint initiative and tended instinctively to reject an agenda that could be imposed to them "from the outside".

The differences among the BRICS countries were then perceived as much more relevant than their possible similarities,

particularly when considering their regional neighbors, their geopolitical conditions and their economic interests in other parts of the world. This did not change. In some cases, such differences increased and became more complex, including with regard to disputes among the BRICS themselves. The best known case involves disputes between India and China, in the South China Sea and in Africa. In the first case, the issue is sovereignty over exclusive exploration waters; in the second, the conflict involves access to natural resources for the maintenance of their rhythm of economic development. One observes a real naval arms race between these countries and political movements that raise future possibilities of quarrels that create distancing rather than a rapprochement stemming from shared identities. To reduce such tensions constitutes, by far, the most complex challenge for the BRICS.

When one brings to the fore the demand of these countries for energy sources, among other raw materials, the relative expansion of the interdependence among their economies is better explained, although this is not reflected in the flows of direct foreign investment by the BRICS among themselves. Despite the strong oscillation of that flow, with an increased significance after 2008, it has stayed at levels similar to those of the start of the 1990's.[6] It is worth recalling that in the case of the energy market the high concentration of the Russian economy in this sector, side by side with its political interests in Central Asia, also raises questions about the possible harmony that is intended for the BRICS.

Despite their differences and occasional rivalries, however, the maintenance of their economic development amidst the crisis

6 These figures oscillated, but kept around 20% of direct foreign investment received and 14% of the actual disbursement. Institute of Applied Economic Research (IPEA). Communiqué 86. Available at: <http://www.ipea.gov.br/portal/images/stories/PDFs/comunicado/110413_comunicadoipea86.pdf>. Access on November 12, 2011.

that ravages the big centers and the stagnation of consolidated economies, such as Japan's, is contributing to establish the BRICS as a reference in the frame of the international insertion of its members. Their participation in the global GDP is close to 20% and their contribution to the growth of accumulated world demand between 2008 and 2009, for example, was 63.3%, more than double of what it had been between 2000 and 2004. However, more than 40% of this demand was generated by China, while India answered for 12.4%.[7] In other words the imbalances are not limited to the level of reserves or to participation in international trade.

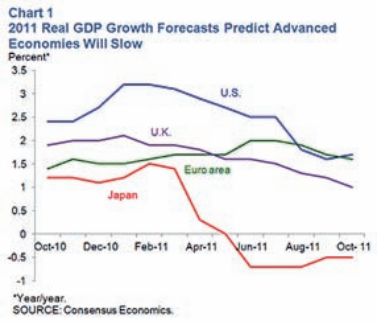
The recent G20 Summit, by the way, showed the limits of the proposals articulated by the BRICS, where there was convergence only in regard to the defense of the strengthening of governance structures and to increase the commitment of the advanced economies in dealing with their own problems. When it came to assuming specific commitments, however, each country chose the sectors and actions better suited to their individual interests. In this regard, the intersections were not sufficient to allow the projection of the image of articulated action, in spite of the negotiations that took place at the Sanya Summit.

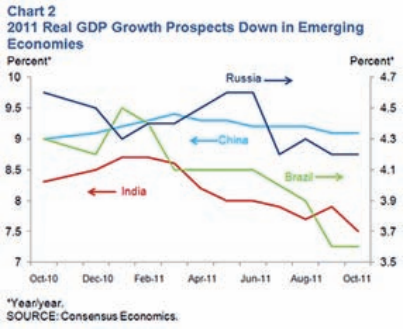
The following graphs show the evolution of recent economic growth and the expectations for the next few months.[8] Just as in the case of other assessments of the economic environment in the near future they are also somber in both senses of the word: one cannot clearly discern the level of future economic growth and a relatively pessimistic trend prevails, despite the confidence that the emerging economies will contribute more intensely to overcome the current economic crisis.

7 Ibidem.

8 Federal Reserve Bank, Dallas. Available at: <http://www.dallasfed.org/ institute/update/2011/int.1107.cfm> Access on November 13, 2011.

Graph 4 and 5: Estimated real growth in selected economies





The existence of two scales to deal with the BRICS already points to very different dynamics among its members, from whom no articulated action beyond what can be achieved within arrangements like the G20 is expected. In the political sphere, lack of confidence also prevails with regard to these countries' capacity of articulation, although the diplomatic effort observed on the occasion of Lagarde's appointment to the IMF did raise concerns in developed countries with regard to changes in the relative positions at the helm of the more relevant international organizations. In this case, however, the BRICS were able to act in an articulate manner, showing enough cohesion to advance common interests on the international agenda in peculiar circumstances and on specific issues.

This summarizes what the BRICS have succeeded in building during the past few years: a forum that governments make use of to receive information about their respective interests and positions, in order to be able to advance in the same direction when it suits them. Whoever expects strategic long term action from this group, in which the unity of a possible bloc is placed above the interests of its parties, will be mistaken. It is merely a convenient space for

pragmatic governments that ably allow others to attribute to it greater internal value than they in fact possess in the international environment.

This pragmatism also explains why the regional question itself, previously considered as relevant for the BRICS, was relegated to a second tier. The current thesis at the time was that the main service they could render to the world would be to stabilize and develop their respective regions, in order to qualify as leaders in the international environment. This thesis was soon knocked down due to the evidence that there is a demand for a more assertive participation by the BRICS in the structures of global governance and that in some cases they contribute little to regional stability.

There are also global challenges to which the BRICS have been responding in an *ad hoc* manner. The intersections of their interests explain to a large extent the joint positions, especially regarding the strengthening of global governance structures composed by national States. By affirming that such structure, in the search of reinforcement for their legitimacy, must adjust to the current distribution of power among States, the BRICS are in fact trying to reposition themselves favorably in international organizations and are supporting an effectively conservative agenda. It is a question of looking for change in the order, rather than a change of the international order. It was so in the case of the consensus constructed with regard to the question of Palestine at the 66th General Assembly of the United Nations, in 2011. It remains to be seen whether the consensus will hold in the face of pressures against the process of creation of the Palestine State, especially if the probability of a conflict involving Israel and Iran increases.

This conservatism with regard to the means does not obscure nor takes away relevance from the proposals of incremental improvements on the substance of the current order by way

of the inclusion of large segments of their populations. In this connection, Brazil has shown greater relative effectiveness by ensuring economic growth with reduction of the inequalities, in contrast to the other BRICS.[9] This position is coherent as it is suitable to be presented as also leading to the expansion of the demand for goods and services and reduction of threats to order, to the extent that a smaller number of citizens have reasons to rebel.

However, coincident positions do not go beyond the need felt by each government to answer to the pressures received on the domestic level, articulated in a discourse that does not contradict the idea of using the forum as a space for privileged coordination. This is fine, but will not help to project the BRICS as political agents capable of improving the dynamic of contemporary international relations or to establish them as bulwarks of a new order.[10]

Unmistakably, confronting the current cries requires articulate action, opening room for proposals from the BRICS, whose assets are today more relevant than ever. Moreover, the priority attached by the more advanced countries to the solution of their domestic problems, in the framework of a profound lack of qualified leaders in the international environment, offers the BRICS a unique opportunity to influence the values that will inform the new set of rules to be employed in order to reorganize the international political economy in the next few decades. In other words, it is probable that the 2008 crisis precipitated the restructuring needed since the end of World War II, which brought about a period until now characterized, somewhat in abstract, as "post-Cold War", due to the lack of clarity about its fundamental values. It is also probable that ideas on equity have also acquired

9 See NERI, M. (Ed.). *Os emergentes dos emergentes*: reflexões globais e ações locais para a nova classe média brasileira. Rio de Janeiro: FGV/CPS. 2011.

10 But when examining positions relating to the promotion of human rights the differences of understanding among the BRICS increase.

importance with regard to the liberal values inscribed in the Bretton Woods order, albeit in an non systematic way and devoid of an articulate discourse.

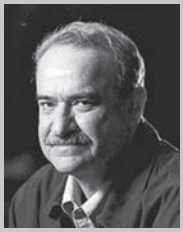
Until now, however, the opportunity brought about by the dynamic evolution of events is wasted because of the limited scope of the BRICS group and of its constraints in terms of political articulation. There is a lack of consensus within the BRICS with regard to the values on the basis of which this restructuring of the international order should be proposed. There is indeed a want of an unequivocal commitment with the valorization of a sense of social justice, possibly to the detriment of the freedom of allocation of capital, investment and trade flows, in order to provide axiomatic substance to a proposal of reorganization of the contemporary international order.

Conclusions

The theme proposed for this round table could be approached in many ways. In this article, the structural dynamics of international relations were highlighted and some of its implications for Brazilian foreign policy were pointed out throughout the text. It was assumed, in this connection, that the readers are aware of the main guidelines of our external policy and stress was given to the importance of demographic events as well as to their relations with the pace of technological innovations, in the production of political redefinitions observed both within States and by them among themselves and with other power groups organized in the international environment, including international organizations.

The main conclusions presented here regard the coincidence of several positions of the BRICS in relation to the need to reinforce the international institutions and norms and even postures regarding polemic issues, but such positions are essentially

influenced by the circumstantial interests of each country. The BRICS lack consensus around a set of values that could serve as the basis for a restructuring of the contemporary international order, which would allow them to exert more lasting influence on the construction of an international order based on processes that could lead to a better response to the long term ambitions of these countries. The solution of the current economic crisis presents the BRICS with a unique opportunity to advance its interests in that direction. It remains to be seen whether that opportunity will be wisely made use of.



BRICS: FROM SMART ACRONYM TO INFLUENTIAL FORUM

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Among its several and generally catastrophic consequences, the occupation of Iraq by the United States between 2003 and 2011 clearly showed that the short period of apparent global hegemony of a single superpower, which started, in principle, with the collapse of the Soviet Union in 1989 was over and that there were many fundamental limitations to Washington's ability to impose its will on other nations, in spite of its evident advantages over the rest of them, in all aspects.

The global financial crisis heightened the perception, by now almost consensual, of the American inability to exercise control over global governance and also showed that it was impossible for the European Union – even if it had a common external policy or would arrive at one (something it never had and probably will never have) to replace or complement the USA in this endeavor to lead the international community, at least from the economic point of view, since the asymmetry between both has always been huge. The effects of the crisis have been especially devastating for the United States and the Western European countries.

Scientific evidence that human action is bringing about the warming of the planet to an extent that it may turn into a disaster for mankind as a whole within a relatively short historic period and that serious environmental problems can only be solved by the joint action of many (perhaps almost all) nations became yet another argument in support of the thesis that the management of the world could hardly be achieved by a few national actors in

the 21st century and beyond, as was the case during most of the past.

However, a long time may elapse between the understanding and subsequent collective admission of the fact that the current form of structuring the world order became obsolete and that the construction of a new global formula for bringing order will require innumerable sketches and partial – or completely failed – attempts.

This delay can be especially protracted if no universally dramatic event comes about, from which protagonists indisputably superior to the rest would emerge, as was the case of World War II. This conflict made it possible for the United States and the Soviet Union, with the support of the United Kingdom, France and China (formally winners of the war but obviously at an accessory geopolitical position) to engender the system of the United Nations and establish the bi-polar order that was in force from 1945 to 1989 with relative success.

Nothing even distantly similar to World War II has happened up to now in the 21st century, although for a few moments the financial crisis might have emitted signs that it could have become the trigger of the construction of a new world order. A great environmental disaster may yet be such a decisive factor. However, at least for the time being, it is hard to predict what that will be, or if one will come up.

At the height of the global financial crisis, in 2008 and 2009, the G20 held several summit meetings within a relatively short time span (in Washington, London and Pittsburgh between November 2008 and September 2009); many believe the signs that this international arrangement – in which emerging countries had prominent roles – could be the embryo of a new effective order.

However, the provisional and relative accommodation of the economic conditions of the majority of the countries and the sharpening of national protectionism as a way to improve individual situations (despite all nations having condemned protectionist measures and undertaken at Washington and London not to adopt them) exposed the limitations of the G20 as an effective forum at least from the standpoint of political and economic decision-making.

Alliances and partnerships among relevant national States began to emerge in this context of relative vacuum of global power, either with ambitious and encompassing objectives or with more specific and limited purposes, that may or may not be decisive for global governance and among which the BRICS stand out.

There is indisputable appeal in a group of nations that represent more than a third of the planet's population and more than a fifth of its land mass, besides counting on a huge stock of extremely valuable natural resources and one half of the world's financial reserves. Whatever political or economic decision that these countries decide to follow jointly will necessarily have a strong impact on international debates.

The important question is to know whether they will have enough cohesion among themselves to arrive at some position on the relevant themes beyond good rhetorical intentions and theoretical agreement.

The history of the BRICS is very recent. In its initial configuration (Brazil, Russia, India and China), the one that is really significant (the adherence of South Africa in December 2010 adds a relatively small critical mass, especially in terms of economic importance, in spite of being symbolically significant because it integrates an African component to the group), BRICS is less than three years old, if we take the first Summit, in June 2009,

as its inaugural landmark, or a little over three years if we give this privilege to the first Ministerial meeting with that objective, in May 2008 (although the Foreign Ministers of the four countries had met in 2006 and 2007 during the United Nations General Assembly in New York, prior to the articulation of the group).

Significantly, both meetings that triggered the BRICS were held in Russia, a country that can be considered the most active in promoting the creation of the bloc.

Russia is also the country that seems to be most out of tune with the ensemble in terms of geographical and economic peculiarities. All others are societies that have gone through a recent process of industrialization and until the last quarter of the 20th century were considered as developing and later as emerging, with their power limited to their regional sphere. Russia, however, the heir of the Soviet Union, played during World War II the undeniable role of one of the two superpowers in the planet and is ranked as an industrialized country (including under the Kyoto Protocol).

There is little homogeneity among the important interests of the members of the BRICS for themselves or for the world. For instance, all agree that "it is essential to conclude a comprehensive process of reform of the United Nations in order to keep it at the center of the world order that we desire", as the then Minister of External Relations of Brazil, Celso Amorim, stated in an interview published by *Folha de São Paulo* on June 8, 2008. However, in practical terms, the most important point in such a reform, the new configuration of the Security Council, raises probably irreconcilable divergences among the members of the BRICS, since China is opposed; Brazil and India favor the inclusion of Japan and of India itself as permanent members of the Council; and for

Russia the longer the *status quo* of only five permanent members remains in force, the better.

One of the issues that brought the leaders of the BRICS closer together in their summit meetings was the reduction of dependence on the American dollar as the currency of reference for the world. However, even when there is an apparent political consensus, as in this case, the material reality prevents common action, since the liquidity of the national currencies (including the *ruble* and the *yuan*) simply does not exist if compared with the American dollar or even the *euro*. Until they decide to use their national currencies in trade negotiations among themselves, the members of the BRICS know that they will encounter enormous difficulties, such as those still faced by the members of MERCOSUR, who have long ago decided to take that course.

On world trade issues, the positions of the BRICS are not close to each other's, either. It suffices, for example, to stress that Brazil and Russia are large exporters and China is a great importer of commodities. India has been extremely skeptical with regard to the Doha Round, while Brazil and China usually attach great importance to it. Russia has just been admitted into the WTO.

In almost all the remaining basic items of the world agenda (environment, democracy, energy, for example, and many others) the distance among the members of the BRICS group is very large.

What may be significant – and in fact this is already happening – is an expressive increase in trade among the five nations as a result of wider contact in their meetings, although it is practically impossible to imagine for the time being that they will someday envisage some kind of free trade agreement within the group. Trade between Brazil and China, for instance, which has been growing in a large scale, should jump from US$ 50 billion to US$ 125 billion by 2016, according to forecasts by specialists.

Another possibility of success, feasible even in a short span, is the exchange of experiences and articulations for joint action in programs of combat to poverty, since in all of them large segments of their populations find themselves in a situation of material destitution. Among other initiatives, this could be of great help to improve their standing in the world and increase the so-called *soft power* of the five members and of the group.

A third area of possible collective action by the group where there are already some supporting pillars is cooperation among their national development banks for projects within the bloc or from the bloc in other poorer countries. An initial agreement among the banks was signed in 2010 and in principle there is nothing to prevent it from prospering.

For the time being, what the BRICS have been able to achieve concretely is to contribute in an articulate manner to the maintenance of international liquidity by using their vast reserves to buy securities from OECD countries or to provide financial help to European countries through the IMF, as it agreed to do in November 2001, and this is not a minor matter.

However, in the face of the obvious impossibility for the BRICS to become – especially in the short or medium term – a decisive or even a very influential actor in the global decision-making processes, the bloc is not in any way irrelevant; it may be an important voice in some specific issues and certainly brings not negligible political advantages for all its members individually.

For China, the BRICS are a convenient and low cost opportunity to position itself as a world leader, exert greater global influence and reduce that of the United States without having to face risks by itself. It is like a great corporation that sometimes prefers to have its interests upheld by unions, providing more legitimacy at no risk, than to do it by itself.

For Russia, the BRICS are a forum where it can, in a manner perhaps more effective and certainly more positive and less risky, control from a closer range the eventual and feared possibility of an articulation by the United States and China to form a G2, however distant this possibility may seem today. Its association with dynamic economies that escaped (unlike Russia) almost unscathed from the global financial crisis may represent for Russia an encouragement to move away from its decline. Moreover, the BRICS provide it with an almost neutral and favorable new channel of dialogue with the United States, the country of still greatest foreign policy concern for Moscow.

For India, the group is a legitimizing forum for many of its multilateral demands and provides a clear positive distinction from Pakistan, its greatest regional adversary and main national security threat. The BRICS may also become for India a favorable environment for the solution of several serious territorial differences with China.

For Brazil, participation in the bloc certainly increases its own relative strength in the international debate, improves its image in the world and helps expanding its possible influence beyond South America. It may also be a way for articulation with China in the competition between the two nations for economic and political influence in Africa.

For South Africa, the BRICS are beneficial in all aspects.

The apparent impossibility of agreement among the BRICS on vital issues simultaneously weakens and strengthens the bloc. Since there is no prospect of joint action on anything that really matters, the members have greater freedom to enter into dialogue and present theoretical arguments, thus exerting ideological international influence.

The adherence of South Africa to the group provoked discussion on who else could join the group at a later time and increase their political capital. Mention has been made of Turkey, whose option to become a part of the European Union seems definitively closed and which, like the members of the BRICS, has made visible efforts to expand its situation as a regional power. South Korea, Indonesia and Mexico are considered possible "candidates".

Each one of them would undoubtedly contribute with important assets to the ensemble, but would help very little to bring the minimum level of internal cohesion that at some point will be needed for the group to become a first rate actor in the global power game.

Even in its present configuration and with all the limitations already pointed out, the BRICS constitute an interesting exercise of articulation among important countries that may benefit all of them and also the world.

From a mere smart acronym created to demonstrate nothing other than the importance of the large consumer markets of the "whale countries" that seemed little noticed by the great economic powers, still in a logic of correlation of forces that crumbled from 2008 on, the BRICS are changing into a forum that, even if it does not attain great relevance, may come to be significant in the architecture of new global governance structures which, sooner or later, will have to be established to replace the current ones.



BRIC TO BRICS IN A WORLD IN TRANSITION

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It was meant to be a definition of an investment portfolio. It was meant to be an instrument of financial marketing in an environment of increasingly loud and showy financial instruments. It was meant to be a lure for investors in search of risk. Even so, like a seed that falls on fertile ground, the acronym BRIC[1] sprouted and quickly spread its branches beyond the world of finance. Even before the BRIC countries had decided to hold annual summit meetings, debates were already simmering among analysts on whether one country or another was really a member of the BRIC in comparison with others, whether they possessed a minimum common identity, what would be their role in the evolution of the international order, etc. The success of the acronym shows the latent demand for a concept that could identify the peculiar situation of a group of countries hard to classify. These are countries of large populations and territories and therefore possessing potential power resources, but not belonging to the group of developed nations, either in terms of their economic and social structure or in terms of their conception on the "suitable" economic and social models. These are countries that, with the exception of the special issue of the United Nations Security Council, did not participate in the decision-making center of the main international regimes created after World War II.

1 In April 2011 South Africa was invited to join the group originally formed by Brazil, Russia, India and China. In this article the name BRIC covers the original group while BRICS includes South Africa.

BRIC and international regimes

In the context of these regimes, the management of the international economy in the capitalist world included formal and informal instruments for the action of governments and for the constitution of the set of international rules and instruments, as well as convergent national policies, within which private agents could act. On the formal side, in the financial area, the rules of voting based on weights attributed on grounds of contribution quotas ensured the predominance of the largest economies in the Bretton Woods institutions: the IMF and the World Bank. In the commercial sphere, the provisional arrangement of the General Agreement on Tariffs and Trade (GATT), the main instrument regulating commercial relations among countries up to the creation of the WTO in 1994, ensured in practice the predominance of the largest commercial partners in view of the rules in the negotiation in tariff liberalization rounds.[2] In parallel, the OECD gradually established itself as an instrument for the creation of specific specialized regimes among developed countries, not always by means of legally binding instruments. This is the case of the arrangements in the field of exports financing and guarantees, the code on the liberalization of movements of capital or the understandings within the Committee of Assistance to Development. The OECD also established itself as an instrument of promotion of the convergence of national policies by means of consensus building and the holding of "reviews among peers".

2 Until the 1970's the GATT negotiating rounds for tariff liberalization were made up of a series of bilateral negotiations that were later multilateralized by virtue of the most favored nation clause. Article 28 of GATT covering tariff negotiations gives a preponderant role in negotiations on each tariff item to the country that is the main provider of this item to the importing country negotiating its tariff, having in mind that the latter is the chief beneficiary of the tariff reduction. Thus, countries with greater weight in international trade and with a more diversified commerce tend to be often the main providers and therefore the main actors in the negotiations.

Finally, from 1975 onwards the informal G7 forum began to bring systematically together the largest capitalist economies[3] in an attempt to ensure some macroeconomic coordination in a scenario of dismantlement of the regime of exchange parities created at Bretton Woods. In 1997 Russia joined the meeting of leaders, making up the G8, while the G7 continued to meet at the level of Finance Ministers, keeping the former Soviet republic away from the nucleus of economic-financial discussions.

This set of institutions led the international economy, under American hegemony, from the embedded liberalism[4] of the post-war period to the unregulated liberalism that pushed forward the economic-financial globalization, mainly from the 1990's onwards, defining at each moment the "appropriate" economic policies and the acceptable instruments of collective intervention. If the current configuration of the international economic architecture permitted the advancement of the economic poles centered in Germany and Japan, the period of unregulated liberalism witnessed the emergence of successive waves of Asian countries based on development models turned toward exports to the developed markets, with special emphasis on the presence of China.

In this new context the BRICS countries started to create challenges to the set of instruments of management of the international economic framework, as described above. Each of these countries brings to the international economy a different set of resources and capabilities and hence of interference in the regimes previously in force. Not only have these countries changed the functioning of the international markets of goods, services and energy, but their economic policies also move, in different degrees,

3 Germany, Canada, the United States, France, Italy, Japan, and the United Kingdom.

4 RUGGIE, John Gerard. 1982. "International Regimes, Transactions and Change Embedded Liberalism in the Postwar Economic Order". *International Organization*, 36 (2).

away from the practices and consensuses that prevailed in the central poles of the international economy in the past few decades. This was a result of the size of their economies, even those that, like China, have a model of development more closely integrated to the international economy and possess a domestic economic dimension significant enough to prevent automatic alignments to practices and policies that might be required by a more intense dependence from the international insertion. Thus, only now did Russia adhere to the WTO, Brazil does not have investment protection agreements, China acts in Africa away from any attempt by the OECD countries to lure it to their own consensus in the area of development assistance and none of the BRICS joined the code of liberalization of capital movements, and so on.

In view of this new reality, a group of five countries – Brazil, Russia, India, China and South Africa – started to be systematically invited to the G8 summit meetings, even without effective participation in the prior negotiations that defined their outcomes. At the Heiligendamm Summit, in 2007, a non-negotiating dialogue process was initiated on a limited set of issues[5] among the thirteen countries of the G8 + 5.

So, there existed an attempt to gradually expand the circle of countries whose participation was perceived as necessary to ensure effectiveness and legitimacy to certain decisions and initiatives by the central economies. It was, however, a controlled and gradual experiment, happening through a "concession" of the components of the G7 and G8 and under their direction. The participation of Russia in the G8, but not in the G7, whose meetings continued to congregate the Finance Ministers only from the largest developed countries, put a member of the BRICS "across the table", although without full participation. On the other hand, Mexico, full member

5 Investments, innovation (including intellectual property) energy, and development.

of OECD, had wider commitments than the other four guests with the policies sanctioned by the G7.

The 2008 economic crisis made dramatically clear the way in which the BRICS countries had become necessary for the management of the international economy. If the crisis of the end of the 1990's had already shown that crises in the periphery could affect the center, now the center was generating the crisis and understood that the periphery was essential for its recovery. At the same time, a large part of the policies considered "appropriate" in the context of unregulated liberalism were listed among the causes of the crisis.

In this context, the G20 was available as an already configured and operative mechanism in the economic-financial area[6], ready to be used, without the need for laborious discussions on the appropriate setup for a group capable of coordinating the reaction to the world crisis, as well as containing all the members of the BRIC. In this way, in Washington, in November 2008, at an annual meeting of finance ministers that was already losing power, the G20 was revitalized and started to meet at the level of Heads of State and Government.

In the ensuing movement, the G20 "overwhelmed" the G8 + 5[7], was declared the main economic coordination forum among its members and, by extension, was also considered the nucleus of the world economic governance in view of the weight of these economies. This happened not only because of the perception

6 The group was then formed by the Finance Ministers and the Presidents of the Central Banks of 19 countries, namely: South Africa, Germany, Saudi Arabia, Argentina, Australia, Brazil, Canada, China, South Korea, United States, France, India, Indonesia, Italy, Japan, Mexico, United Kingdom, Russia and Turkey. The twentieth member is the European Union, represented by its rotating presidency, by the European Commission and by the European Central Bank.

7 With the rise of the G20, the Heiligendamm dialogue process that had been renewed at the L'Aquila G8 Summit was broken off.

that the crisis was global, but because the developed countries understood that it would be necessary to count on the action and resources of the main emerging nations to come out of the crisis. It was therefore agreed to call these countries to the central decision-making circle of the economy and of the economic organisms, with the expectation of their commitment with the recovery efforts.

Unlike the G8 + 5 processes, which preserved the differentiation between two groups of countries and moved slowly toward the incorporation of the emerging nations into the G7 decision-making processes, at the G20 all were full members, in equal conditions of participation. The incorporation of the BRIC and other developing countries into the instruments of management of the international economy spread to other forums, with the participation, for instance, of all G20 members in the Financial Stability Forum (FSF), which became the Financial Stability Board (FSB)[8], or with the reform of the quotas at the IMF and the World Bank concluded in 2010 in order to ensure greater participation of developing countries and the BRIC, in particular, in the process of management of those institutions.[9] It should be noted that at the plenary meeting of the FSB, for instance, the BRIC countries have the same number of representatives as the G7 States (three, representing the Central Bank, the Ministry of Finance and the Supervision of Securities).

8 The Financial Stability Board has led international cooperation in the area of the reform of the rules of the financial system, producing its own recommendations and coordinating the efforts of other norm-producing organisms such as the Basel Committee (bank supervision), the World Organization of Stock Securities, the International Organization of Supervisors, etc.

9 With the 2010 reform, the BRIC countries joined the 10 largest quota holders (and for this reason with voting rights) of the IMF, attaining, together, 14,18%, not enough to block the most important decisions, which require 85% of the votes. Although representing an important progress, the reform does not ensure proportional representation to the weight of these countries in the international economy. A new reform should be concluded by 2014.

The members of the BRIC and other developing countries did not hesitate to avail themselves of the opportunity, and the platform of reform of the decision-making processes of the international economy was the main element of agglutination of the BRICS in this period.

Such changes, however, create new tensions and challenges at the mechanisms of management of the international economy. Although less "concessive" that the G8 + 5 process, the emergence of the G8 was, even so, an advance of a reality in formation. Even if we forget for one moment the developing countries in the G20 that are not members of the BRIC, and even if the GDP of the BRIC already disqualifies the G8 as grouping together the largest economies in the world, there is still a wealth gap expressed in terms of physical financial and human capital setting the G7 – just as other developed countries – apart from the BRIC.

In exchange for the acceptance of the incorporation of the members of the BRIC and other more advanced developing countries in the formal and informal decision-making processes of the management of the international economy, the developed countries expect a quick assumption, on the part of the emergent ones, of equivalent or even greater responsibilities, depending on the area. An accelerated burden-sharing is at the root of the agreement by the developed countries to open spaces for the BRIC in a context of crises in which the burden is heavier than usual.

The BRIC countries, however, emphasize the wealth gap in order to make sure that the new commitments and responsibilities are introduced gradually and with freedom of action. Since they are not full participants nor have taken part in the building of the unregulated liberal consensus, they do not feel bound by its pillars and, in many cases, challenge them directly from the point of view of their quite diversified experience in development.

We are thus experiencing an unstable moment of transition, in which the former controllers of the decision-making processes are no longer able to solve problems in the interior of the regimes or impose new configurations without the cooperation of the BRIC, at the same time as the group, having decided to participate of the decision-making processes and the building of new regimes, does not have the resources or is not willing to mobilize them in order to play the role of "value distribution" imposed by the leadership. This makes it very difficult to reach any expressive re-configuration of the existing regimes or the construction of new international ones.

At the G20, these tensions have become visible, above all, in the debate on the "re-balancing" of the international economy in what regards the external accounts of countries. On the one hand there is the realization of the unfeasibility of reviving the pre-crisis model of growth based on the consumption in developed countries, especially the United States, that fed exports from Asia, mainly from China, which, in turn, used to finance the current account deficits of the developed countries, particularly the United States. On the other, there is the perception of Americans, British and others from developed nations that, in order to recover after the crisis, it is consequently necessary to expand exports to the BRICS and other emerging nations, mainly China. The result of this equation is a collective pressure by the developed countries on China for changes in its foreign exchange regime (and, by extension, that of its Asian competitors) in order to allow greater valorization of its currency; this however, implies a deep change in the Chinese development model. The other members of the BRICS, for their part, less pressured and equally interested in changes in the Chinese foreign exchange system, but also in greater discipline on the part of countries emitting reserve currencies, support changes in the international currency exchange system but watch

from a distance – albeit variable – the debate between developed countries and the Chinese. The Americans try to neutralize any effective debate on reserve currencies, arguing that the market prefers to defend the prevalence of the dollar.

The same difficulty in the reconfiguration of the regimes due to the tension between the new weight of the BRICS in the decision-making processes and the pressure for the speeding up of the burden-sharing can be seen in other areas, such as the impasse in the negotiations of the Doha Round at the WTO or in the negotiations on the combat to climate change in the framework of the United Nations Framework Convention on Climate Change.

BRIC to BRICS

When the BRIC decided in 2011 that South Africa would participate in the group, the creator of the acronym protested: "South Africa is not of the same magnitude as the other BRICs"[10]. Already in his capacity as president of the Goldman Sachs Assets Management, Jim O'Neill said to CNN that South Africa "is nowhere near constituting a BRIC", while Nigeria, included in his new promotional portfolio (*Next 11*), was supposed to be more qualified.[11] At the same interview, O'Neill showed surprise at seeing that the acronym he had created had acquired a life of its own: "Who would have ever dreamt that there would be a BRIC political club? It certainly isn't something that I ever imagined".

Indeed, the inclusion of South Africa in the club consolidated the transition of the acronym from instrument of financial

10 CONNAGHAN, Clare. "Goldman Sachs' O'Neill: South Africa does not belong in BRICs". *Dow Jones Newswire*, November 30, 2011. Available at: <http://online.ws/com/article BT-CO-20110930-710194.html>. Access on November 15, 2011.

11 ELBAGIR, Nima. "South Africa: an economic powerhouse? 'Nowhere near' says Goldman exec" CNN, April 5, 2011. Available at: <http://edition.cnn.com/2011/BUSINESS/04/05/jim.oneill.africa.bric/index.html>. Access on November 15, 2011.

marketing to political instrument. South Africa does not have economic features similar to those of the other BRICS, but managed to assert itself as a representative interlocutor in the African developing world based on a stable political system and on a well-structured market economy. The BRIC was not the first to see in the African country a candidate to an important participation in the international decision-making processes. In fact, South Africa was included in the G8 + 5 and G20 exercises and in the *enhanced engagement* of the OECD[12]. This African country was not brought to the decision-making circles because of its resources, but due to the legitimacy of its representation.

At the same time, by inviting South Africa and not any other country seen as "emerging" to join the group, the BRIC made a statement of political coming of age, reaffirming its unique place in the international order: they are not only countries at the threshold of an expanded participation in the management of the international economy because of their rising resources but they are also countries that intend to provide alternative options to the consensus represented in the *acquis* of the OECD and in the pre-crisis visions prevailing at the Bretton Woods institutions. The choice of South Africa strengthened a vision of the problems of the international economy from the standpoint of the development and construction of new consensuses as opposed to a strategy of insertion through adaptation and recognition in which the developed countries remain as judges.

One cannot forget, however, the heterogeneous characteristics of the BRICS, now with an "S" added, both regarding its economic structure and its political and international insertion proposals.

12 Through *enhanced engagement*, five non-members of the OECD were invited to participate more systematically in the activities of the Organization due to their relevance for the international economy (South Africa, Brazil, China, India and Indonesia).

It cannot be ignored, for instance, that Russia requested adherence to the OECD and is engaged in a process of negotiation, albeit slow, in this direction, which can entail the modification of a considerable number of domestic policies in order to align them with that organization. Brazil, on its part, does not wish to ask for adherence to the OECD but would not have any difficulty in doing so, according to preliminary analyses carried out internally in 2007/8 with regard to over 70% of the decisions of that organization.[13] China, for its part, being currently the leading exporter in the world, holds in the commercial field a bargaining power much bigger that the other BRICS nations.

Conclusion

The formation of the BRICS group was a political decision that originated, as the impact of the acronym itself, from the perception that there is a common element among those countries, stemming from the peculiar place they occupy in the contemporary economic order. However, this very peculiar place is a consequence of their individual singularities and of the capacity of each member to preserve and express them. For this reason, one cannot expect from the BRICS a coherent doctrinal *corpus* about what should be the international economic order or cohesive action in an ample range of topics and much less that they express themselves collectively through spoke-persons.

If the common point *par excellence* is the relationship with the internal economic order, the G20 seems the natural arena for the BRICS to exercise common interests, mainly in the whole agenda of reform of global governance. The tension between what is being

13 Consultation process to several Ministries and organs of the Executive coordinated by the Economic Department of the Ministry of External Relations.

offered to the BRICS and what will be asked from them, however, tends to be exacerbated in the short and medium term and may jeopardize the smooth flow of the initial movements of governance reform. This may already become clear at the forthcoming reform of IMF quotas, which must be concluded by January 2014, when the "fat" will have disappeared and a wider role for the BRICS will imply important cuts in the European over-representation in the decision-making processes of the organization.

The 2008 crisis had repercussions that did not unfold completely, as can be seen in the evolution of the question of the sovereign debts in Europe during 2011. Thus, it will not be a surprise if the transition we are experiencing goes forward in more rapid and unpredictable ways, altering the direction of the forces that currently make the restructuring of certain international regimes more difficult.



Brazil, BRICS and the international agenda

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This text intends to make some comments on two topics, namely: (a) How to increase intra-BRICS trade? and (b) Can the BRICS group be an inductor of institutional transformations in the international system? The comments are intertwined, as will be seen below. In reality, the considerations on the second topic are a consequence of what is said about the first. In these comments the existing prospects about the BRICS in Brazil and in Russia are highlighted, since the latter country is the subject of continuing research by the author.

Let me start with the first issue. From the data obtained from research on intra-BRICS commerce it was concluded that trade flows among the member countries are very small, except those with China. This seems to result, on the one hand, from the concentration of each country's trade relations on nations or regions within its own sphere of economic preponderance and, on the other, from the difficulties stemming from the structure of the roster of exports and imports of each of them. Thus, the annexed table indicates, in the shape of a matrix, the trade flows (exports plus imports) among the countries that make up the BRICS group, in terms of each one's participation, as shown in the columns, in the total trade flow of each, as shown in the lines. The statistical data used correspond to the last periods for which they are made public in each country of the group and therefore they are not precisely homogeneous as sources. However, to the extent that the relative participation of the countries of the group in the trade flows of each country is calculated horizontally, in relation to the total

trade of that country, some digressions can be made, although with some deviation from statistical precision. In other words, taking into account the necessary analytical care, the data in the table provide an idea of the magnitude of the trade flows among the members of the group.

From the table, the very low level of commercial relations among them becomes clear, again with stress on the relevance of trade with China for all of them: it accounts for 16.6% of total Brazilian trade flows, 10.2% of total Indian trade flows and 9.8% of Russia's.

As was stated, two hypotheses can be put forward to explain such a low level: (a) the fact that the foreign trade of each BRICS country is more closely linked to a specific area of economic preponderance and (b) the export/import lists of each of them do not favor interchange.

A survey of the main directions of the trade flows of each of the countries indicates the following, in the selected periods:

- *Brazil*[11]: the main trade flows of the country, between January and September 2011, were with developed countries, from which it received 49.54% of the total of its imports, 20.42% of which came from countries belonging to the European Union. Exports presented a similar behavior: Brazil exported 41.07% of the total of its sales to developed countries, 20.92% of which to the European Union. Data for the United States, a traditional partner of Brazil, show that the relative participation of the import flow of this country is practically identical to that of China: 14.83% and 14.45%, respectively. The same is not true for exports, where the relative participation of the United States is markedly inferior

11 Data source: Brazilian Ministry of Development, Industry and Commerce. DEPLA. *Estatísticas do Comércio Exterior.* Jan/Sept. 2011.

to that of China: 9.77% and 17.67%, respectively. The high participation of trade flows with China contributed to the total of 20.2% in Brazilian trade with the BRICS in the period under examination;

- *India*[2]: The country's main trade flows between April 2010 and March 2011 involved developing countries (36.4%), especially in Asia (28.5%) including China (9.8%) and the members of the Organization of the Petroleum Exporting Countries (OPEC) (28.6%), due to the importance of oil and its products to India's external trade, as will be seen below. The remaining 14.7% regard the European Union and 7.2% to the United States. Trade flows to Africa (4.8%) and Latin America (3.1%) were extremely low. Further details about the direction of these flows do not change the picture significantly: imports come basically from OPEC countries (33.8%) and from developing countries (32.7%), Asia being responsible for 26.7% of their total; likewise, exports went primarily to developing countries (41.6%), mostly in Asia (30.9%) and to OPEC countries (21.5%);
- *China*[3]: the main trade flows of China in 2009[4] were with Asia (53.2%), especially Japan (10.4% of the total). Europe and the United States represented 19.3% and 13.5% of the total, respectively, in the period under examination. Despite some differences, the proportions are similar when export and import data are examined separately. With regard to exports, in comparison with the corresponding figure for the total of trade flows, the participation of Asia (47.3% of total exports) and of Japan (fell to 8.1% of the total) was somewhat

2 Data source: Reserve Bank of India. *Handbook of Statistics on the Indian Economy*. April 2010/ March 2011.

3 Data source: China National Bureau of Statistics. *China Statistical Yearbook 2010*.

4 Last year for which there are more detailed statistics.

reduced in favor of Europe and the United States, which came to represent 22.0% and 18.4% of total exports, respectively. In the case of imports, according to the same scheme of comparison with total trade flows, Asian participation grew to 60.0% of the total and Japan's to 13.0%; the relative participations of Europe and the United States declined to 16.1% and 7.7%, respectively;

- *Russia*[5]: The main Russian partners, shown in the order they appear in the tables of the country's central statistics agency, between January and August 2011, were the members of the European Union, with almost half of the total trade flows (48.4%) and China (10.0% of that total). The United States come in third, with 3.6%. It must be pointed out that the relative participation of China grew when compared with that of the same period in 2009, perhaps reflecting the prospect of a reorientation of Russia's attention toward China.

The data[6] above confirm the hypothesis that trade flows take place primarily within the zones of economic preponderance of each country; those regarding the BRICS countries do not have special relevance.

In what regards the composition of imports and exports of each one of them, the hypothesis would require a more detailed analysis of the specific goods included and of the direction of the flows, so that the possibilities of expansion of the flows that already take place in bilateral exchanges are not underestimated. What can be analyzed within the limits of the information available and of the purpose of this text is the composition of the export

5 Data source: Goskomstata.ru. *Staatisticheskii Ejegodnik* 2010.

6 South Africa was not considered for lack of statistical information; from what can be seen at the site of the country's statistics service a page for the report is in construction.

and import lists for each country as a whole and eventually their destination toward the countries of the group.[7]

Starting by *Brazil*, available data indicate that in 2010 commodities and semi-manufactures products represented 93.8% of total exports; out of this percentage, 77.7% regard the former and 16.2% the latter. Unfortunately, similar data for the imports are not available. They appear, however, in the classification of the main products, both exported and imported, for each BRICS country with which Brazil transacted. Data for exports show that the main products sold to China, as well as to India and Russia, are no more than three, responding for over two thirds of exports to each of them. In the case of *China*, they are iron ore (39.56%), other soybean grains (23.17%) and crude petroleum oils. Imports show more dispersion and, with the exception of parts for radio receivers, TV and similar ones (4.6%) they amount to 1.07% (bulbs, tubes and similar) and 1.96% (liquid crystal devices). In the case of *India* main exports were crude petroleum oils and raw sugar of cane (35.9% and 25.1%, respectively). Imports were mainly four, especially diesel oil, with 40.8% of total imports from that country. Exports of crude petroleum oils and imports of diesel may indicate, in a deeper analysis, some complementariness in the commercial relations between the two countries. India's statistical data do not show the direction of the trade flows by product. However, it can be seen that the country imported over US$ 106 billion worth of crude petroleum and its products, exporting only US$ 41.9 billion in oil products; Brazil, by its turn, imported less than US$ 2 billion worth of diesel from that country, indicating the possibility of some improvement of trade relations. In Brazilian transactions with Russia, three products stand out in exports to that country: boneless beef and pork and sugar, with a total of 24.6%, 13.4%

7 Data sources are the same previously mentioned for each country.

and 38%, respectively, for a total of over 75%. In exchange, Brazil imported primarily a variety of fertilizers for a total of 38.7% of all its purchases from Russia. Bilateral commercial relations are not exempt of difficulties, especially regarding imported meats. This is apparently related to competition from other countries and to the objective of Russian authorities to become self-sufficient in foodstuffs.[8]

Like Brazil, *Russia* exports mainly commodities and semi-manufactured goods. Out of total exports to countries of the so-called "distant exterior" (those that are not included in its geographical sphere of influence) such products represented 83.4% in 2009, of which 70.2% were minerals – including petroleum – and 13.2% metals, precious stones and their sub-products. It is well known that the Russian economy is heavily dependent on exports of petroleum and gas and since the 2000's the authorities have been proposing changes in the country's economic structure with a view to reducing such dependence. However, this is not likely to happen in the short run. Although foreign trade statistics do not list the countries to which such exports are directed, it is known from other sources that their chief consumer market is located in Europe, while prospects for its growth in China are starting to be seen. In a comparison of the periods January to August in 2010 and 2011, trade between Russia and China increased 47.3%, a higher growth that trade with the United States (36.9%) and European Union countries (32.8%). Complementariness in commercial relations between Russia and China must, however, be seen in the context of the wider geopolitical interests that link the two countries. Prime Minister

8 See reference to State Program of Development of Agriculture and Regulation of the Agricultural Products, Raw Materials and Foodstuffs Markets 2008-2012. POMERANZ, Lenina. "Brasil-Rússia parceria estratégica nas relações econômicas". In: ZHEBIT, Alexandr (org). *Brasil-Russia: história, política, cultura.* Rio de Janeiro: Gramma 2009.

Vladimir Putin expressed the intention to turn his attention to the strategic partner once elected as president of his country in 2012.[9] As for imports, machinery and equipment represented 46.0% of the total (mostly automobiles), foodstuffs 17.5% (Brazilian imports included) and 17.6% rubber products.

Manufactures predominate in the exports of *India* and *China*; for *India*, in the period between April 2010 and March 2011, such products represented 66.1% of total exports, out of which 27.0% corresponded to engineering goods, among which intermediate metallurgic products. The importance of petroleum products, both for exports (16.5%) and imports (30.1%) was already mentioned. This explains, to a certain extent, the direction of the commercial flow from and to the OPEC countries. In *China*, the concentration of exports of manufactured products was of 94.7%, out of which 49.1% corresponded to machinery and transportation equipment.

The structure of imports is not as concentrated as that of exports: in India, capital goods amounted to only 20.3% of total imports. The import of products related to exports (14.1%) and of gold and silver (10.1%) should be particularly noted. In China, the participation of manufactured goods stood at 71.2%, that of machinery and transportation equipment at 40.5%, while the relative participation of primary goods grew to 28.8%.

It is possible to conclude from this picture that despite the fair level of bilateral commercial relations around a few products, the rise of intra-BRICS trade does not seem significant enough to stimulate greater cohesion and/or institutionalization of the group. Therefore, cohesion factors – assuming it is of interest to its members – should be sought in another sphere.

9 The political electoral scene permits to predict his election.

The observation of attempts at institutionalization, albeit informal, of the group, at the successive Summit meetings of the highest officials of each country[10], as well as at thematic meetings at ministerial or lower levels, shows that they became denser and increased in number since 2009, the period of the financial crisis that swept the world since it erupted in the United States. Thanks to the policies adopted by the Brazilian government, the country has been able to quickly overcome the effects of the crisis. This was not exactly what happened in Russia, where the impact of the international crisis was heavily felt in spite of the specific measures taken by the government to help its corporations and banks.[11] Although the scope of its contribution now extends beyond financial questions to include health, agriculture, energy, the environment and equality, the concern with the governance of the financial system undoubtedly marked the creation of the group as such. The conclusions reached by the Heads of State and Government at the Summit held in 2009 are significant: the first four among them deal with the financial question, stressing the central role of the G20 Summits for the solution of the financial crisis. It is expected, in this connection, that the United Nations Conference on the global economic and financial crisis and its impact on development will have a positive outcome, through a commitment with progress in the reform of the international financial institutions and a definition of the principles on which the reform of the financial and economic architecture should be based. The emphasis on the financial question continued to occupy the 2010 and 2011 Summits, but gave way, at the latter, before the

10 The 2009 Summit was held at Yekaterinburg, Russia; the 2010 Summit in Brasilia, Brazil; and the 2011 Summit at Sanya, China.

11 POMERANZ, Lenina. "Rússia: mudanças na estratégia de desenvolvimento pós-crise". In: PINELI ALVES, André Gustavo (org.). *Uma longa tradição:* Vinte anos de transformações na Rússia. Brasilia, IPEA 2011.

eruption of the European crisis, to issues of international peace and security, due to the "concern with the turbulence in the Middle East and in North and West Africa", as well as to the "question of Libya". The solution for the latter should be found through peaceful means on the basis of a dialogue at the UN. The group also expressed support to the High Level Panel of the African Union on Libya.

With the aggravation of the financial crisis in Europe, together with the political crisis that devastates the continent, the question of the financial system came back to the fore, without leaving aside those relating to international peace and security, as can be seen by the holding in New York, in September 2011, of a meeting among the Ministers of External Relations of the BRICS, with focus on the situation in Syria and Libya.

Both questions are currently at the center of the international arena. From the consensual conclusions of the already mentioned Summits of the BRICS leaders it can be gathered that such concerns may indeed be the subject of agreed action among these countries, especially in light of recurrent analyses about the lack of political leadership in the more developed countries to confront the financial crisis in the Euro zone. Two facts indicate that articulated action can be taken in order to exert influence in the search of solutions for the crisis: on the one hand, to exhort European leaders to join emerging nations, particularly the BRICS, in contributing with resources from their reserves to rescue indebted countries, and on the other the fact that there are already agreed proposals for action by the G20 and increase of the responsibility of the BRICS through wider participation at the IMF made possible by the elevation of their quotas in that organization. The question is to discuss the options that are placed on the table by profiting from the debt crises experienced by Latin American countries and taking into consideration the social and political crisis already provoked by

the austerity measures proposed by the less developed European countries, and not only for them, as the violent demonstrations in London from the less favored segment of the population clearly show. In this connection, the noticeable increase in the analyses from well-known economic specialists who insist that such measures may lead to disaster and failure must be pointed out.

Action in the field of international peace and security can also be articulated, although it presents more difficulties. Although they have agreed to attribute a relevant role to the United Nations Security Council in this realm, there are conflicting interests related to its composition and reform. Notwithstanding the fact that some countries of the BRICS group possess nuclear armament and the existence of consensus among them about looking for peaceful and negotiated solution for the several conflicts that erupted in the world, the group does not seem to have enough political power in order to be heard. In any case, political articulation of action by the BRICS on this sphere should also happen.

Brazil attaches great importance to the BRICS group and to concerted action of its members within the scope of the G20, with a view to the promotion of economic growth as a means of overcoming the crisis and searching for peaceful and negotiated solutions for international conflicts. This can be verified by the multiplication of international events in which Brazil participates together with the other members of the group. The caution with which Brazilian high officials express themselves on recent conflicts, especially the current case of military threat to Iranian nuclear installations is also commendable.

Russia, for its part, also attaches great importance to the group. In a press communiqué issued about the meeting of Ministers of External Relations of the BRICS, held in September in New York, the Russian Foreign Minister expressed satisfaction

with the high level of interaction that exists among the members of the BRICS within the United Nations, characterized by coincidence or proximity of positions on a wide range of issues of the international agenda. According to the communiqué, Russia attributes great importance to the development of interaction with its BRICS partners within the G20; it considers participation in the BRICS as one of the main drivers of its external policy and intends to contribute actively to the strengthening of the group. In practice, this willingness is expressed not only in the support to the events organized by the BRICS, such as the recent institution, at the Ministry of External Relations, of a Scientific Council as part of National Committee of Research on the BRICS, constituted as a non-governmental organization, with representatives from the Academy of Sciences of Russia and the Rossiiskii Mir, to coordinate all studies and research carried out in the country on the role of the BRICS and other emerging powers in world economy and politics, as well as to promote Russian positions and evaluations by specialists on the international panorama.

The achievements and the difficulties of articulation of a coordinated action by the members of BRICS about the two aforementioned questions deserve deeper analysis, both within the scope of Itamaraty and the academic world. However, even at the level they are considered in this text, they permit a positive answer to the question that it intended to consider.

Table – Trade flows among the countries of the BRICS group (% in relation to total flows of each country indicated on the lines)

	Brazil	China	India	Russia	South Africa
Brazil [1]	xxx	16.6	1.98	1.62	0.55 [2]
China [3]	3.6	xxx	3.7	3.3	1.4
India [4]	1.2	10.2	xxx	0.8	1.8
Russia [5]	1.1	9.8	1.9	xxx	xxx
South Africa [6]	0.55	1.4	1.8	xxx	xxx

Sources of gross data:
Brazil: Ministry of Development, Commerce and Industry. DEPLA Foreign Trade Statistics.
China: China Statistical Yearbook, 2010.
India: Reserve Bank of India. General Directorate of Commercial Intelligence and Statistics.
Russia: Goskomstat. Statisticheskii Ejegodnik 2010.
Notes: (1) January-September 2011; (2) January-September 2010; (3) 2010; (4) April 2010/March 2011; (5) 2009, last year for which there are data by country; (6) data taken from trade flows with the other countries.



Brazil, the other BRICS and the private sector agenda

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Negotiations of CECEX (2010), Swiss Office of Intellectual Property (2009), MDIC Secretariat of Trade and Services (2005-2007), MDIC – Secretariat of External Trade (2003-2004). Main activities: bilateral relationship with North America, Europe, Africa and Asia; negotiation of regional trade agreements (MERCOSUR) with focus on goods; elaboration of comparative studies on trade agreements and impact studies; experience in the development of online tools for information on tariffs; multilateral issues and questions related to the WTO.

Brazil, the other BRICS and the Brazilian private sector

Much has been said about the growing importance of Brazil, Russia, China, India and South Africa for the world economy, and several projections indicate that the economic-commercial performance of these countries will be even more significant in the next few years. Indeed, the group of these emerging countries already shows its strength: a combined GDP of US$ 18.5 trillion, 40% of the world's population and 25% of the land mass of the planet. Besides being great recipients of investment, these countries recently started to intensify the process of internationalization of their businesses all over the world.

The sum of the initials, defined by the acronym BRICS[1], represents more than a simple group of letters. The term became an element for political and economic analysis and more recently also gave birth to a governmental forum to discuss questions of common interest among the countries and joint actions in multilateral forums. As Baumann observes[2] "this is probably an unprecedented case in history in which an acronym is changed into

1 The acronym created in 2001 in the *Global Economics Paper no. 66* ("Building Better Global Economic BRICs"), of Goldman Sachs Agency and made popular in 2003 in the article no. 99 of the same series under the title "Dreaming with the BRICs: the Path to 2050", included only Brazil, Russia, India and China.

2 BAUMANN, Renato (ed.). *O Brasil e os demais BRICs:* comércio e política. Brasilia/DF: CEPAL/IPEA. 2010.

an expressive motivation for diplomatic efforts and commercial initiatives".

The constitution of the BRIC – currently BRICS – forum, since the recent addition of South Africa[3], reinforced the discussions on the role of the emerging countries in the global scene and the inevitable approach on a new multilateral order, in which developing countries will have a more relevant participation in global decisions.

In what specifically regards Brazil, it is imperative to develop greater knowledge of its partners in the forum in order to prepare to explore the opportunities and face the challenges stemming from the deepening of this relationship. In this context, the role of the Brazilian private sector becomes essential. The governmental intra-BRICS agenda has been growing and the same must happen to the private sector agenda. After all, the relationship of Brazilian entrepreneurs with their opposite numbers in China, India, Russia and South Africa will determine the dimension of this integration. The State should propose mechanisms that stimulate direct investment by Brazilian businessmen in order to create elements for the construction of the commercial policy toward China, India, Russia and South Africa.

The objective of this text is to analyze three important dimensions of the relations of Brazil with the other BRICS: commercial exchange, investment flows and the role of the private sector. The second and third parts of the article present the profile of trade and of investment flows between Brazil and each of the countries examined. The year of the creation of the acronym BRICS, 2001, is used as the basic parameter. In the fourth section the current mechanisms of participation of the private sector in

3 This addition took place during the last Summit meeting held at Sanya, China, in April 2011.

the current economic relationship of Brazil with China, India, Russia and South Africa will be examined.

Brazilian trade with the other BRICS[4]

Brazilian trade exchanges with the other BRICS

Brazilian trade with the other BRICS has grown consistently since 2001. Even between 2008 and 2009, during the international financial crisis, Brazilian exports toward these countries continued to increase. For the latter, such exports represented 6.4% of the total in 2001 and jumped to 19.7% in 2010.

The same growing trend is observed in Brazilian imports, where the participation of the BRICS partners grew from 4.7% in 2001 to 17.9% in 2010.

Table 1: Trade between Brazil and the other BRICS

Period	Exports		Imports		Trade flow US$ million FOB
	US$ million FOB	Part. %	US$ million FOB	Part. %	
2001	3,714	6.4	2,621	4.7	6,336
2002	4,905	8.1	2,737	5.8	7,642
2003	7,321	10.0	3,391	7.0	10,712
2004	8,789	9.1	5,343	8.5	14,132
2005	12,261	10.3	7,621	10.4	19,883
2006	14,247	10.3	10,842	11.9	25,089
2007	17,206	10.7	17,023	14.1	34,229
2008	24,033	12.1	27,715	16.0	51,748
2009	28,547	18.7	19,948	15.6	48,495
2010	39,740	19.7	32,502	17.9	72,242

Source: AliceWeb-MDIC.

4 All data in Section 2 were gathered from the AliceWeb statistical information system.

The increasing trend of Brazilian trade with the other BRICS continues to be strong in 2011. Between January and September 2011 Brazilian exports to the BRICS grew 35% in comparison to the same period of 2010. Brazilian sales jumped from US$ 29.7 billion to US$ 41.2 billion and the bloc became the destination for 21.7% of exports from Brazil. The joint participation of China, India, Russia and South Africa surpassed for the first time that of the European Union, a traditional and chief market for Brazilian exports.

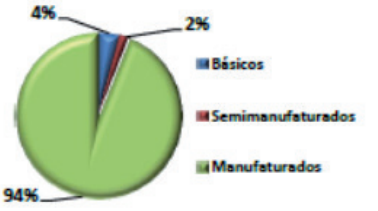
Likewise, Brazilian imports from China, Russia, India and South Africa reached US$ 31.3 billion between January and September 2011, with a growth of 35.5% over the same period in 2010. Currently these countries make up the second main group of suppliers to Brazil, above traditional partners like the United States and MERCOSUR.

It is thus possible to see that in quantitative terms Brazilian trade with the other BRICS continues to follow a satisfactory course of expansion, but the diversity and quality of the Brazilian export list still leaves much to be desired. Brazilian exports to those countries are concentrated on agricultural and mineral commodities. Considering the period from January to September 2011, 80% of Brazilian exports to the other members of BRICS were primary goods. Semi-manufactured goods represented 13% of the total and manufactures only 7%, as seen in Graphs 1 and 2 below. Out of total Brazilian exports in the same period in 2011, primary products represented 44.7%, semi-manufactured goods 13.7% and manufactures 39.4%.

Gráfico I - Exportações Brasileiras BRICS



Gráfico II - Importações Brasileiras BRICS



With regard to the products exported by Brazil, it should be noted that iron ore, soybeans and petroleum represent 71.3% of total exports between January and September 2011. Moreover, the participation of other important industrialized goods is declining. As examples, soy oil (decline of about 6% of the value exported from January to September 2010 compared to the period January-September 2011), rolled steel (decline of 30% in the same period), pumps and compressors (decline of about 9%) and chassis with engines (decline of 13.6%).

Analysis of the trade profile of other BRICS with Brazil

Each of the other members of the BRICS has its own characteristics in the commercial relation with Brazil. Between January and September 2011, China was responsible for 79.6% of the Brazilian trade flow with BRICS partners. In 2001, that country received only 3.3% of Brazilian exports and exported about 2.4% to Brazil. At present, China is the destination of 15% of Brazilian exports and supplies 14.1% of our imports. The participation of all other BRICS in Brazilian foreign trade is considerably lower than

China's. India participated with 9.7%,[5] Russia with 8.0%[6] and South Africa[7] with only 2.7% of trade flow with Brazil.

Another relevant factor of comparison in Brazilian commercial exchanges with the other members of the BRICS is the composition of the trade basket. Between January and September 2011, 83.7% of exports to China were commodities. Semi-manufactured goods and manufactures represented 11.8% and 4.5% of the total exported to that Asian country. The main product exported is iron ore, representing 43.3% of Brazilian sales to China in 2010. Likewise, Brazilian exports to India and Russia are concentrated on primary products or with little added value: sugar and meats account for 83% of exports to Russia and petroleum and sugar for 65.9% of all Brazilian exports to India.

In general terms, it may be said that trade with the Russians is made by the exchange of meats and sugar for fertilizers and with India by exchanging crude oil and sugar for fuels (India has a large refining capacity).

Finally, it is worth analyzing Brazilian trade with South Africa. Unlike the other countries, bilateral exchanges present a high participation of products with higher added value: 67.8% of Brazilian exports and 60.4% of imports are manufactures. The main goods

5 Even with the Agreement of Tariff Preferences signed with India and still in force since 2009, it has not yet been possible to increase bilateral trade. India is perhaps the BRICs country where trade is at the lowest point in relation to its potential. The Agreement is still timid and limited to about 500 products on both sides. Its eventual expansion may be an important step for the increase of exchanges.

6 Russian participation in Brazilian foreign trade has been stable in the past few years. Taking 2001, when the acronym BRICS was created, as reference for the analyses of this article, Brazilian exports to Russia more than tripled and imports increased fourfold. This was a difficult year especially for Brazilians meat exports. The embargo imposed by Moscow on Brazilian meat exports and questions related to Russian accession to the WTO restricted trade in these products. Since June 2011, Brazilian exports from Santa Catarina, Paraná and Mato Grosso are prohibited for sanitary reasons.

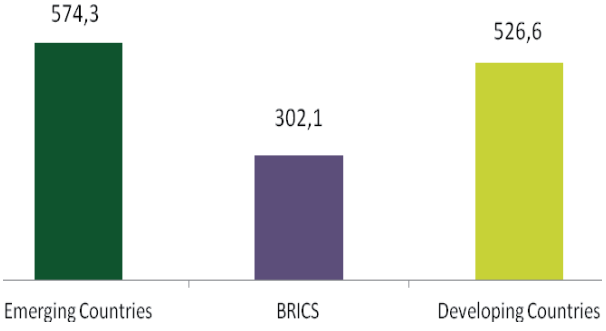
7 Brazil and South Africa have a Tariff Preference Agreement through their Customs Union – MERCOSUL and SACU – but it is not yet in force. It is expected that bilateral trade will receive a stimulus when it enters into force, since it covers about 2000 codes.

exported to South Africa in the period of January-September 2011 were chicken meat (12,3% of the total), auto parts (8.0%) tractors (6.9%), cargo vehicles (6.5% and chassis with engines for automobiles (5.6%). The most relevant imports were coal (11.4%), engines (9.6%), iron laminates (10%) and aluminum rods (7.7%).

Investment

The participation of developing countries as recipients of foreign direct investment (FDI) has been growing constantly. According to the United Nations Conference on Trade and Development (UNCTAD) in 2010, developing countries received 52% of the global flow of that investment, surpassing the developed economies.[8] In the same year, the emerging economies of Asia, Latin America, Africa and Russia were the destination of FDI in the amount of US$ 574.3 billion dollars. Among developing countries the BRICS received US$ 302.1 billion in investment.[9]

Direct foreign investment in the world - 2010 US$ billion



Source: World Bank/UNCTAD.

8 UNCTAD, *World Investment Report 2011*. Available at <http://www.unctad-cs.org/files/UNCTAD.WIR2011-Full-en.pdf>.

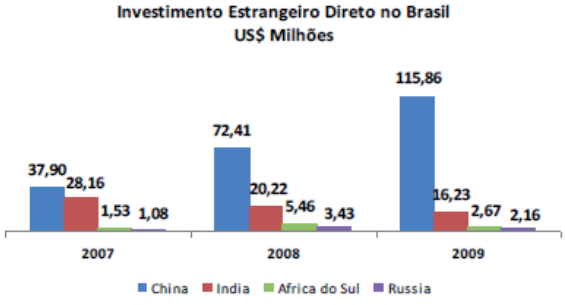
9 The World Bank. Available at: <http://search.worldbank.org/all?qterm=BRIC+FDI&intitle=8as_sitesearch=&asfiletype=>.

In 2010, Brazil, for instance, jumped from the 15th to the 5th position in the ranking of the main destinations of FDI with a total of US$ 48 billion. Brazil is the most internationalized among the members of the BRICS regarding the stock of FDI in relation to its GDP (18%) followed by Russia (13%), India (10%) and China (9%).[10]

Besides having become a privileged destination for investment, the BRICS have also intensified the process of productive internationalization of their enterprises and expanded investment abroad. In relation to the world total, the flows of investment originating in the BRICS jumped from 1.38% in the period of 1992 to 1995 to 3.48% between 2000 and 2008.[11]

However, it must be said that that the other BRICS are still little relevant, in relative terms, as investor in Brazil. In the 2007-2009 triennium, Chinese investment in Brazil reached a total of US$ 226.1 million (0.13% of the total); in South Africa, US$ 9.7 million (0.01%); in Russia US$ 6.7% (0.01%); and in India US$ 64.4% million (0.06%).[12]

Foreign direct investment in Brazil US$ million



Source: Brazilian Central Bank.

10 IPEA. Available at: <http://desafios2.ipea.gov.br/003/00301009.jsp?ttCD_CHAVE=14313>.

11 IPEA. Available at: <http://desafios2.ipea.gov.br/sites/000/17/edicoes/60/pdfs/rd60art07.pdf >.

12 Banco Central do Brasil. Available at: <http://www.bcb.gov.br/rex/IED/Port/Ingressos/planilhas/DivulgacaoPaises07.xls>.

China, the main investor in Brazil from the bloc, has been building an international base of supply of raw materials for their industries. This has been reflected in its investment options in Brazil. More recently, however, there was a significant alteration in the profile of Chinese FDI in Brazil. The announcements made in 2011 targeted businesses in the financial sector and those with greater technological content,[13] such as the assembly of vehicles, heavy machinery and manufacturers of telecommunication and electro-electronic products.

Another high point among investors in Brazil is the recent progress in Indian investment in sectors as cellular telephones, agricultural production and services of information technology. For 2012, in case the announced Indian investment in Brazil is confirmed, the flow of FDI from India to Brazil may attain a total of US$ 5.3 billion, a big leap if compared to the current stock of US$ 356 million. Indian investment foreseen for 2012 in Brazil is mostly directed to the mining, steel mills, energy and hotel sectors.[14]

An agenda for the private sector

The low added value of Brazilian foreign trade toward the BRICS and the low participation of Brazilian FDI to China, India, Russia and South Africa demonstrate the need for a greater commitment of the Brazilian private sector in the commercial relation with these countries.

Among the activities that may stimulate the involvement of national entrepreneurs we should stress the organization of trade promotion activities, participation in trade fairs and business

13 CEBC. *Investimento Chinês no Brasil*. Available at: <http://www.cebc.org.br/sites/500/521/ 00001674.pdf >.

14 See *Isto É* magazine with data on Sobeet investments. Available at: <www.istoedinheiro.com.br/noticias/65560_NAMASTE+INDIA>.

round tables, the continuing work of CEO forums, besides the joint participation of the State and the private sector in governmental and entrepreneurial missions, particularly in the case of economies with a strong participation of the State, such as China, India and Russia.

One important point is the cooperation between Brazilian business and the State, especially in the commercial relation with China, since it is a prerogative of the Chinese government to determine both the quantities of the main commodities exported by Brazil to be imported and the priority sectors for foreign investment in Chinese territory and for the investments of China abroad.[15]

Trade promotion activities should have a priority role in the agenda for the Brazilian private sector in China. Despite the fact that 24 trade promotion activities have been carried out regarding China in 2011 and 2012 and that other three activities in large events and trade fairs have been planned, Brazilian participation in such events should be expanded.[16] A trade mission was sent to South Africa in November 2011 and there are no activities planned for 2012 yet. Three trade missions to India are being organized, two to New Delhi and one to Chennai, focusing on food products, machinery and footwear. As for Russia, one trade promotion activity is being considered for 2012 at the International Food Products, Beverages and Raw Materials Fair (PRODEXPO).

15 The National Development Reform Commission (NDRC) is the main organ responsible for foreign investment in China and determines the amounts of the main agricultural commodities imported by China. For further information on NDRC activities access <http://en.ndrc.gov.cn/mfndrc/default/htm>.

16 The agenda of trade promotion activities for 2012 is still under preparation and will probably be expanded, according to information from the Brazilian Agency of Export and Investment Promotion (APEX).

Brazilian action at this event will be centered on the promotion of meats and frozen products sales.[17]

Another aspect of the agenda of the Brazilian private sector for the BRICS is the creation and development of an ongoing agenda for the CEO forums between Brazil and the other BRICS. CEO forums are an important instrument for entrepreneurs to develop their own agenda of issues of bilateral interest. They bring to the bilateral agenda questions that concern the private sectors and usually make recommendations to the government about ways to expand trade and investments.

Brazil has today the CEO Forum with India and the CEO Forum of IBSA, a mechanism created in October 2011 within the scope of the political dialogue among Brazil, India and South Africa. However, the oldest entrepreneurial mechanism is the Brazil-India CEO Forum, created in 2007 and led by Petrobras, on the Brazilian side, and the Tata group for India. The Brazil-India CEO Forum brings together 16 Brazilian and 13 Indian businesses. Despite the importance of the participants in the mechanism, no meetings have been held yet.

Conclusions

The international success of the BRICS is due both to the constant economic growth and to the greater participation of these countries in international trade, demonstrating the relevance of the group in the current panorama of economic transition. Thus, among the facts examined in this article about the trade relations of Brazil with the other BRICS, we highlight:

17 Source: APEX, based on Integrated Sector Programs (PSI) already defined for 2012 regarding China, India and Russia. Up to now, APEX had not yet defined trade promotion activities for South Africa in 2012.

1. Brazilian trade with the BRICS has been growing gradually, with a strong expansion trend in the last few years. In 2011 the BRICS became the main market for Brazilian exports, with 21.7% of participation, surpassing the European Union for the first time;
2. In quantitative terms, the expansion of this trade evolves satisfactorily but with an export portfolio increasingly concentrated on agricultural and mineral commodities. Besides, the participation of other important industrial products is declining;
3. Each of the other BRICS possesses its own characteristics in the trade relation with Brazil; there are differences in the participation of each country and in the composition of the export and import lists, but exports are concentrated in a few products. South Africa is the exception, but this country has the smallest participation in Brazilian external trade among the BRICS;
4. Despite the fact that Brazil is the 5th largest recipient of investment, the other BRICS are still of little relevance to the total FDI. China is the only country of the bloc that appears on the roster of the main investors in Brazil, with only 0.08% of the total. Besides, the growing investment of Brazilian businesses abroad still does not prioritize China, Russia, India and South Africa. The main destinations of Brazilian FDI are Europe, Latin America and the United States.

These highlighted aspects make it clear that there is room for greater engagement of the Brazilian private sector in the commercial relations with the other BRICS. Beyond the effort of the government there is still much to be done in the area of trade promotion and in the improvement of access to Brazilian products

in those markets. However, without effective engagement from the exporting sectors, political rapprochement will not be of great significance for the expansion and diversification of Brazilian exports.

It is well known that the question of access to markets clashes with several situations that involve tariffs, non-tariff barriers and the action of State companies in the destination markets. Nevertheless, it is necessary to resolve the imbalance in the added value between Brazilian exports and imports to and from the other BRICS. An alternative option could be the use of access to the Brazilian market as a bargaining chip in future negotiations for the entry of Brazilian products in China, Russia, India and South Africa.

The expansion of Preference Trade Agreements already negotiated, such as in the cases of India and South Africa (via Southern Africa Customs Union – SACU – formed by South Africa, Namibia, Botswana, Lesotho and Swaziland) could result in concrete effects for the desired commercial diversification. Moreover, it could reinforce the participation of other BRICS countries in commercial exchanges.

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Brazilian commercial and investment relations with the other BRICS countries

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1. Introduction

The acronym created in 2001 in the *Global Economic Paper no. 66* ("Building better Global Economic BRICs") by the agency Goldman Sachs and made popular in 2003, in the article no. 99 of the same series under the title "Dreaming with BRICs: the Path to 2050" is repeated as a mantra and still seems odd to each of the countries that correspond to the desired initials of the extolled new dynamic center of world growth. Some have tried, without success, to exclude one country or another from the acronym, as in the article "Taking the R out of the BRIC", by the agency Knowledge Wharton, published in 2010; for the time being, however, the group has expanded and actually includes Brazil, Russia, India, China and South Africa (BRICS).

The importance of the letter game for States, agencies and all those interested in international business is that it expresses a fundamental shift of the global dynamics of accumulation toward countries previously considered secondary (or from the old socialist "Second World") with regard to decisions of transactions in investments. The evidence of this phenomenon is the growth of global demand, concentrated on the BRICS during the last few years, mainly during and after the international crisis. In the period between 2008 and 2009, amid the turbulence in the international financial crisis, the group was responsible for two thirds of the

growth of global demand, with the expectation that they will continue to be the major contributors in the next ten years.

This relative shift of the global demand played an important role during the financial crisis, since the impact of the effects of the recession in the central countries, especially in the United States and the European Union, was quickly absorbed by the BRICS without significant loss in their dynamism.[1]

It is to be remarked, however, that the undeniable Chinese preponderance within the BRICS in terms of contribution to global demand grew with the 2008 crisis. Followed in a reverse order by India, Russia, Brazil and South Africa, China represents the engine not only for global growth but also for this dynamic group of capitalist accumulation; in other words, China is the center within this new center. This has profound implications for the stability of the group. The wide asymmetries in size between China and the other countries impose limits but also open possibilities to the relations between Brazil and BRICS which deserve to be explained. With this objective the commercial and investment relations between Brazil and the members of BRICS, as well as the opportunities and risks for Brazil, will be briefly examined below.

2. Bilateral Trade Relations

2.1. Brazil-Russia

Commercial relations between Brazil and Russia are not very significant in terms of volume. Although Brazilian exports grew tenfold between 2000 and 2008, jumping from US$ 423 million to US$ 4.6 billion, this amount fell with the eruption of the 2008

1 With the exception of Russia, the only BRICS country that faced deep recession in 2008/2009 but recovered quickly in the next period.

economic crisis, reaching US$ 2.8 billion in 2009. In 2010 there was a recovery and it attained US$ 4.1 billion. In relative terms, the participation of Brazilian exports to Russia oscillated between 2% and 2.5% during the period. There is high concentration in the roster of exports, whose main products are meats (a primary product) and sugar (a natural resource-intensive product). Brazilian imports of Russian products, for their part, are concentrated on medium technology goods and were relatively stable until 2005, when they started to experience rapid growth until 2008, reaching US$ 3.3 billion. After the crisis there was a surprising increase, surpassing 7% in 2009 and 5% in 2010. There is a strong participation of primary and natural resource-intensive products in exports and imports show a high concentration of medium technology goods (60% to 80%).[2]

2.2. Brazil-India

Unlike what could be expected from the excitement around the acronym BRICS, Brazilian relations with India remain at a low intensity level; despite the fact that trade flows between the two countries increased almost sixteen times in a decade – from less than US$ 500 million in 200 to US$ 7.7 billion in 2010 – the participation of the Asian partner in the total Brazilian foreign trade reached only 2% in 2009 and 2010, having oscillated around 1% during almost the whole decade. Besides, the bilateral trade balance in high technology products showed a deficit for Brazil during almost all of those ten years.[3]

2 Data from UN/COMTRADE.
3 Data from UN/COMTRADE.

2.3. Brazil-South Africa

Brazil-South Africa trade flow reached 1% of all Brazilian foreign trade. It was not possible to see sustained growth in this area during the period under examination. Although the total volume of bilateral trade has grown consistently in absolute terms and was almost multiplied by a factor of five until 2008, when it attained an amount of US$ 2.5 billion, South African participation in Brazilian external trade grew until 2005, when it amounted to only 0.89%, and since then has been consistently declining. It must be stressed that the effects of the crisis on the relations between the two countries were strong, reducing bilateral trade by one third from 2008 to 2009. In 2010 there was a recovery, although not even reaching the same level attained in 2007.[4]

The evolution of bilateral exchanges with items classified according to technological content shows interesting features. With regard to exports, it is clear that the pattern is different from the case of the other countries under analysis: products of medium technology are situated in the first rank, representing a little less than half of exports in almost every year of the series. In the second and third places are natural resource-intensive manufactures and primary products, respectively. Imports were less concentrated and spread in a reasonably balanced manner among commodities, natural resource-intensive products and high-tech items.[5]

2.4. Brazil-China

Between 2000 and 2010, Brazil-China trade relations grew more quickly than the rise of trade between Brazil and the world as a whole. In that period, Brazilian exports to China jumped

4 Ibidem.
5 bidem.

from US$ 1.1 billion – 2% of total Brazilian sales abroad – to US$ 30.8 billion, or 15% of the total, while Brazilian imports from China increased from US 1.2 billion – 2% of the total – to US$ 25.6 billion, or 14% of the total. During this period, Brazil enjoyed a surplus in six years.[6]

With regard to participation, the rise of China as a commercial partner has been a surprise. In 2000, the ten main destinations of Brazilian exports were, in decreasing order, the United States, Argentina, the Netherlands, Germany, Japan, Italy, France, Belgium, Mexico and the United Kingdom, responding together for 66% of total Brazilian exports. Ten years later this picture presented two important changes: (a) less geographic concentration, with the ten main destinations totaling 55.3% of the total, and (b) the confirmation of China as the chief recipient of Brazilian exports – a position already achieved in 2009, when it displaced the United States – and absorbing 15.2% of total Brazilian sales abroad.[7]

However, the roster of Brazilian exports has been concentrated on commodities. Between 2000 and 2009 commodities jumped from 68% to 83% of the total. The products with greatest participation in exports, in 2010, were ores (40%), oil seeds (23%) and mineral fuels (13%), responsible, together, for 76% of all Brazilian external sales. It may be said that, during the last ten years, for each dollar earned from its exports to China, 87 cents come from commodities and natural resource-intensive manufactures; 7 cents from medium technology goods; and only 2 cents from sales of high-tech products. Brazilian products with significant participation in total Chinese imports are tobacco (46%),

6 Ibidem.
7 Data from UN/COMTRADE.

oil seeds (35%) preparations of garden vegetables and fruits (21%), ores (19%) and wood paste and cellulose (12%).[8]

Classified by technological content, Brazilian imports from China have the following features: imports of high-tech products increased significantly in value from 2000 to 2010, jumping from US$ 487 million in 2000 to US$ 8 billion in 2008 and almost US$ 10 billion in 2010. The participation of these Chinese products in total Brazilian imports was never less than 36%, and reached in 2005 a participation of over 50%. In the last couple of years this participation has declined briefly, but the imports of Chinese products of medium technological content increased from 16% in 2000 to 44% in 2009. This is precisely the segment in which Brazilian exports find it more difficult to access the Chinese market. The same trend has been observed in the case of goods of medium technological content. The main Chinese products imported by Brazil in 2009 were electrical machines and devices (33%), boilers and mechanical machinery (20%) and organic chemicals (7%).[9]

3. Bilateral Investment Relations

With regard to direct investment (FDI) made between BRICS countries within the group it should be noted that the participation of flows originating in the BRICS in relation to each country's total (intra-BRICS flow) is of little significance when observed on the basis of the recording methodology of the Central Bank of each country, although the group has received over 20% of the world flows of FDI and contributed almost 14% of the flows in 2009. However, this low intra-group density of FDI may have been under-

8 THORSTENSEN, 2011.

9 Data from UN/COMTRADE.

estimated. Since many of the investments are made in external markets away from the jurisdiction of countries or fiscal havens, an important part of the flow must be gleaned from extra-official data. In the case of Chinese flows toward Brazil, it is estimated that the real entry of FDI from China in Brazil was of about US$ 15 billion between 2009 and 2010, well over the US$ 474 million declared by officials. Specific case studies are therefore needed in order to provide a correct perception of the flows of FDI.

Even with low relative flows of FDI, it is possible to observe some patterns of behavior in the data. If we consider each of the countries in the group (except South Africa), China has been the main investor in India and in Brazil, and came in second to India as largest investor in Russia. In terms of the behavior of the flows, the investments of the BRICS in Russia, India and Brazil kept cyclically linked to the movements of the international crisis, including with regard to the post-2008 recovery. In the specific case of China the pattern is somewhat different: intra-BRICS investments are increasingly less important in the total FDI received by the country.

3.1. Brazil-Russia

Investments by Russian businesses in Brazil have been of little significance up to the present. According to data from the Central Bank of Brazil, the country received about US$ 8 million in FDI originating in Russia between 2004 and 2009, or an annual average of about US$ 1.33 million in that period. Among the investments announced for Brazil but still in the negotiation stage, a joint venture between Mir Steel UK (headquartered in the United Kingdom, but controlled by the Russian Igor Zyuzin) and Usina Siderúrgica do Pará (USIPAR) for the construction of a steel mill complex in Barcarena (PA) should be mentioned. The complex will be composed of a steel plate mill, coke ovens and a port. According

to information already published, the investment should reach US$ 5 billion.

Investments by Brazilian businesses in Russia are also of little significance; the majority is limited to small administrative units for the support to exports directly from Brazil. Among Brazilian businesses present in Russia are Weg, the Cacique Company of Soluble Coffee and Globoaves.

3.2. Brazil-India

Investment relations between Brazil and India are not very significant: declared amounts are close to US$ 9 million in Indian FDI in Brazil and there was practically no flow in the opposite direction from the latter into India; however, there is a potential for improving this bilateral investment relationship.

Exiting FDI flows, together with incoming FDI flows and trade in services represent the most dynamic aspects of India's external insertion. It should be stressed that the intensification of Indian investment abroad happens in a context of high growth of domestic economy of over 7% a year since 2000.

According to a report by the consulting firm Boston Consulting Group among the 100 largest transnational corporations of developing countries, characterized as rapid developing economies, India is represented by 20 companies, all privately owned and publicly listed, and is the second most represented country – China is first, with 40 corporations – followed by Brazil, with 13 companies, besides six Russian ones.

As regards the destination of direct investment originating in India, developed countries increased their participation: they jumped from less than a 1.6% participation in Indian investment abroad, in 1986, to 32.2% in 2008. Developing countries, however, experienced a decline in their participation, from 96% to 68%

between those years. Currently, Asia and Africa have around 20%, Europe 13% and Latin America 10%.

3.3. Brazil-South Africa

As in the case of India, bilateral investment relations between Brazil and South Africa are insignificant, but likewise full of potential. The geographic distribution of direct South African investment abroad has changed significantly since 2000. In 1993, Europe was the main destination of South African FDI and concentrated 93% of the total external investment. In 1999 the concentration was still substantial, with 87% in Europe, North America – that is, the USA and Canada – 5%, Africa 5%, Asia and Oceania together[10] 3% and Latin America only 1%. From then on there was a significant shift in South African FDI with a constant loss of European participation – in 2009, 42% of the FDI stock of South Africa – and growing participation of countries of Asia and Oceania and Africa – 28% and 22%, respectively. Meanwhile, investments in North and South America remained low, practically stabilized with 6% and 2%, respectively.

3.4. Brazil-China

Chinese acquisitions of companies operating in Brazil between 2009 and 2010 grew as much in terms of operations (from one to five) as in terms of value (from US$ 0.4 billion to US$ 14.9 billion). These acquisitions took place mainly in the petroleum sector (US$ 10.17 billion) and in the exploration of the Brazilian pre-salt. Chinese companies also operated in the financial (US$ 1.8 billion), mining (US$ 1.22 billion) and electric power (US$ 1.72 billion) sectors. The Chinese strategy of ensuring access to sources of

10 In the UNCTAD database, from where this information was gleaned, Asia and Oceania appear jointly.

natural resources becomes clear, as well as that of trying to exert influence on the prices in these sectors.[11]

The Chinese moves to invest capital in Brazil were not limited only to activities linked to the exploration of oil and to steel mills, but also involved Chinese companies in agro-business through the purchase of vast rural real areas suitable for agriculture. The Chinese headway in the purchase of mines, areas of oil exploration and land for agriculture and cattle-raising has raised concerns in entrepreneurial and government circles in Brazil. According to information from the National Institute for Colonization and Agrarian Reform (INCRA), 5.5 million hectares of land in Brazil belong to non-Brazilians; however, these figures tend to be underestimated due to incomplete data in the notary registers and in the declarations by foreign companies. Unofficial estimates say that the Chinese already own 7 million hectares.

In what specifically regards Brazilian investment in China, besides being very modest it is concentrated in a small number of industrial companies whose strategy is to consolidate sales to the Chinese market through exports. Moreover, Brazilian companies encounter several restrictions and difficulties to gain access to the Chinese market, due to excessive governmental regulation of external investment.

4. Risks and opportunities for Brazil

The huge growth of participation in the Brazil-BRICS trade flow, reaching almost 20% in recent years, was essentially the result of the Sino-Brazilian axis. It is observed that this commercial pattern showed a predominant surplus with the BRICS in the

11 Brazilian Central Bank.

period between 2009 and 2010, chiefly due to the Brazilian commercial surplus toward China and Russia.

Such surplus may grow with the increasing Chinese and Indian demand for agricultural and mineral commodities. As it is essential to use the Brazilian market as a bargaining chip in negotiations, the growing dependence on exports of primary goods may increase the structural external vulnerability of the Brazilian economy, especially at a probable moment of decline in agricultural prices, subject to the volatility of global financial exchanges. The factor of reduction of this risk is the maintenance of the demand of foodstuffs in the BRICS, especially China, but one cannot fail to note that this is a mitigating factor completely alien to the control of Brazilian sovereignty.

The commercial relation with China is basically linked to the sale of primary products and commodities, to which can be added the potential demand of Russia and India, and to a lesser extent, that of South Africa. The commerce of Brazil with the BRICS is asymmetrical. In general, Brazil exports primary and semi-manufactured products and imports more sophisticated manufactures. The most paradigmatic case is the relationship with China. Although Brazil enjoys a surplus, exports and imports are considerably asymmetrical. The exception is South Africa, with which exports and imports are concentrated on manufactures.

Brazilian competitiveness in the sector of low added value has exerted increasing pressure on the export profile for these products, since they are the most immediately profitable business in Brazil. The problem is that in the medium and long run this may render more difficult, or even block, Brazilian ambitions to become integrated in the industrialized developed world. The dynamism provided by this pattern, however, stimulated in Brazil the need for imports with high added value in order to compensate the relative

scarcity of resources internally directed toward the production of industrial goods, especially high-tech, a porous space occupied by Chinese exports.

There is also strong asymmetry in the bilateral flows of investment made and received. In recent years, Brazilian capitals increased investment abroad, although its direction toward the BRICS is very modest. However, Brazilian companies identify opportunities to operate in the BRICS. A qualitative research by Sobeet with the most internationalized Brazilian companies indicates that about a third of them intend to invest in one or another of the countries of the group.

The growth of demand in the BRICS, particularly in the case of India and China, is linked to investment in infrastructure and urbanization. This investment opens spaces for the internationalization of Brazilian companies in the areas of engineering services, basic industries (equipment and services for the areas of energy, telecommunications and sanitation, among others). The question to be considered, in this regard, are the existing trade barriers, including institutional hindrances such as the high cost of industrial negotiations in the case of India, where there is more than one agency dealing with this issue.

Besides food security, energy security is a concern not only for Brazil but also for the economies of the BRICS, above all China and India, where there is an energy deficit. There are opportunities for increasing petroleum exports (pre-salt) and renewable energy (ethanol). The recent Japanese tragedy and the growing concerns about the use of nuclear energy create even greater opportunities for the use of alternative and renewable energy sources, areas where Brazil is competitive.

The Industrial Defense Base (products and services) can increase partnerships with BRICS countries as is already the case with South Africa (project A-Darter missiles) and with China

(program CBERS satellites). It should be stressed that China and India have some of the highest defense budgets in the world and an IDB still in the formative stage.

Moreover, despite the fact that in India the degree of openness is inferior to China's[12] – that is, just like Brazil, its economy is turned toward the internal market rather than to trade flows to increase its GDP, it nevertheless presents an effective overflow of demand that Brazil may avail itself of. Finally, South Africa is a gateway to the African continent and a fundamental actor for its modernization, whose dynamism has been creating an important magnetic field for the flows of international capital, where Brazil could deepen its investments.

Another strategic aspect is the partnership between Brazil and India for the production of generic medicines, an important achievement of these countries that need to progress further in order to include the autonomous development of medicines and direct resources toward specific pharmaceuticals for the combat against typical diseases of the underdeveloped world.

The risk of trying to compete with products manufactured at low cost in China without recognizing that in fact the prices reflect regional costs, however, is a trap that must be defused through a modern, long term industrial policy. A combination of a degree of protection to industry in the strategic sector of the chain of value with the liberalization of sectors whose competitiveness depends on international competition should be at the heart of such a policy. Closely linked to this internal scenario, regional productive complementariness through the deepening of South American integration is a crucial element for the development of a reasonably competitive structure.

12 BAUMANN et al., 2010, p. 12, table 6.

The Chinese advance in Africa has resulted in loss of opportunities for Brazil. A balance must be sought through greater presence in South Africa, the main investor and gateway to the African continent, besides Angola and Nigeria, its traditional partners. Brazilian exports to South Africa, unlike its sales to other BRICS, are concentrated on industrial products. The South African dynamism may create an important market for medium technology Brazilian goods, but an increase in the economic density between the two countries depends on heavy investment in maritime transport infrastructure and on the creation of commercial routes in the scale necessary for this quality leap.

On global governance, it is possible to explore the need for a new international order based on multilateral responsibilities and on the reform of international organizations, including the support of the BRICS for Brazil to assume a permanent seat at the United Nations Security Council and a greater commercial coordination within the WTO, although Russia is not a member of this organ. Diplomatic coordination can be a valuable instrument for cooperation within the complex agenda of the reform of the international financial system and especially its key institutions such as the World Bank and the International Monetary Fund. BRICS brings together countries that have a common interest to build an international monetary standard more favorable to the insertion of these countries without the undesired effects provoked by the absolute power of the dollar as the world reserve of value. The challenge is to preserve the multilateral characteristic of the group, increasingly influenced by the centripetal force of the Chinese creative destruction and preventing economic asymmetry from transforming the symmetry of sovereign equality (and of the right to development) into a mere accessory of the system's dynamic.

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Brazil, BRICS and the international agenda

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The decline of hegemonic power

The American analyst and sociologist Immanuel Wallerstein[1] interprets the long duration of capitalism – in the geopolitical understanding of the 20th century and more particularly during the last thirty years – as an unequivocal fact. He is convinced that the American hegemony is in full decline, although he admits that very few people believe this theory, except the "hawks" in Washington who, in turn, vehemently propose measures needed to contain it.

For Wallerstein this decline started in the 1970's with a progressive weakening later spurred by the response of the country to the terrorist attacks. The author also asserts that the economic, political and military factors that had contributed so much to an undisputable hegemony are those that will provoke its forthcoming decline.

The British historian Paul Kennedy – currently teaching at Yale University and author of the famous *Rise and Decline of the Great Powers: economic transformation and military conflict 1500-2000*, at the end of the 1980's – believing that Japan, at the time of the publication of his book, was going to supersede American hegemony – reflected recently on the decline of the United States

1 WALLERSTEIN, Immanuel. Puis vint le 11 septembre, le choc. *Courier International*, pp. 33-36 Feb./Mar./Apr. 2011.

and found points of contact with Wallenstein's analysis. Kennedy avails himself of the analysis of Joseph Nye, a liberal from Harvard, who became renowned for the concept of *soft power*[2] and discussed American influence as stemming from a mutually reinforcing tripod: *soft power* is the power of appeal, the ability to make others do what you want them to do, or else to cooperate with them so that they want the same as you. It may also represent the ability of a political body, such as a State, to indirectly influence the behavior or the interests of other political bodies through cultural or ideological means. The second pillar is economic power and the third is military might. The United States had a great advantage over the other countries in all three dimensions. For Nye, *soft power*, or the ability to convince others to do what they wanted, seemed to be the weakest pillar. This ability had decreased and growing hostility against the country sprang from all sides. As for the second pillar – economic – there was also a strong trend toward the loss of capacity, "a manifest deterioration in the past few years", according to Kennedy[3], since for the historian a great power should not consolidate growing trade deficits or a public debt "that reached many trillions of dollars". The third pillar – military – is the one that still holds fast, but Kennedy asks "to what extent?" His conclusion is that the United States will cease to be a disproportionate power and will simply become a large country. The figure of President Obama makes clear the fragility of someone who finds himself isolated at the White House, with an increasingly ineffective Congress, incapable of defining a satisfactory budget policy.

2 KENNEDY, Paul. *Soft Power:* The means to Success in World Politics. 2004; KENNEDY, Paul. *The Paradox of American Power.* 2002, with translation by UNESP in 2002.

3 KENNEDY, Paul. Nous revenons à notre vraie place. *Courier International,* pp. 39-40. Feb./Mar./Apr. 2011.

The global distribution of economic power seems to progress toward a multi-polar configuration. If these changes are not inducing corresponding transformations on the political level, through the speed of the economy and the slower follow-up of politics, they deserve deeper reflection. The BRICS group is new: it was coined in 2001 by the economist Jim O'Neill, Head of Global Economic Research of Goldman Sachs.[4] Since achieving international preeminence, BRIC became a multilateral institution, a forum starting on June 16, 2009, when the leaders of the four countries held their first meeting at Yekaterinburg and issued a declaration containing an appeal for the establishment of a multi-polar world order. Since then, BRIC holds annual meetings and in 2011 invited South Africa to join the group, conforming BRICS. Together with the establishment of the bloc, certain questions started to come up about whether it can be a driver of institutional change in the international system. To a certain extent the trilateral articulations among India, Brazil and South Africa (IBSA) which created the forum, as well as the G20[5], already represent a new set of phenomena in the world context.

4 Published in "The World Needs Better Economic BRICs".

5 The Group of 20 (or G20) is formed by the Finance Ministers and Presidents of Central Banks of the 19 largest world economies plus the European Union. It was created in 1999, after the successive financial crises of the 1990's. Its objective is to facilitate international negotiation under the principle of expanded dialogue and taking into account the growing economic weight of some countries which, together, represent 90% of the world GDP, 80% of world trade (including intra-EU trade) and two thirds of the world population. The economic weight and the representativeness of the G20 allow considerable influence on the management of the financial system and the global economy. The official website of the group is <http://www.g20.org>.



World map highlighting the G20 countries

Members of the G20

Members of the EU not individually represented at the G20

The objective of this essay is to answer these questions, directly or indirectly, but its focus will be centered on China, since the Chinese giant is in fact the country that altered the logic and the conditions of the new international panorama. This does not mean, however, that the evolution of the remaining countries – India, Russia and South Africa – in the international scale and in their relations with Brazil is not important.

The rise of China and the BRICS

Not long ago, Barack Obama said: "The relations between the United States and China are the most important bilateral relations for us".[6] In December 2010, however, he authorized the sale of US$ 6.4 million worth of arms to Taiwan, thus continuing Bush's policy with the sale of Black Hawk helicopters from Sirosky, Lockheed Martin missiles and Raytheon missiles and anti-missiles.

6 OBAMA *apud* DAOBAO, Guoji Xianqu. Washington paiera pour ses erreurs. *Courier International,* p. 12, Feb./Mar./Apr. 2011.

World relations will probably be organized around three nuclei: the American coalition, the European consensus and the consultative style in the Chinese mode. This could be the *geopolitical market* that will decide leadership in the 21st century. For the *New York Times*[7] , the "big countries" of the "second world" – Eastern Europe, Central Asia, South America and the Middle East – are more than emergent nations, since if China is included they are the countries that hold the largest world reserves of foreign currency and savings.[8] The magazine also says that the listings of the BRICS countries in the stock exchanges represented, in 2007, 39% of total capital in the world. The question that was raised is what the option of these non-central countries will be, for instance, in the case of an alliance with a nuclear agreement between Beijing and Washington. Will Pakistan not tilt toward China? Or will the next Arab leaders come closer to the West or the East? According to the newspaper, the global balance between the big powers will increasingly depend on this "second world". In this articulation of the Big Three (two of which in deep crisis), Europe will promote its model of supranational integration as a way to solve its differences in the Middle East and in the attempt to organize Africa. China, for its part, works toward the expansion of a consensus based on respect to sovereignty and reciprocal economic benefits. The biggest doubt is what the United States will do to safeguard its positions.

For the *Financial Times*[9] the main strength of the Chinese political system is its capacity to take important and complex

7 KHANNA, Parag. La nouvelle Géographie du monde. *Courier International* pp.13-15 Feb./Mar./Apr. 2011.

8 It also possesses many rare strategic metals, such as niobium, lithium, cobalt, platin, antimonium, graphite and tungstenium, essential for the advancement of science and technology. China is the world leader in the production of 9 among 13. Cf. FOUCHER, Rana; LIU, Melinda. Qui contrôle la production mondiale de métaux rares?. *Courrier International,* pp 68-69, Feb./Mar./Apr. 2011.

9 FUKUYAMA, Francis. Washington n'a plus rien à offrir à Pékin. *Courrier International,* pp. 26-27, Feb./Mar./Apr. 2011.

decisions quickly and to do it well, at least from the economic standpoint. This is true for infrastructure, considering that China equipped itself with a large number of airports, dams, speed railway networks, water and energy distribution systems, which guarantee an expanding industrial base. The author compares the performance of China with that of India, where any new investment has to confront the opposition of unions, pressure groups, peasants' associations and legal courts. Contrariwise, China and its government are able to move over one million people from areas to be flooded (as in the case of the Three Gorges hydroelectric plant) without resistance on the part of the population.

Table 1: The emergence of BRICS* countries between 1980 and 2015: comparison between the GDP of the G20 countries in 1980 and 2015**

1980 classification	Country	Value in US$ Billion	2015 classification	Country	Value in US$ Billion
1	USA	2,788	1	USA	18,250
2	Japan	1,040	4	Japan	5,115
3	Germany	758	5	Germany	3,396
4	France	535	9	France	2,607
5	Italy	507	11	Italy	2,064
6	United Kingdom	486	8	United Kingdom	2,724
7	Brazil	444	7	Brazil	2,857
8	Mexico	333	10	Mexico	2,104
9	India	277	3	India	6,243
10	Canada	272	13	Canada	1,657
11	China	248	2	China	16,855
12	Saudi Arabia	155	17	Saudi Arabia	839
13	Australia	149	16	Australia	1,136
14	Argentina	136	18	Argentina	771
15	Indonesia	127	14	Indonesia	1,551
16	Turkey	116	15	Turkey	1,224
17	South Africa	114	19	South Africa	701
18	South Korea	88	12	South Korea	1,932
19	-	-	6	Russia	2,951

Source: IMF. World Economic Outlook. ***Database: April 2010.***
**Brazil, Russia, India and China.*
*** The G20 did not exist yet in 1980 (in was created in 1999). It is composed of 19 States plus the European Union. In 1980 the IMF had no data available on Russia. GDP expressed in Purchasing Power Parity (PPP).*

Table 1 shows an impressive performance by the BRICS. Between 1980 and 2015, in terms of gross domestic product, China will have grown 67.9 times; India 22.5 times and South Africa 6.1 times. If we compare these figures with those from the central countries, we would see that in the same period the United States will have grown 6.5 times; Germany, 4.4 times; France, 4.8 times and the United Kingdom 5.6 times.

In spite of these spectacular results regarding GDP growth, countries like China and India will still have to face the challenge of poverty, especially the latter, as shown on Table 2.

Table 2: Proportion of urban and rural population below the poverty line. In PPP US$ 1.25 per day.

Country and year	Population below the poverty line		Proportion of total rural population
	Rural	Urban	
China			
1980	74.1	23.4	72.6
2005	26.1	1.7	59.6
India			
1994	52.5	40.8	74.5
2005	43.8	36.2	71.3

Source: World Bank. 2010. Available at: <http://go.world bank.org.WESP1/8250>.

A study by Goldman Sachs, carried out two years after the one coordinated by O'Neill, already foresaw that the expectation of 50 years for the Chinese GDP to surpass the American one was revised in 2003[10], indicating that

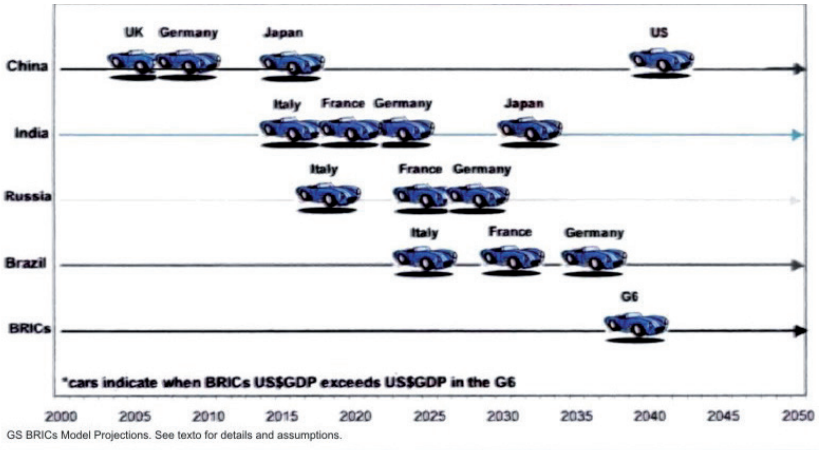
10 WILSON, Dominic; PURUSHOTAMAN, Roopa (Goldman Sachs). *Global Economics Paper* no. 99, p. 3, 2003.

> *the results suggest that, if everything goes as expected, BRIC can become a very important source of new global expenditures in a not too distant future. Figure 1 shows that the Indian economy may become bigger than that of Japan in 2032 and that China may surpass the American economy in 2041 (and surpass the others as soon as 2016). Taken together, the economies of the BRIC countries can be bigger than the G6 around 2039.*

Deepak Nayyar, a respected Indian economist of Keynesian and *developmentist* background, considered as very plausible, in recent articles, the arguments worked out by the Goldman Sachs team.[11] In fact, these projections are being revised and the domestic product of China is said to surpass that of the United States in 2025.

11 NAYYAR, Deepak. China, India, Brazil and South Africa in the World Economy: Engines of Growth?. In SANTOS-PAULINO, Amelia; WAN, Ganghua (eds.) *Southern Engines of Global Growth.* Oxford: Oxford University Press, 2010. "Developing Countries in the World Economy: The Future in the Past?" WIDER *Annual Lecture,* Helsinki no. 12 UNU-WIDER 2009.

Figure 1: Surpassing the G6, or when BRIC GDP will surpass the G6[12]



1 Any decision to limit the sample of countries is to some extent arbitrary. In focusing ond the G6 (rather than the G7 or a broader grouping), we decided to limit our focus to those developed economies with GDP currently over US$ 1 trillion. This means that Canada and some of the other larger developed economies are not included. Adding these economies to the analysis would not materially change the conclusions.

Source: Goldman Sachs. Global Economic Paper, no. 99.
Picture 1 shows the main difficulties and opportunities for the BRICS.

12 WILSON and PURUSHOTHAMAN, op. cit., p. 4.

Picture 1: Difficulties and opportunities for the BRICS

Countries	Difficulties	Opportunities
Brazil	Rural and urban poverty, Strong regional imbalance, low schooling, infrastructure bottlenecks, low R&D, corruption, low qualification of the workforce, de-industrialization.	Consolidated democracy, leadership in South America, peaceful borders, internal peace, growth with inclusion, reduction of poverty and illiteracy, good South-South policies, pre-salt.
Russia	Deep crisis in the 1990's, troubles in Chechnya and Georgia, demographic reduction, alcoholism, declining life expectancy, corruption, mafia, economy dependent on sale of gas/petroleum.	Large territory, petroleum and gas, current economic growth, military capability educated population.
India	Structural poverty, large number of illiterate (mainly among women), caste system, regional imbalances, serious religious and ethnic issues, precarious infrastructure, difficult geopolitics.	Democracy, educated elite, diversified national industry, leadership in *software*, much to build in infrastructure.
China	Large segment of rural population (60%), difficult geopolitics (Taiwan and Kashmir), authoritarian regime, sector and regional inequalities, pollution, energy, water and food dependence, environmental issues (high CO_2 content).	World factory (600.000 foreign businesses, among which 30.000 Japanese employing 9 million Chinese), world and Asia trade leadership, growing internal market, internal stability, social internal inclusion, technologic innovation, progress in education and universities.

Source: Elaborated by the author.

China advances in Latin America

A recent study by ECLAC, "*La República Popular China y América Latina y el Caribe*: hacia una relación estratégica",[13] informs that if the current rates of growth of Latin American exports are maintained, the participation of China will jump from 7.6% in 2009 to 19.3% in 2020. In the same period, the European Union will keep its participation at around 14% and will already be surpassed by China in 2015. According to the study, the Chinese growth as a destination of Latin American exports will result from a persistent decline on the region's sales to the United States (from 38.6% of the total in 2009 to 28.4% in 2020). Brazil is one of the countries that contribute most to the reduction of exports to the US. According to CECLA, the importance of China as an import market varies significantly within the region, since it is a key destination for Chile, Peru and Argentina, but of very little significance for Central America, with the exception of Costa Rica. In the case of Mexico, its exports to China represented less than 1% of the total in 2009. The study foresees a similar or even stronger evolution since in 2020 the Asian countries may surpass the European Union and the USA as the origin of Latin American imports. The increase will be mainly concentrated on the same capital goods that are already present in the region, such as electronic products, parts and components, machinery and textiles. Some countries in the region already depend significantly on China as a trade partner, led by Chile with 13% of its exports sent to the Asian country. Next come Peru (11.0%), Argentina (9.0%), Costa Rica (7.0%) and Brazil (0.7%). In the cases of Ecuador, Mexico and Nicaragua the value is very small. Paraguay is an extreme case (27% of its imports originate in China) followed

13 CECLA. *La República Popular China y América Latina y el Caribe:* hacia una relación estratégica. Santiago, Chile, May 2010.

by those of Chile (11%) and Argentina (11%) and by Brazil, Mexico and Colombia (10%).

The study indicates, however, that Latin American countries should improve the quality of their trade by diversifying their exports and increasing its added value and knowledge in order to improve their insertion into the productive chains of Asia and the Pacific. Here, it is worth mentioning the strategic progress of China, which became a strategic partner of the region in areas such as mining, energy, agriculture, infrastructure and science and technology. Since the beginning of the current decade China became a key export market for MERCOSUR countries, with the exception of Paraguay. However, at the same time the "dragon" has not been very much explored by the Central American countries.

The economies of South America have demonstrated relative equilibrium in their trade balances during the last decade, although a study by the MERCOSUR Network for Economic Research (an organ headquartered in Uruguay) informs that Latin America is losing the dispute for the export of services in the world, which jumped from US$ 1.5 trillion in 2000 to US$ 3.8 trillion in 2008. The situation is worse precisely in the segment called New Dynamic Sectors, including the sectors of research and development, health, technology, financial and audiovisual services. In total, the participation of the region fell from 3.45% in 2007 to 3.07% in 2009, according the latest available data from UNCTAD.[14]

Meanwhile, the Chinese participation passed from 1.99% to 3.76% in the same period and that of India jumped from 1.09% to 2.69%, mainly under the push of innovation and information technologies. In other words, if Latin America previously exported more services than China and India together, in 2009 the two Asian

14 BATISTA, Henrique Gomes. China ultrapassa América Latina nas exportações de serviços. *O Globo,* April 21, 2011.

giants registered more than double the region's participation. Moreover, Brazil, Mexico and Argentina have deficits in their transactions in this sector. Brazil exports 0.8% of the world total, but imports 1.2%; in Mexico the weight of exports is 0.5% and that of imports is 0.7% of the global total.[15]

China and Brazil

China's participation in Brazilian imports of several manufactured goods boomed in the past few years, reaching in some cases very high proportions. From January to September 2011 purchases of Chinese cellular phones represented 70% of the total of these products imported by Brazil, a very strong rise in relation to the 55% of the same period in the previous year. In the first nine months of 2002 no cellular phones brought from abroad by Brazil came from China.[16]

According to the newspaper *Valor Econômico*, the Asian country also dominates easily the Brazilian import market of other manufactures: 72% of textile, synthetic or artificial fiber fabrics, 81% of toys, 84% of electro-mechanic or thermal appliances for domestic use (vacuum cleaners and floor polishing machines) and 53% of automatic data processing machines. China's participation in total purchases of manufactures is more modest: 17.2% from January to September 2011. The figures come from the department of international relations and external trade of the Federation of Industries of the State of São Paulo (FIESP), compiled on the basis of information from the Ministry of Development.

With an overvalued Brazilian currency and a depreciated Chinese foreign exchange rate, cheap labor (Tables 13 and 15 in

15 Ibidem.
16 *Valor Econômico,* November 9, 2011.

this article) and great scale advantages, China manages to sell such products at very attractive prices. From January to September, the price of Chinese pumps and compressors remained 64% below the medium import value of these goods from other countries. Electric engines, generators and transformers from China were almost 40% cheaper.

The director of international relations of FIESP, Roberto Gianetti da Fonseca, says that Chinese competition often becomes "irresistible" as a result of a combination of fiscal, tax and financial incentives, promoted by the government in a scenario marked by an artificially devalued currency.

The quick increase in the Chinese share of imports of some products is very impressive (Graph 2). From January to September 2001 less than 5% of external purchases of automatic data processing machines (such as supermarket registers) came from China. In the same period in 2011 the percentage climbed to 53%. In the case of textile, synthetic and artificial fiber fabrics, the leap was from 4% in 2001 to 72% in 2011. An important point is that many industries from several countries – such as the United States, Europe and Japan – use China as an exporting platform in view of the extremely low production costs in that country.

The director of the Institute of Economics of UNICAMP, Fernando Sarti, points out three reasons for the strong rise of China in the imports of manufactures by Brazil. "The first is undoubtedly the question of currency exchange", he says. "Another important point is the financing to importers of Chinese products, whose relevance is greater when the transactions involve products with high added value". To complete the picture, a process of internationalization of Chinese businesses is underway. Many companies from the Asian country are establishing themselves here, increasing the purchases of components and finished

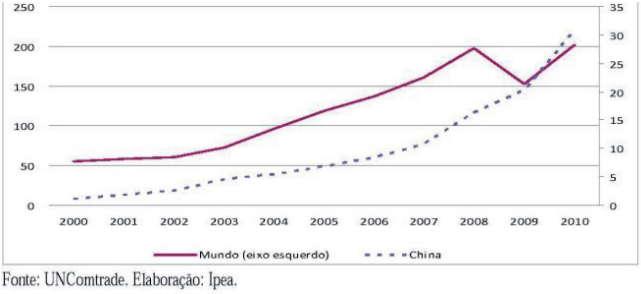
products from China, says Sarti.[17] He also stresses that in the post-crisis period the Chinese started to look even more attentively at the Brazilian market because consumption here grows at much more significant rates than in their traditional clients, such as the United States and Europe. For Sarti, the strong increase in imports shows that Brazil is wasting the opportunity to avail itself of the dynamism of the internal market to "improve and densify the structure of its production chains". The weak performance of industry, which may grow by only 1% in 2011, mirrors this phenomenon, in his view.

Graph 1 shows the great expansion of Brazilian exports, in a large measure pushed by exports to China. Between 2000 and 2010 Brazil-China commercial relations grew at a faster rhythm than the rise of trade between Brazil and the world. Between 2000 and 2010, Brazilian exports to China grew from US$ 1.1 billion – 2% of total Brazilian exports – to US$ 30.8 billion – 15% of the total, while Brazilian imports from China rose from US$ 1.2 billion (2% of the total) to US$ 25.6 billion – 14% of the total (Graphs 1 and 2). Throughout this period the balance was favorable to Brazil in six years, and in 2009 the curve of exports to this country surpassed the world curve.[18]

17 *Valor Econômico,* November 9, 2011.

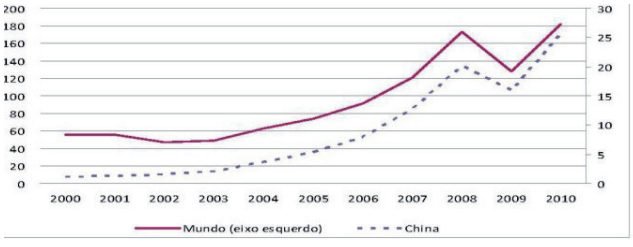
18 IPEA. As Relações Bilaterais Brasil-China: a ascensão da China no sistema mundial e os desafios para o Brasil. *Comunicado IPEA* no. 85, April 2011.

Graph 1: Brazilian exports to China and to the world (US$ billion)



Fonte: UNComtrade. Elaboração: Ipea.

Graph 2: Brazilian imports from the world and from China (US$ billion)

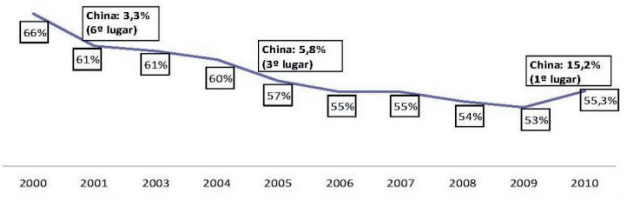


Source: UN Comtrade. Elaborated by IPEA.

In Graph 3 it is to be remarked the fact that among the ten largest partners receiving Brazilian exports, China left the 6th place between 2001 and 2003 to reach the top position in 2010; the percentage sold to the ten countries declined, making China's share in this representation even larger.[19]

19 Ibidem.

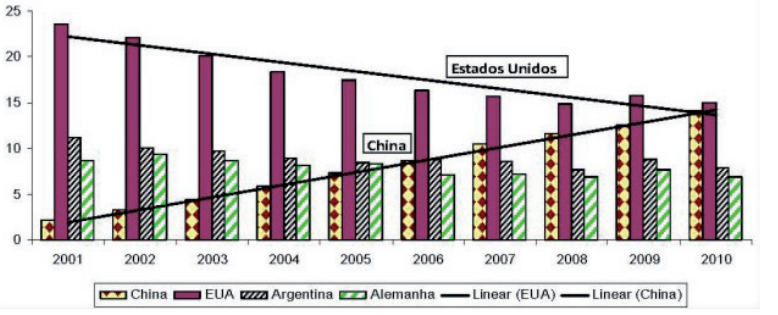
Graph 3: Participation of the 10 main countries of destination of Brazilian exports (%)



Source: UNComtrade. Elaboration by IPEA.

In Graph 4, the significant trajectory of China as exporter to Brazil is shown, coming from a lesser position in 2001, much behind the United States, Argentina and Germany, all in substantive decline since 2001.

Graph 4: Evolution in the participation of the main countries of origin of Brazilian imports (%)



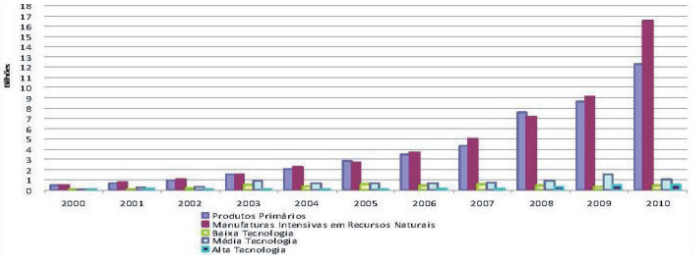
Source: UNComtrade. Elaborated by IPEA.

With regard to technological content (Graphs 5 and 6)[20] Brazilian export and import lists, for the former, a high percentage

20 Ibidem.

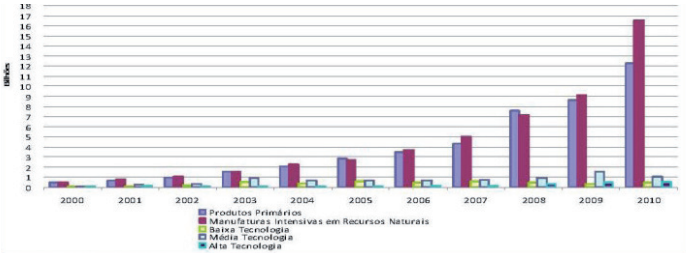
of natural resource-intensive manufactures and primary products; for the latter, Brazilian imports from China are more diversified, in spite of the stronger presence of products with high, medium and low technology, pointing to an inferior situation of Brazil as regards technological intensity in trade relations with China.

Graph 5: Brazilian exports to China, by technological contents of the product



Source: UN Comtrade. Elaborated by IPEA.

Graph 6: Brazilian imports from China, by technological contents of the product



Source: UN Comtrade. Elaborated by IPEA.

The impacts of China in the world economy

The countries whose internal demand corresponds to a large share of GDP, such as China, India and Indonesia, continue to react in a consistent and positive way to the world crisis. Chinese

and Indonesian growth showed a slight decline in the respective GDP, with China passing from 9.6% to 9.1% and Indonesia from 6% to 4.5%, while the Indian economy sped up, jumping from 5.1% to 7.7%. China, the main exporter, was sheltered by the high proportion of its domestic investments, as well as by the governmental expenditures program and by a solid fiscal position and accumulated reserves.[21]

All countries in East and Northeast Asia showed fiscal deficit in 2009, with the exception of Hong Kong, which reported a fiscal surplus of 1.1% of the GDP. Cuts in public spending and the strong growth of income in the country permitted six consecutive years of budget surplus. In 2009 China had a fiscal deficit of 2.2% resulting from fiscal expansion in order to stimulate domestic economy (as shown by the rise of public expenditure to 22% of the GDP – the highest in the past few decades). Within the country, the largest share of the extra spending was allocated to infrastructure investment, such as railways, airports, environmental infrastructure, low income housing projects and reconstruction of areas affected by the Sichuan earthquake of May 2008. Even with the subprime crisis China supported enough growth to allow government revenues to keep the rising trajectory of previous years.

The tables and graphs that follow, just as the geographic structure of exports and imports, show not only the leadership of China in Asia but the articulation of its economy in the region, encompassing important countries like South Korea and Japan. The graph on the Chinese world consumption of metals and energy also shows a comparison between the growth of the manufacturing industry of the United States, European Union, France and China.

21 ESCAP. *Statistical Yearbook for Asia and the Pacific*. Bangkok: United Nations, 2011; ASIAN Development Bank. *Development effectiveness news report 2010*. Philippines ADB 2011.

In terms of progress in innovation and knowledge, reflected on the data on Research and Development (R&D), China by itself increased its investments from PPP$ 39.2 billion to PPP$ 102.4 billion in the period. After Japan and China, the leaders of investment in R&D in Asia were the Republic of Korea (PPP$ 41.3 billion), India (PPP$ 24.8 billion) and the Russian Federation (PPP$ 23.5 billion). The expenditures of the five largest investors in the sector represent 92% of total investment in R&D in Asia and the Pacific.[22] The following tables on the number of Chinese students by level of schooling and the number of university graduates every year make clear the strength not only of the rise in the capacity of labor qualification in China, but also the increase in highly qualified manpower in the country. This may well be, in the medium term, one of the fundamental elements in the differentiation of the development policies established by China, in contrast with Brazil and India, making for a huge difference.

If we consider the number of researchers by million inhabitants, this ratio shows the long road still to be traveled by China, since they are only 746 per one million, much below the world average of 1.081 researchers per million inhabitants. If we take the Americas together (North and Latin America and the Caribbean) the number reaches 2.010 and in Europe they are 2.636, while in the Asian and Pacific countries they number 1.000 per million inhabitants.

The disparity between these Asian countries and Japan is still blatant, for Japan counted 5.000 researchers per million in 2008.[23]

As for poverty, China was able to reduce it from 6% in 1996 to 2.8% in 2004. This represents a strong asymmetry with regard to Brazil, and even more with India, where the poverty level declined

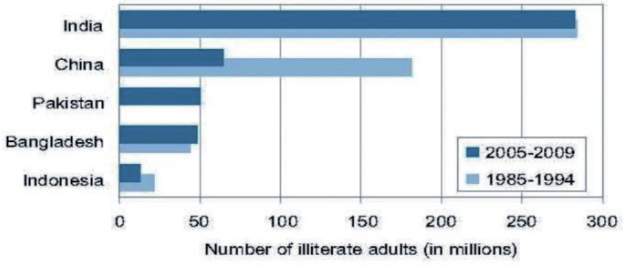
22 UIS Data Center. *Regional totals for R&D expenditure and Researchers*. June 2010. Access on: April 2011.
23 *Statistical Yearbook for Asia and the Pacific 2011*.

from 36% in 1994 to 29% in 2000. Below there is a graph showing the decline in illiteracy rates in India and in China.

Another relevant achievement of China was the promotion of access to water in the rural areas, from 56% in 1990 to 82% in 2008.

In relation to employment, it is estimated that there are 763 million workers in China, while India has 454 million, mainly due to high unemployment among women. If we take only these two countries plus Indonesia, with 106 million workers, they make up 43% of the employed world population and 68% of jobs in the Asia-Pacific region.

Figure I.38 - Number of illiterate adults, most populous Asian countries, 1985-1994 and 2005-2009 averages



Data sources: UNESCO Institute for Statistics.
Data tables: Page 176 to 177
Technical notes: Page 256

China: number of people by level of schooling (millions)

	None	Elementary	Secondary	Above Secondary	University
1990	387 136	420 205	263 385	72 604	-
1996	287 678	458 054	349 008	104 420	24 730
1997	269 856	457 764	360 958	116 875	30 807
1998	264 814	453 171	376 303	121 526	31 796
1999	259 751	443 573	395 550	123 383	35 602
2000	236 942	441 613	422 387	99 074	43 703
2001	214 133	428 764	435 384	146 185	51 804
2002	213 275	417 192	449 227	148 620	56 216
2003	204 952	402 360	457 936	160 957	66 064
2004	192 328	394 794	479 085	163 336	70 336
2005	233 447	398 871	459 521	149 064	66 656
2006	189 320	407 954	481 007	159 484	76 716
2007	180 636	394 303	498 774	166 261	81 316
2008	17 189	388 805	510 630	170 771	83 625

Source: National Bureau of Statistics and Calculations NATIXIS.

China: percentage of young people enrolled in universities (1999-2008)

	Schooling rate* (%)	No. of graduates per year (higher education level)
1999	10,83	-
2000	11,85	1 775 999
2001	17,30	1 804 660
2002	20,79	1 948 080
2003	23,77	2 962 981
2004	25,61	3 997 882
2005	30,69	5 004 102
2006	32,46	5 622 795
2007	34,17	5 872 815
2008	35,85	7 071 047

Note: (*) Enrolled in universities in relation to the population of the same age to be enrolled.
Sources: National statistics and Calculations NATIXIS.

Trade: contents of Chinese imports and exports and geographical structure of commerce[24]

China: contents of imports and exports (%)

Informatics	95	Transportation equipment	40
Telecommunications equipment	85	Non-ferrous metals	34
Eletronic components	81	Garments	33
Office equipment	78	Automobiles	32
Television	64	Textiles	31
Electric material	63	Fibers	30
Plastics	63	Paint	30
Generators	60	Wool	30
Recording equipment	58	Glass	29
Electrical equipment	54	Ferrous metals	25
Furniture	51	Turbines	24
Chemicals	50	Trains	24
Toys	47	Pharmaceuticals	19
Shipbuilding	43	Fertilizers	16
Metallurgy	42	Cement	14
Paper	41		
		Total manufactures	46

Sources: NBER and Calculations NATIXIS.

24 ARTUS, Patrick; MISTRAL, Jacques; PIAGNOL, Valérie. *L'Émergence de la Chine*: impact économique et implication de politique économique. Paris: Direction de l'information légale et administrative, 2011.

Geographic structure of exports in 2009 (% of total)

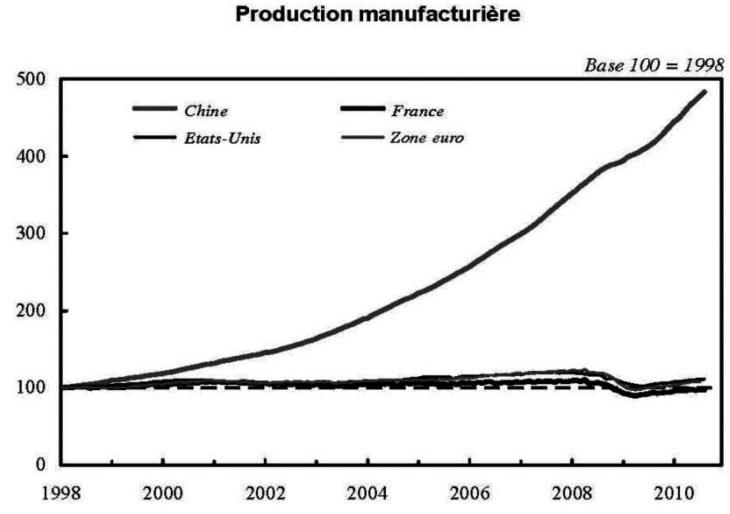
Country toward →	USA	European Union	Japan	Other emerging Asian	China	Latin America	Rest of the world
China	18.4	22.0	8.2	24.3	-	4.7	22.4
Korea	10.8	11.8	5.8	13.4	23.0	5.5	29.7
Hong Kong	11.7	12.5	4.4	6.6	51.1	1.1	12.7
Indonesia	11.1	13.1	17.6	27.1	7.6	1.1	22.5
Japan	16.4	12.6	-	26.1	18.8	2.6	23.5
Singapore	6.6	9.7	4.6	33.1	9.7	1.0	35.4
Taiwan	11.7	11.1	7.2	32.7	16.3	1.3	9.6
Thailand	10.9	11.8	10.4	23.0	10.5	1.8	31.5
Vietnam	21.0	18.0	11.3	16.5	7.3	0.4	25.4

Sources: IMF and NATIXIS.

Geographic structure of imports in 2009 (% of total)

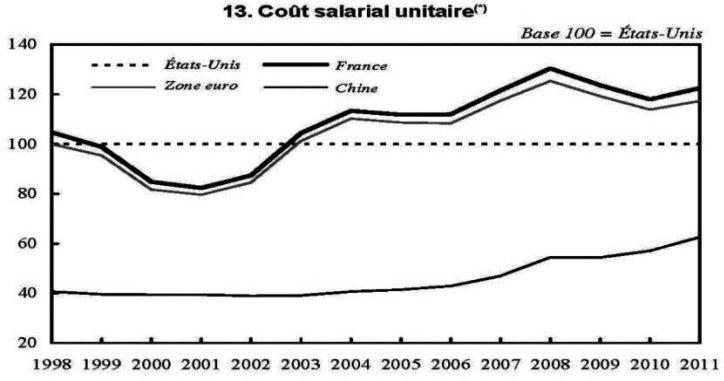
Country from →	USA	European Union	Japan	Other emerging Asian	China	Latin America	Rest of the world
China	7.8	12.7	12.4	27.1	-	5.3	34.7
Korea	9.1	9.5	15.0	11.6	17.5	3.0	34.3
Hong Kong	5.4	7.8	8.7	16.8	46.4	1.0	13.9
Indonesia	4.8	6.9	8.7	43.5	12.7	2.1	21.2
Japan	11.0	10.8	-	16.4	22.1	3.2	36.6
Singapore	12.0	13.9	7.6	23.7	10.5	1.9	30.5
Taiwan	10.4	11.2	20.8	18.0	14.0	1.8	23.8
Thailand	6.4	9.2	18.6	20.4	12.7	1.6	31.1
Vietnam	4.2	7.2	8.9	26.4	16.5	0.8	35.8

Source: IMF and NATIXIS.



Sources : Datastream et NATIXIS.

Wages in China and in the world[25]



Note : (*) Calculé par PIB$/PIB$PPA.
Sources : Datastream, FMI et NATIXIS.

25 Ibidem.

Increases in minimum wage

	Increase in minimum wage (%)				Minimum wage (in dollars)
	2007	2008	2009	2010	2010
Shanghai	12.0	14.3	0	16.7	167
Zhejiang	16.3	28.0	0	14.6	164
Shenzhen	0.0	25.8	0	15.8	164
Beijing	14.1	9.6	0	20.0	143
Shandong	24.5	24.6	0	21.1	137
Hubei	26.4	52.2	0	28.6	134
Sichuan	19.6	12.1	0	30.8	129
Shanxi	12.2	30.9	0	18.1	127
Henan	20.0	35.4	0	23.1	120
Anhui	17.3	7.7	0	28.6	108

Reading: There was no increase in the minimum wage in 2009 while the GDP in the same period increased by 9,1%. Claims about wages became more frequent, mainly on the coastal region. Jiangsu province was the first to announce a raise of 13% of the minimum wage at the start of 2010. Up to now, 27 provinces (municipalities) have revised their minimum wage with an average progressive rate of 20%. Certain provinces (municipalities) have now indexed the minimum wage to the raise in consumer prices.

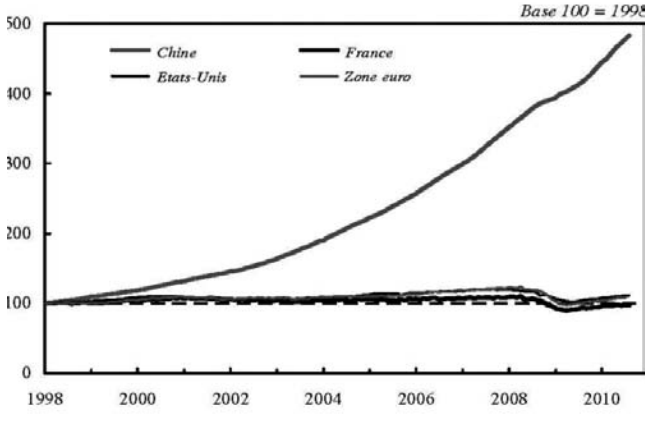
Source: Ministry of Human Resources and Social Security.

Hourly wage in industry (including charges)

	2004	2005	2006	2007	2008
Brazil	3.1	4.2	5.0	6.0	6.9
China	0.8	0.9	1.0	1.2	1.5
Korea	10.5	13.2	15.3	17.0	14.2
Hong Kong	3.1	5.7	5.8	5.8	5.9
India	0.5	0.5	0.5	0.6	0.6
Mexico	2.5	2.7	2.8	3.0	3.1
Pakistan	-	-	-	-	0.5
Philippines	0.8	0.8	1.0	1.2	1.3
Singapore	7.5	7.4	8.7	8.5	9.8
Taiwan	6.0	6.4	6.6	6.6	7.0
Vietnam	-	-	-	-	0.4

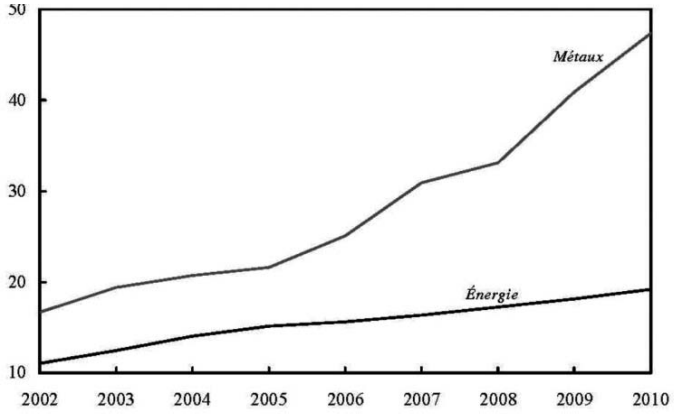
Sources: DRI, Jassin O'Rourke Group, LLC, Economist Intelligence Unit (EIU) and NATIXIS.

Manufactures production



Sources: Datastream and NATIXIS.

China: Consumption in % of world consumption



Sources: Datastream and NATIXIS.

Conclusion

We shall deal here in a preliminary way with a question that is still unanswered: is there internal cohesion for the BRICS to act in concert and speed up the transformations in the wider sphere of world politics? Internal cohesion is still very fragile, especially because it is new. These are countries whose reciprocal relations, when they existed, were bilateral. There are strong geopolitical tensions, such as those between China and India, who have a strong adversarial tradition. From the geopolitical standpoint, Brazil may be the most favored country.



Brazil, BRICS and the institutionalization of international conflict

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Introduction

A conservative narrative of the BRICS phenomenon stresses the global economic weight of these countries, the specific political and structural characteristics of each one of them and their differences, and above all the difficulties of the group to align and coordinate common positions at the international level. In this essay we have decided to follow a different approach by pointing to the novelty that the BRICS represent, taking into account the trends that at the end of the Cold War seemed to open up a new era in international politics. Two of them were seen as the most prominent in the political analyses at that time. In the first place, the triumph of the liberal option, both in the sense of the primacy of the political model of representative democracy and of the hegemony of market economics that had superseded not only the reforming social-democrat vision but also the revolutionary socialist one. Second, the organization of a uni-polar political order centered on the United States, which, with the disappearance of the Soviet Union would have fully assumed the place that was destined to it were it not for the interruption of the Cold War, responsible for the bi-polar format of the post-World War II world.

In the first part of this work we shall examine, from a critical perspective, the two main narratives about the BRICS phenomenon and argue that this group possesses enough potential to assume

a constructive role in the revision of international norms, in the context of the process of transition from a uni-polar moment to a more diffuse organization of world power. Next, we shall look into the participation of the BRICS in the financial G20 and in the reform of the IMF, the negotiation instances in which articulation among these countries has been more pronounced.

The BRICS and the institutionalization of the conflict

The emergence of the "large peripheral States" brings forth elements that complicate the scenarios set up in the 1990's, since it puts into question the hegemony of an ultra-liberal order, the main axis of which is the liberalization of financial flows and the scant financial regulation in the developed countries, accompanied by the fragility of its coordination at the international level. The consequence, as was the case at the end of the 19th and beginning of the 20th century, when there was excessive liberalization, is the primacy of the market over society and of global financial stabilization over national politics, with visible damage to democracy, as happened in the past, particularly in countries experiencing sovereign debt crisis. Moreover, the transformation of the BRICS from an acronym into an instance of coordination among its members is the most visible sign that the world order is taking a more uni-polar outline.

From this perspective, the BRICS represent a novelty in international politics, in clear opposition to the scenarios that were being sketched at the end of the 1980's. To confirm this view, one should mention the two main narratives now in fashion in the countries of the North Atlantic in an attempt to put into context the phenomenon of the "emerging" countries. The first stresses the process of transfer of power and wealth from the West to the East and the decline of the old order dominated by the

United States and the European Union. In this framework, the ongoing process of diffusion could tend to bring about great international instability, since the "emerging" countries are seen as anti-*status quo* revisionists. In this narrative, the alternative to the liberal order would entail the return of spheres of influence and regional rivalries, fragmentation in regional blocs, the constitution of mercantilist networks and the decline of multilateral norms. The other narrative, on the contrary, starts from the existing interdependence in the economic and security fields in order to emphasize not only an increase in the demand for cooperation in renewed multilateral forums but also the appeal of such an order, which would inevitably co-opt the "emerging" countries since they would stand to gain with an "open and rule-based" liberal order. According to this interpretation, the "emerging" countries are not seeking to change the existing institutional order, but to reform it in order to acquire more authority and status within it.[1]

Both are partial and simplified interpretations that may be summarized by the opposition between revisionism and co-optation, and as such do not offer elements for a more nuanced evaluation of international politics. The threat thesis is flawed because it does not consider the current interdependence among capitalistic countries as well as the importance the BRICS and several of the "large peripheral countries"[2] attach to the multilateral legal order, in view of their wider participation in international economy and politics. Brazil, as is well known, defends the strengthening of the universal multilateral system centered in the United Nations and the WTO. However, both

1 Cf. IKENBERRY, John. The Future of the Liberal World Order. Foreign Affairs, v. 90, no. 3, 2011.

2 The expression "large peripheral countries" was coined by Gilberto Dupas to designate emerging countries with enough critical mass to have real or potential participation in the global economy. See DUPAS, Gilberto. "África do Sul, Brasil e Índia: divergências, convergências e perspectivas de alianças". In: VILLARES, F. (ed.). *Índia, Brasil e África do Sul:* perspectivas e alianças. São Paulo: UNESPO, 2006.

our country and the other BRICS criticize the hegemony of the liberal economic norms and, on the contrary, emphasize financial regulation, coordination by the State, economic security, the primacy of development and social inclusion. In this sense they are revisionist with regard to the current *liberal* order and demand economic security and social protection within the permanence of the globalization of capitalism.

The processes of international change are complex and unpredictable. The realistic hypothesis of the imbalance between order and power should be considered. In the era of globalization of capitalism and market interdependence the conflict around rules and norms of international organizations tends to become the main stage of the ongoing transition. Changes in the norms and rules in force reflect the interests of rising economic sectors, such as those of the pharmaceutical industry, in particular American, in the case of patent regulation within the scope of the WTO. The question of the reform of the United Nations Security Council also mirrors this movement of reform of the normative framework built after World War II in order to adapt it to the changes in the hierarchies of power and prestige in the international system that happened ever since. It is also the case of the main demand by the BRICS to increase the weight of emerging economies in the decision-making structure of the IMF and the World Bank, as well as a change in the informal rule postulating that the command of these two main organs regulating the world economy is reserved to Europe and the United States, respectively.

The politicization of the BRICS, with the transformation of a mere acronym into an instance of dialogue and coordination among Brazil, Russia, India and China, with the subsequent addition of South Africa, was an initiative by Brazil and Russia with a view to exploring possible agendas of agreement and even of topical coordination, in particular of financial issues. The critical analyses

that stress the heterogeneous nature of the BRICS countries and their alleged lack of cohesion and near impossibility of building common agendas demonstrate a conservative posture favorable to the maintenance of the institutional *status quo* and of the current power structure. On the contrary, the politicization of the BRICS reveals the diplomatic acumen of placing the country at an institutional level that it would not be able to reach if it had taken into account only its "hard" power capacity. This is further evidence that revisionist postures of the international order are linked to changes in the rules and norms of global governance. The fact that this alignment does not happen in all issues and that there are differences among the BRICS due to their different productive regimes does not invalidate the conclusion that we are experiencing a very interesting moment of imbalance between order and power; consequently, a moment of a variant of international transition processes in which conflict becomes institutionalized around the rules and norms of international institutions.

For Brazilian external policy, articulation with the large countries of the South, including the BRICS, has strategic and tactical objectives. From the strategic point of view, such alliances intend to reclaim the classic leading role in the multilateral level with a view to make the norms and rules of the different international regimes more permeable to the interests of developing countries in general and of rising countries in particular. The deconcentration of the decision-making power in these several instances of international regulation and the utilization of politico-diplomatic mechanisms of negotiation are crucial for bringing their interests to bear at the global level, having in mind that the country has renounced the possession of nuclear weapons and depends fundamentally on this capacity of negotiation to enforce its interests. Tactically, the implementation of this strategy is made through the setting up of coalitions of variable geometry,

such as BRICS, IBSA and the commercial G20, to mention only the most expressive among them. The participants are some of the large peripheral countries and the central countries are absent.

In this article we start from the argument that the common interests of the members of BRICS regard two objectives: to de-concentrate the decision-making process of international institutions and to safeguard their autonomy in the formulation of economic policies. On the basis of these hypotheses, we shall analyze below the participation of the BRICS in the financial G20 and the IMF.

The BRICS in the financial G20

The consolidation of the financial G20 through the expansion of economic coordination prevented the reaffirmation, at the multilateral level, of principles contrary to the development model of the emerging countries. In this process, the coordination among the BRICS during the rotating chairmanship of Brazil was essential for the political support to the replacement of the G8. The proposal, initially presented by the United States, was gradually incorporated into the Brazilian bilateral agenda[3] until it became a central element of the Joint declaration of the BRICS adopted at the first Summit meeting of the group, at Yekaterinburg, in June 2009. The issue was also raised in meetings of the IBSA Forum in October 2008 and in presidential meetings in South America.[4] There was initial resistance to the expansion of the G8, especially because the group already counted on the participation of China, India, Brazil, South Africa and Mexico, through the arrangement

3 Brasil-China, May 20, 2009; Brazil-Russia, November 26, 2008.

4 The chronology was put together on the basis of consultation with the Bank of Events of the South American Political Observatory (OPSA) of IESP-UERJ. Available at: <http://observatorio.iesp.uerj.br>. Access on: November 14, 2011.

known as G8 + 5.[5] This mechanism, together with the European over-representation at the IMF permitted the central countries to control the participation of the emerging nations in multilateral instances of economic and financial regulation. However, the crisis that spread from the United States reduced the resistance of the center both because it legitimized less orthodox economic policies put into practice by the emerging countries and because it convinced Europe and the United States that the liquidity and the demand needed for global recovery were out of the G8 purview. In this way the financial G20, that had met for the first time at presidential level in 2008, was self-anointed as the main instance for the discussion of economic issues in 2009, at Pittsburgh.

The regulation of foreign exchange and reserve level policies emerged in proposals from the group during 2010, when the impact of national policies on global economic imbalances were discussed. The countries in deficit stood on one side, led by the United States, which considered that the competitive exchange devaluation was the main cause of imbalance.[6] The United Kingdom, Canada, France and emerging countries such as Brazil and South Korea are identified with this position, although with considerably varied degrees of political engagement. On the opposite side were the countries in surplus, particularly China, for whom the deficits are a result of excessive expansive monetary and fiscal policies that provide incentives for consump-tion and imports. Brazil and other emerging countries are also interested in this position since the excess of liquidity in those countries has increased the injection of capital and exerted pressure on the value of the currency.

5 Evian, 2003. Gleneagles, 2005; St. Petersburg, 2006; Helingendamm, 2007; Tokyo, 2008.

6 "Joint letter from G20 Leaders", March 29 2010. Available at: <http://www.whitehouse.gov/the-press-office/joint-letter-g20-leaders>. Access on: October 28, 2011.

In this way, Brazil, as well as Argentina, South Korea and Indonesia, despite having criticized the Chinese exchange policy, joined the Asian country when the United States suggested the discussion, at the next meeting of the financial G20 in Paris, in the beginning of 2011, of the proposal to consider international reserves as an indicator of imbalance. For those emerging countries, the accumulation of reserves and the regulation of the capital flow were fundamental features during the crisis because they had prevented the excess liquidity promoted by the counter-cyclical policies of the United States to invade their markets and provoked even further valorization of the currency exchange.

In the end, the Declaration of Paris, adopted in February 2011, excluded the level of reserves from the indicators, taking into account only public debt as fiscal deficits, savings and private debt, besides the trade balance, the liquid flow of investment and transfers. The common position of the members of the BRICS was important for this outcome especially because the indicators could open the way for subsequent disciplining by the IMF. Even so, the declaration included guidelines for countries with large surpluses to encourage domestic consumption and countries with large deficits to encourage savings, besides proposing the gradual adoption of a floating exchange regime.[7] China had previously announced the intention to reduce dependence on exports and strengthen the domestic market as contained in the 12th Five Year Plan, in the beginning of 2011.

Thus, in the discussion on indicators of imbalances, the consensus rule in the financial G20 allowed the BRICS to safeguard the room needed for the adoption of domestic policies, even if their interests were not convergent in all aspects. By the way, it

7 G20. *Communiqué*: Meeting of Finance Ministers and Central Bank Governors. Paris, Feb. 18 and 19, 2011.

is to be expected that the different productive regimes provoke topic disputes about the regulation of commerce and production, giving rise to new coalitions.

For instance, at the same time as it aligned itself with the BRICS at the financial G20, Brazil took to the WTO the debate on exchange regimes and policy and proposed in April 2011 the commission of a study on the relation between foreign exchange and trade imbalances, as well as the adoption of the necessary measures for a coherent mandate on this issue.[8] The members of the organization only accepted the first point and charged the Secretariat with the elaboration of the study.[9] Although it is a politically sensitive question, Brazil and India stand to gain with the adoption of clearer rules on foreign exchange policy, a practice that, although condemned when it frustrates the objectives of GATT or the IMF, is not questioned because of the lack of definition of "frustration" and "exchange manipulation".[10]

Just as the Chinese exchange policy caused the polarization of multilateral negotiations after the country was admitted to the WTO, the process of adherence of Russia to that institution, with the ensuing reduction of tariffs on goods originating from that country, should bring about new points of disagreement on the international regulation of trade and finance.[11] Nevertheless,

8 WTO. Working Group on Trade, Debt and Finance. "The relationship between exchange rates and international trade: submission by Brazil". *Document* WT/WGTDF/W/53. April 13, 2011.

9 WTO. Working Group on Trade, Debt and Finance. "The relationship between exchange rates and international trade: a review of economic literature". *Document* WT/WGTDF/W/57. September 27, 2011. The document, elaborated by the Secretariat, concludes, after bibliographical review, that changes in the nominal rate of exchange may affect trade flows in the short run, although its effect depends on other variables. Moreover, according to the study, devaluations "sometimes" have a positive effect on exports, although there is disagreement about its magnitude, presence and persistence over time.

10 GATT, art. 154.

11 On October 27, 2011 the Chairman of the Working Group on Russian accession informed that the Accession Protocol of Russian to the WTO should be finished before the December Ministerial Conference for review by the members. The document includes the commitments negotiated for Russian accession since 1993, when negotiations started.

the BRICS should see to it that topic divergences do not overshadow their common interest in the de-concentration of the decision-making process at these same institutions.

The BRICS and the reform of the IMF

The consolidation of the financial G20 was important for the coordination of measures to combat the crisis which for their part opened the way for the strengthening of the BRICS at the IMF. When the group decided, in April 2009, to inject about US$ 1 trillion in the economy, during a meeting in London, they announced a contribution of US$ 70 billion to a program that supported reforms in the IMF, the World Bank and the Financial Stabilization Forum.

The capitalization of the Fund – the largest since the creation of the institution – was carried at a moment of weakness of the central countries and during a process of redistribution of quotas that was under negotiation since a meeting in Singapore, in 2006.[12] The convergence of these processes opened the way for the increase of the role of the BRICS at the IMF.

According to the formula outlined in the 2006 work plan, China, India, Brazil and Japan would be favored in the revision as a result of the increase in GDP, reserves and progress in economic opening. Russia, however, was the fifth largest loser.[13] Thus, the coordination of the BRICS in the revision of the quotas was carried

12 IMF Press release no. 06/205 and no. 06/189.

13 The greatest beneficiaries of the Singapore quota revision were China (1.02%), South Korea (0.65%), India (0.50%), Brazil (0.36%), Japan (0.33%), Mexico (0.31%), USA (0.29%), Spain (0.26%), Singapore (0.19% and Turkey (0.16%). The greatest losers were The United Kingdom (-0.52%), France (-0.52%), Saudi Arabia (-0.34%), Canada (-0.31%), Russia (-0.29%), Netherlands (-0.25%), Belgium (-0.22%), Switzerland (-0.17%), Australia (-0.16%) and Venezuela (-0.13%). Source: Financial Department of the IMF. "Reforms of IMF Quotas and Voice: responding to changes in global economy". Available at: <http://www.inf.org/external/np/exr/ib/2008/040108.htm>. Access on: October 24, 2011.

out without Russia and counted on the support of the United States, an important element to exert pressure for the progress of the issue because quota redistribution requires the approval of at least 85% of voting power at the IMF.

Moreover, the conditions of crisis in the central countries facilitated the increase in the voting power of the emerging nations. At the London meeting, the G20 decided that US$ 500 billion out of the total injected into the economy would be made available by means of more flexible lines from the IMF and that one half of that amount would be granted immediately.[14] At that time the United States found itself at the height of the crisis while the emerging countries possessed abundant international reserves. The result was a compromise according to which the BRICS would provide a substantial part of the liquidity needed by the Fund by means of lines known as "New Arrangements to Borrow" (NAB). The members of the IMF had never agreed to such a large expansion of their lines of financing. It is probable that without that economic imperative, particularly at a moment of weakness of the United States, it would not have been possible to carry out the widest redistribution of quotas since the creation of the Fund.

The current picture is changed. Although the crisis persists, the United States expressed opposition to the participation of the IMF in the solution of the economic impasse in Europe. European leaders themselves were reticent about resorting to the Fund, which would imply accepting conditions and recognizing the role of the emerging countries in the recovery.

14 G20. "Declaration on delivering resources through the international financial institutions". London, April 2, 2009.

In the face of the current impasse, the BRICS have an extremely important role to play to guarantee the multilateral and non-discriminatory character of the new financial regulation. At the latest meetings of the G20 Brazil has emphasized that the recovery effort should be granted by the IMF in lines available to all countries and under the same rules and conditions for every member.[15] The proposal seeks to prevent that additional contributions be directed to Europe in more favorable conditions than those offered others. In other words, Brazil defends the application to any member of the same the conditions prescribed to countries seeking help from the Fund, with the elimination of some of the seniority privileges enjoyed by the European Union and even the United States since the constitution of the Bretton Woods system. Coordination within the BRICS will be important to create political conditions for its implementation.

Final observations

In sum, and despite the differences among the members of the BRICS, the veto power they obtained in the financial G20 was important for them to be able to safeguard the autonomy of economic policies deviating from the consensus that prevailed during the last few decades. Moreover, the strengthening of the BRICS group may contribute to giving the institution a real multilateral character, both through the incorporation of conditions for loans to central countries and the adjustment of the quotas to the weight of the emerging nations. This agenda must also be perennial in the group for as long as the prospects of stagnation of the central countries and growth of the emerging

15 BATISTA Jr., Paulo Nogueira. "O G20 em Cannes", *O Globo*, October 29, 2011.

ones remain, especially with the possibility of greater economic opening resulting from the entrance of Russia in the WTO.

From our perspective, what is now going on in the financial G20 reflects the process of international transition through which the BRICS and other emerging countries seek changes in a *status quo* that is unfavorable to them. Unlike the catastrophic forecasts of the hyper-realist argument, these countries prefer an institutional order based on norms to regulate the external aspects created by interdependence. As it is known, 25% of Chinese exports are sent to the United States, and the latter benefits, for instance, of the existence of a system of solution of disputes within the WTO. The question is not to determine whether China and other emerging countries accept a multilateral order, but rather whether the United States accept an order founded on rules based on the norm of non-discrimination. A recent memory, the unilateralism of the Bush government represented the greatest threat to the multilateral order and to the collective security system of the United Nations. For several among the emerging countries, the current process of gradual "de-constitutionalization" of the multilateral order instituted in the post-World War II is a real menace. Countries like South Africa, Argentina, Brazil and India are the current champions of a universal and non-discriminatory multilateralism.

On the other hand, the optimistic diagnosis of the capacity of adaptation of the current institutional system mistakenly evaluates the situation by supposing that the United States has demonstrated the necessary will to re-articulate an order based on "a more expansive notion of stability and security". Contrary to the postulations of the "Beijing Consensus" and the restoration of "spheres of influence" as the only institutional and normative options with regard to the current institutional order, it is the

demands for changes in this order originating from some emergent countries that are closer to the "embedded liberalism" model of the post-World War II era, based on the balance between economic opening, national safeguards and social protection. In the present times, the main goals of some emerging countries are changes in the direction of the restoration of the regulatory capacity of the State, of the reinforcement of the ability of national governments to guarantee economic stability and protection of the society and social inclusion, in a context of functioning global markets.

From our perspective, the BRICS must be assessed as a mechanism of political coordination involving some of the large peripheral countries, and therefore its viability and institutionalization in the future depend on the political will of its members to continue to utilize this mechanism for articulation. The group's behavior to underline convergences and minimize differences, pointed out by some analysts, seems to us an appropriate strategy for, above all, affirming the importance of coordination among the BRICS countries in a context where visible differences still remain between the respective interests of each one of them and considerable uncertainty about the course of the international order.

After over one decade in which "markets" and the "international community" turned out as the main diffuse driving forces of international changes, the BRICS and other big peripheral countries reintroduced the concept of "agency" in international transformations and the preoccupation with safeguarding the sectors most affected by globalization and interdependence. In a recent article Dani Rodrik analyzed the political challenges to the European economic crisis and said that the main current challenge for the elites in the central countries – and we would add, for all others – is "to develop a new political narrative that emphasizes

national interests and values, without signs of nativism and xenophobia. If the centrist elites do not measure up to the task, those of the extreme right will be happy to fill the vacuum, but without moderation"[16].

16 RODRIK, Dani. "o próximo pesadelo europeu". *Valor Econômico*, Nov 2011.



The political-strategic dimension of the BRICS: between panacea and skepticism

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The BRICS group became a real fad in academic and media circles and established itself with the crisis of the OECD countries as a kind of panacea with regard to the changes in the global balance of forces. There are also those who insist in fighting against the idea of the rise of a "new group" in opposition to the "old (industrial) powers" by arguing that, since the group lacks coherence and presents structural weaknesses, it cannot challenge the former global powers.

This is in fact a false debate, suitable for media speculation and speculative analysis, shockingly superficial and ideological. After all, that was a concept coined in New York by a Western consulting company which, at a certain point, became interesting for the members of the group, for political and public relations reasons. It is necessary not to ascribe to the BRICS what is does not wish to have, to understand the strength and the weakness of its members and to establish their relationship with the world order in rapid transformation. At the same time, we need to reflect about something that has been forgotten: what the situation of England and the United States was when they became world powers.

The origin of the concept

The acronym BRICs (phonetically, *bricks*, an English common word), encompassing the four largest emerging economies, appeared in New York as a tool for prospective analysis of the world economy and was conceived just before the September 11 attacks and the

start of the war on terrorism. It remained as such for several years until it acquired a political meaning, collectively acknowledged by its designated members within the conjuncture of the 2008 crisis. On that occasion the OECD countries were hardly hit, while Brazil, Russia, India and China kept their economic growth and sought to act in an articulate manner, proposing solutions for the crisis. In 2010 South Africa became a member of the group.

The formation of an informal or institutionalized group of States is normally the result of their own initiative, on the basis of common interests. However, according to Ambassador Roberto Jaguaribe, the acronym BRIC (Brazil, Russia, India and China) "is the result of an external impulse, which annuls the self-congratulating connotation of its conception".[1] The term was coined in 2001 by the economist Jim O'Neill, from the investment bank Goldman Sachs, in a report entitled "Building Better Global Economic BRICs", which attempted to explain to the clients of the bank the large market that those countries could represent in the future.

The report pointed out that these countries were among the largest developing States, based on an analysis of the growth prospects for their economies in the following ten years, besides stating that in the long run the BRICs would be among the largest economies in the world and would produce a deep change in the international geopolitical panorama. Two years later Goldman Sachs published another report, named "Dreaming with BRICs: the Path to 2050", in which the analysis of the economy of the BRICS was taken further and projections were made for the growth of their economies until 2050, on the basis of items like the rate of economic growth and the size of the population of each country. According to the document, the BRICS stood out for the territorial

1 JAGUARIBE, "Brics: uma nova ordem econômica mundial?", p. 39.

dimensions and the size of their populations as well as their historic average growth, ensuring a potential economic progress sustainable in the long run.

Goldman Sachs said at the time that Brazil, Russia, India and China would become responsible for the transformation of the world economy with deep and wide impact, since these countries would come to play a central role in global economic development. The institution stressed that this would happen because the BRICS possessed an objective potential to become key elements in the politico-economic world scene and had the political subjective conditions to develop the needed actions to make it happen.

At the time of the publication of "Dreaming with the BRICs", Goldman Sachs underlined that despite their need to overcome some questions related to the instability and uncertainty of their policies, the importance of the BRICs would continue to grow and their mutual relationship would become deeper as they remained an important factor to be taken into account with regard to investment, production and trade. What was not expected, however, is that an idea based only on economic theories would end up becoming a part of the international agenda and of that of its own members, Brazil, Russia, India and China, making this group an important factor not only with regard to investment alone, but mainly in relation to the formulation of the external policy of those countries and of all others.

According to the former Minister of External Relations of Brazil, Celso Amorim[2], what is essential from the point of view of the emergence of the BRICs concept is that it did not stem from a diplomatic initiative and that its consolidation was a consequence of the fact that the economic performance of the

2 AMORIM, "¿Existe realmente el BRIC?", p. 25

BRICS countries in the years following the publication of the first studies by Goldman Sachs surpassed the initial forecasts and brought greater credibility to the argument posed by the studies.

According to the former Minister, those analyses brought greater attention to the BRICS from the media and academic circles and consolidated the term no longer as a mere journalistic reference but as an instrument of analysis.[3] Celso Amorim also comments that the BRICS idea spread in governmental circles and formulators of policy, undoubtedly attracting the specific attention of the four countries that make up the acronym and that, from then on, only a small step was needed for Brazil, Russia, India and China to meet and explore what others considered as an ensemble.

The BRIC(s) summits and the incorporation of South Africa

The political dialogue of the BRIC as a group started during the 61th General Assembly of the United Nations, in September 2006, when the Ministers of External Relations of Brazil, Russia, India and China met to discuss common issues to their agendas. After this first *ad hoc* meeting there were others, including a new one, outside the scope of the UN, among the Ministers of External relations of the BRIC, in the city of Yekaterinburg, in Russia, in May 2008.

This meeting issued a joint communiqué in which the countries stressed that the defense of multilateralism, the primacy of international law as the basis for the promotion of peace and the reform of the United Nations Security Council, including its expansion through the incorporation of Brazil and India. At the meeting it was also agreed that Brazil, Russia, India and China

3 Ibidem, p. 26.

would meet again in June 2009 in Yekaterinburg, this time at the level of Heads of State of the four nations, in what became the First BRICS Summit.

During the Summit it was argued that in view of their importance the emerging countries should play a more relevant role in international financial institutions and the need to establish a more stable, predictable and diversified international financial system was stressed. As a suggestion, Medvedev proposed that the BRIC countries, as holders of a large part of the world's financial reserves, diversify the currencies used in such reserves. His adviser Arkady Dvorkovich was more emphatic in his recommendation that the International Monetary Fund should include the Russian *ruble* and the Chinese *yuan* in the basket of currencies used to define its active assets.[4] In addition, the four countries ratified the need for reform at the United Nations and again defended the participation of Brazil and India in its Security Council and dealt with issues such as sustainable development, energy resources, food security and terrorism. At the close, Brazil, Russia, India and China issued a joint communiqué in which[5] they declared that the summit meetings of the financial G20 were important for the management of the international financial crisis and committed themselves to the progress of the reform of international financial institutions so that they could reflect the changes in the world economy and lend more voice and representation to emerging and developing countries.

In the same line of action they defended the maintenance of the system of stable multilateral trade and the reduction of commercial protectionism and demanded a fair outcome for the Doha Round at the WTO, given the importance of international

4 PANDLEY: "First BRIC Summit: developing world rendered new power".
5 The communiqué is available at: <http://www2.mre.gov.br/dibas/comunicado_I_Cupula_BRIC.pdf>.

trade and direct foreign investment for the recovery of the world economy. They also requested the implementation of the concept of sustainable development in a global scale. According to the group, the Declaration of Rio, the Agenda 21 and other multilateral agreements on the environment should be the main drivers for the change in the economic development paradigm. Likewise, they demanded the fulfillment of the Millennium Development Goals. In general it can be said that the First Summit of the BRICS focused on economic matters. Nevertheless, besides deepening the process of institutionalization of the group, it also started new and different debates about a world order less dependent from the United States and with inclusion of developing countries in the distribution of power.

In April 2010 the Second Summit of the BRIC was held in Brasilia. The discussions at that meeting deepened the debate on issues such as the recovery of the world economy, economic cooperation, more participation of the group in global decisions and the reform of existing structures, including suggestions for the group to create its own institutions. Questions like the reform of the IMF and the World Bank remained on the agenda, besides the redistribution of voting rights in those institutions and the proposal of a reserve currency alternative to the dollar. One of the highlights of the Second Summit was the signature of a memorandum of cooperation among the development banks of Brazil, Russia, India and China establishing guidelines for technical cooperation in the respective areas of action of the institutions involved: the National Bank for Economic and Social Development (BNDES) of Brazil, the Bank for Development and Foreign Affairs (Vnesheconombank) of Russia, the China Development Bank, of China; and the India Eximbank, of India.

Outside the specifically economic scope, they urged the international community to make all necessary efforts to fight

poverty, social exclusion and inequality. They also committed themselves to seek the development of cleaner energy systems and to promote the 16th Conference of the United Nations Framework Convention on Climate Change and the 6th Conference of the Parties. They reaffirmed the importance of encouraging the dialogue among civilizations, cultures, religions and peoples.

The Third Summit of the BRICS (with the added "S" after the adherence of South Africa in December 2010), also called Meeting of Leaders of the BRICS, was held in April 2011 in Sanya, China. The meeting took place at a moment when the effects of the world crisis were still being felt in the developed countries, especially the Europeans. As in previous Summits, the agenda of the discussions encompassed mainly economic issues, without neglecting questions like security, health, the environment and scientific and technological cooperation among the members of the group.

The declaration issued at the close of the meeting, entitled Declaration of Sanya, identified the main goals of the forum, namely the reform of the International Monetary Fund and of the international monetary system, besides the reform of the United Nations and its Security Council, the expansion of economic-commercial cooperation among its members and the increase of cooperation in the field of science, technology and innovation, among others.

The highlight of the meeting, however, was the participation of South African President Zuma, at the invitation of China, to formalize the adherence of his country to the BRIC and thus turn the forum into BRICS. According to a note from Itamaraty,[6] the incorporation of South Africa to the group will increase its geographical representation right at the moment when growing

6 Note published on December 31, 2010. Available at: <http://www.itamaraty.gov.br/sala-de-imprensa/notas-a-imprensa/entrada-da-africa-do-sul-no-bric>.

democratization of global governance is being sought. Indeed, the accession of South Africa to the BRICS denotes the intention of the group to become a transcontinental South-South forum of cooperation and dialogue, since it counts on the main emerging countries of the "political South".

The inclusion of the African nation in the BRICS was questioned by international analysts, among them Jim O'Neill. However, according to the speech by President Zuma at the close of the Third Summit of the BRICS, the fact that South Africa became part of the group meant the recognition of his country as an economic power within the African continent, since it is the biggest exporter of minerals and manufactures in the region, besides possessing sophisticated financial markets and a growing service industry. Moreover, Zuma understands as natural the fact that the BRICS partners consider his country to be a gateway to Africa.

The BRICS as a group

As previously examined, Goldman Sachs based its analysis on features like territorial and population dimensions and the historic averages of GDP growth in Brazil, Russia, India and China. On such foundations it made projections that led the institution to conclude that these countries would be responsible for a huge transformation of the world economy. However, this is the idea of the creators of the concept and not necessarily the vision of the members of the group.

Indeed, the BRICS possessed 26% of the territory, 42% of the population and 14.5% of the world GDP, besides having contributed, from 2005 to 2010, with more than 50% of its increase.[7] The group also has convergent positions regarding the

7 IPEA *apud* MARTINS.

defense of the interests of developing countries and the need for reforms in international organizations, among others.

Nevertheless, according to the critics, the group presents very diverse characteristics: two of them have governments considered by the West as authoritarian, while two other are liberal democracies; two hold permanent seats at the Security Council, while two others have been striving in this direction for a few years now; and only three are nuclear powers. Economically, the differences among the BRICS could not be greater: *per capita* income in these countries varies from US$ 15 thousand in Russia to US$ 3 thousand in India.[8]

It can also be said in this connection that the economies of China and Russia are more open, with exports corresponding to about one third of their GDP, while Brazil and India have more "closed" economies, with exports representing less than one fifth of their GDP.[9] Moreover, China and Russia have large surpluses in their current accounts while Brazil and India show small deficits. This demonstrates that these countries manage their respective economies in significantly different ways.

Some analysts consider that the disparities among those nations are an unsurpassable obstacle to the political unity of the group, while others doubt the BRICS's capacity to effectively enforce their demands, due to the lack of cohesion. What may be said is that the listed criteria were limited and were overcome by elements more qualitative than political; besides, the financial crisis that affects the OECD countries more deeply created a strong factor of cohesion, favoring the formalization of the group by its own members.

8 "The BRICs: the trillion dollar club". *The Economist,* 2010.
9 Ibidem.

According to former Ambassador Rubens Barbosa[10] what brings the BRICS together is the importance of their economies in the global context and their aspirations to increase their weight in the main discussion forums. This former diplomat considers that each of the countries has its own quite distinctive perception of the current and future meaning of the members of the group. He believes that the BRICS countries use the internationally recognized brand to promote their agendas, but do not seek leadership and will not become a decisive force for radical transformations in the global political and economic order.

Ambassador Roberto Jaguaribe,[11] for his part, argues that there are elements strong enough to support the BRICS idea and that the group has advanced because it possesses a considerable degree of consistency. According to him, this is the reason why the consensus matured and became consolidated. The Ambassador says that the international panorama contributed to this outcome since the world today can no longer support a rigid structure such as the one that existed during the Cold War, characterized by the East-West confrontation.

For the former Minister of External relations Celso Amorim,[12] the changes in the global governance structures in the commercial and financial areas reflect new realities; however, the same is not seen in the politico-strategic realm, permitting new regional, sub-regional and even trans-regional groups, like the BRICS and the IBSA forum (India, Brazil and South Africa) to fill, in part, this shortcoming. The Brazilian position expresses, he says, that the BRICS do not intend to form an aristocracy of emerging countries or to become a group in opposition to any idea, any country or

10 BARBOSA.
11 JAGUARIBE, op. cit.
12 AMORIM, op. cit.

group of countries, but rather to give voice and power to poorer countries in order to reflect the new reality of the international scenery and the anachronism of some of the structures of the multilateral system.

Strategic dimension of the BRICS: the shadow of the SCO and IBSA

Within the BRICS there are two more solid and parallel articulations among member States: the Shanghai Cooperation Organization (SCO), of which Russia and China are parties, and the IBSA Dialogue Forum, composed of India, Brazil and South Africa. Besides the peculiarities of the relations among the BRICS countries, this other reality must be taken into account. If in many aspects SCO and IBSA have similar perspectives, it is imperative to recognize that the weight of their members is considerably different. However, does this make them less capable of aspiring to a relevant place in the international order?

At the start of the 21st century relations between China and Russia acquired a new meaning that may come to have a decisive weight on the unfolding of the world economic-financial crisis and hence on its international political impacts. These are, respectively, the most populous nation and the largest one on the planet; together they have significant complementariness and are members of the BRICS group. Both have real economic relevance; China as a new industrial pole in the world, whose rapid rate of growth will soon turn it into the largest economy on the planet; Russia, for its part, is very strong in energy and has strategic natural resources and cutting edge technology in the military, aerospace and nuclear fields (inherited from the former USSR).[13]

13 See VISENTINI, Paulo. *As relações diplomáticas da Ásia: articulações regionais e afirmação mundial (uma perspectiva brasileira)*. Belo Horizonte: Fino Traço, 2011.

Both countries are members of the Security Council as permanent members and are nuclear powers. Militarily, while China increases its deterrence capability, Russia still maintains a strategic arsenal capable to compete with the American mega-power. Besides, together they occupy the largest part of the Eurasian space and created SCO jointly with States of the former Soviet Central Asia. The importance of this organization of economic cooperation and security is confirmed by the fact that all other countries in the region have requested to accede to it.

Even so, in the bilateral Sino-Russian relationship there is more than objective geopolitical factors; it involves deeper aspects that are seldom analyzed by contemporary scholars on international relations. In the 20th century the two countries were the prominent players in the two largest socialist revolutions and regimes. Curiously, this political identity, coexisting with objective material complementariness, produced a conflict with global consequences instead of generating convergence. It would not be an exaggeration to say that the Sino-American alliance of the start of the 1970's contributed considerably to the debacle of the Soviet Union, a phenomenon that jeopardized China itself in 1989.

International politics studies, usually inspired by the United States, start from material and geopolitical premises that ignore or consider this crucial historical element of little relevance. The perception that the two ruling elites have of the bilateral relations is predominant, while arrangements less directed to contradicting American power than to limiting its ability to intrude into the heart of Eurasia have a mainly tactic-reactive character. The international weaknesses of the two countries contribute decisively to such convergence. What could provoke a lack of long term strategic perspective in the construction of bilateral relations?

Undoubtedly, the bargaining game with the United States does not envisage the articulation of open opposition. A stronger alliance between Moscow and Beijing against Washington would produce more costs than benefits. However, the most relevant question is the mismatch between the two nations, since, historically, the conditions necessary for a balanced alliance did not occur. During the Cold War, the USSR was qualitatively more powerful than China and the latter is today quite superior to Russia.

Thus, throughout history both nations sought not to be the junior partner in an alliance and this situation persists despite the new current conditions. However, it is problematic to think that the emergence of an Eurasian common space could be accompanied by the formation of a diplomatic-military "bloc", since Moscow and Beijing support the establishment of a multi-polar world system which would ensure the autonomy of the pivot States.

Finally, there is a distinctive socio-political question separating both countries, to the extent that Russia has set aside the socialist reference, has a weak international insertion and presents signs of structural instability at the domestic level. China, on the other hand, despite its strong insertion in the world capitalistic economy has kept its socialist reference, with a long term project and an enviable degree of internal governability.

For its part, the India, Brazil, and South Africa Dialogue Forum (IBSA, or G-3) constitutes one of the most important cooperative efforts by the South in the post-Cold War world. Its critics consider the Forum, with a touch of irony, as a late form of an ideological "third-worldism" of the 1970's. However, its strategy is marked by pragmatism, by its own political weight and by the legitimacy of presenting itself as a relevant interlocutor for the great issues of the global agenda. Thus, IBSA

represents a form of politico-diplomatic convergence on very different questions, having in mind the existence of significant synergies among the three countries, as along the decades they have developed specific capabilities in different sectors.[14]

The embryo of IBSA originated in South Africa, within the African National Congress (ANC), even before this party came to power in 1994. At that time, the idea was to form a group of *countries from the South* to act as interlocutors before the G7/G8. Pretoria, however, had to face the challenges of its first democratic government (Nelson Mandela) and did not consider itself ready yet to undertake the structuring of a coalition of that magnitude and the consequent projection as leader of the developing world.

The creation of the IBSA Dialogue Forum happened in 2003, the same year when the 5th Ministerial Conference of the WTO in Cancún (negotiations of the Doha Round). At that time a new coalition was born, the so-called G20, established with the aim of strengthening the negotiating capacity of developing countries and promoting a wider opening of the agricultural markets in the North, as well as preventing an outcome at Cancún that would only reflect the interests of the big powers (United States, European Union and Japan). Accordingly, the creation of the IBSA Forum and the commercial G20 should be analyzed in a context of convergence and political rapprochement, of reaffirmation of the interests of developing countries, and of an attempt to build a multi-polar international order structured on the basis of greater attention to developing countries and on international law and democracy.

India, Brazil and South Africa seek, especially since the 1990's, to raise their profile of international action on the basis

14 See VISENTINI, Paulo; CEPIK, Marco; PEREIRA, Analúcia Danilevicz. *G3-Fórum de Diálogo IBAS*: Uma experiência de cooperação Sul-Sul. Curitiba: Juruá, 2010.

of conditions that justify cooperation among the three countries: democratic credentials; participation in the developing world; capacity of action in the global scale; similar standards of action in international organizations; a past economic effort at import substitution; internal problems of income distribution; they are medium powers, regional leaders and emergent markets; aspire to a permanent seat at the Security Council of the United Nations and face common development challenges.

The IBSA countries explicitly seek to reinforce their economic development by means of the complementary character of their industries, services, trade and technology. Examples of complementariness that could be explored by the three countries are: the South African industry of synthetic fuels, the experience of Brazil in aeronautics and production of non-conventional energy and the recent Indian success in the field of information technology and pharmaceutical industry.

In academic production it is necessary to overcome the traditional approach that analyzes countries separately and subsequently brings them together in a joint treatment. A thematic focus should be used for each article. It is understood that IBSA has a specific position among the several arrangements ("Gs") that have come up. A proof of its importance is the interest it raises on other actors. Political and/or academic foundations in developed countries grant generous financial support for projects that not only seek knowledge about IBSA but also try to guide the agenda of the group. The selection of issues and the opening of room for the action of NGOs are symptomatic, in an attempt to "de-politicize" the trilateral agenda by taking it away from the States and handing it over to a virtual "civil society".

The explicit objectives of IBSA listed above represent only a part of the foundations of the trilateral group. There are certainly

other questions, more subtle and implicit. One of the points is the policy of making new coalitions that enrich the diplomacy of the world with new types of actors, especially the three that represent the South of America, Africa and Asia. All are postulants to a permanent seat at the UN Security Council and despite the Indian nuclear capability all are at an inferior level with regard to the other members of the BRICS (Brazil, Russia, India, China and South Africa). Russia and China have significant military and diplomatic capabilities that the members of IBSA do not possess.

According to Francis Kornegay, from the Johannesburg Center for Policy Studies,

> *the member countries of IBSA, jointly or individually, cannot constitute a counter-hegemonic alternative against the American might, besides the incipient complexity of many fulcrums that emerge in the international panorama, intimately linked to the new geopolitical and economic configurations of energy security. In case the three countries succeed, by forging growing trilateral cooperation among themselves, to give an appearance of multilateral order to their respective regional neighborhoods within an inter-regional trade system encompassing the South Atlantic and the Indian Ocean, their cooperation might take forward the "revolutionary redistribution of power" foreseen by Bell: in one word, the geopolitical and geo-economic reunification of the Gondwana.*[15] *However, the individual regional challenges to be faced by Brazil and especially by South Africa and India should not be underestimated in the consolidation of this Southern transoceanic-transcontinental axis.*[16]

15 Reference to the mega-continent that included South America, Africa and India in the past.
16 KORNEGAY.

The challenge for Brasilia is to articulate the social-democrat governments of the Southern Cone with the socializing and conservative ones of the Andean region in a single process of developmental integration. The *rapprochement* with the African continent, for its part, has been an important development of Brazilian external policy. In a superficial evaluation this strategy elicits criticism, to the extent that it may seem paradoxical for a country like Brazil to promote diplomatic efforts in poor partners with little influence in the global geopolitical context and with a joint weight still low in the Brazilian trade balance. However, it is necessary to assess the mechanisms of internationalization and some political and economic trends accelerated by the deepening of globalization.

Brazil starts to become an exporter of capital and technology besides being a traditional (and currently competitive) exporter of primary products, services and manufactures. What happens in Brazil is also observed in other developing economies such as India, South Africa and China. Africa is one of the territories suitable for investment by Brazilian companies despite several unstable regimes, armed conflict and other forms of violence, significant sanitation problems and widespread poverty in the continent. At the same time, it is one of the few natural frontiers still open for the expansion of business in sectors like petroleum, gas and mining, besides being the stage of a global dispute for access to ever more scarce and needed raw materials.

South Africa, for its part, must face the Sino-Russian geopolitical "invasion" resulting from energy issues in the continent that visibly exacerbate the fracture lines between the Northern and the sub-Saharan regions of Africa to the detriment of the latter. This complicates Pretoria's agenda to integrate the continent under the aegis of the African Union and of the New Partnership for the Economic Development of Africa (NEPAD). In

parallel, New Delhi does not hide its aspiration to exert a hegemonic role in the south of Asia, where the South Asian Association for Regional Cooperation (SAARC) has been unable to gain momentum and materialize in a more palpable form. However, an initiative for a South Asian Free Trade Area (SAFTA) has been launched together with a preferences agreement recently established with Mauritius, a member of SADC and its free trade area, as Kornegay reminds us.

Despite its respective challenges in the field of regional security, the triumvirate India-Brazil-South Africa occupies a relevant public and moral place in international politics:

> *IBSA emerges at a crossroads in world history when a vacuum of leadership has arisen in terms of global legitimacy and where a growing geopolitics of energy and shortage of resources represents the other side of the coin of deterioration of the environment at a global scale, threatening a huge ecological downturn. To correct this predicament, IBSA's role could be to facilitate a re-orientation of the geopolitics of energy in favor of international relations of universal and ethical responsibilities of conservation as the cornerstone of global governance.*[17]

Besides interacting to put together new paradigms of global (multilateral) governance, a new balance of power in the (multi-polar) world and to seek to build a safe and stable regional neighborhood in the South of each of the continents, IBSA emerges as a group able to forge instruments to articulate the relations among its regional spaces. The South Atlantic and the Indian Ocean became maritime spaces without major strategic importance since the opening of the Suez Canal. In the threshold of the 21st century, however, one witnesses an increase in trade

17 Ibidem. p. 14.

relations and in all kinds of flows among South America, Africa and Asia. The projection of China and India to Africa and South America is matched by the Brazilian projection to the mentioned regions. The African countries, for their part, also intensified the flows toward those partners, with a certain relative decline of the North-South connections.

Conclusion

Internal weaknesses and external limitations are pointed out to indicate that Brazil, Russia, India, China and South Africa do not have the needed credentials to be able to aspire to become parties in the group of leading countries in the world order. Some relevant historical aspects should be stressed at this point. The first of them shows that when England, and over a century later the United States, became world leaders, they experience internal situations marked by great social difficulties and imbalances. It suffices to read Charles Dickens' novels to get a glimpse of what England was during its industrial revolution. The movie industry, for its part, reveals an America dominated by gangsters precisely when the United States was becoming the first world power. Therefore, it is necessary to reflect better when the shortcomings of the members of the BRCS are brought to the fore.

In England and in the United States a dynamic process of development was underway, and this is fundamental. Moreover, the old leaderships were turned toward the past. There is, however, another decisive aspect: it is precisely certain elements of conflict or internal imbalances that force countries to seek better positions in the international environment. The problems generated by development produce a need for greater international insertion. It is not necessary to become a Switzerland in order to aspire to a better place under the sun; it is the struggle for a place under the

sun that turns a nation into a Switzerland. Contradictions are the drivers of reality.

Thus, despite the structural differences among their members, topic divergences and internal shortcomings, the BRICS are in a similar situation at the international level, favoring the articulation of common positions and actions. A large part of their policies are the result of reaction to attitudes taken by the still dominant powers, which often present a vision turned toward the past. On the other hand, the BRICS seek to avoid confrontation and sudden changes in the economy and in the world order, into which they try to integrate. However, for this to happen the order has to be reformed. Russia and China articulate (despite bilateral divergences) at the Eurasian SCO, close to the center of world power. India, Brazil and South Africa look in South-South cooperation for a common space for countries situated further away from the central hegemonic North Atlantic ring. And the BRICS group ends up by becoming a common forum for the two arrangements that gained relevance in a panorama of crisis.

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The BRICS and the financial G20

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Can the BRICs group be "a pole to induce institutional transformations in the international system"?

The answer, necessarily of a speculative nature, starts by identifying the known factors and some possibilities that may still materialize in the relations among these five countries.

This is a group of countries that have some common features and that, since this acronym became well known have made an effort to promote convergences and find elements for joint action in the international scene. As in the play by Beckett, there is the expectation of the eventual arrival of a "Godot" who will bring a script for these actors to be able to play their roles as an ensemble.

Among their common features are the demographic and geographical dimensions and the economic potential resulting from the size of the population, the income level and the established productive structure.

These attributes have a growing importance in a conjuncture with a lower rhythm of economic activities, as is currently the case in the industrialized countries. This increases the chances that those five countries continue – in the near future – to have the opportunity to participate actively in the main multilateral forums.

There is, therefore, a "demand" for a potential contribution that the BRICS countries can make to promote the reactivation of the rhythm of economic activity in the planet.

Until now, the BRICS have been a group of countries in an *ad hoc* process of alignment.

Besides, there are structural problems in the composition of the group. It is a challenge to deal, for example, with the growing preeminence of Chinese economy in the international scene, just as with the peculiarities of Russian economy and, at the same time, to explore an agenda that contemplates the interests of the developing countries. From the Brazilian point of view, there are more frequent affinities with India and South Africa, also observable in another group, IBSA.

However, the five countries tend to share common causes when the issue is the need to transform growing economic power into political capacity to influence decisions in issues that have global implications.

This note discusses some of the main aspects of the recent experience of the BRICS and their potential of action within the financial G20, an important instrument for these countries to be able to materialize the common objective of increasing their presence in global governance. This is done in three complementary dimensions: a brief review of some well-known facts about the BRICS, considerations on some of the mismatches and problems that the group has to face within the G20 and a few words about the expectations regarding the action of these countries and what they may wish to achieve.

Some facts

Let us start with a few things we already know about the BRICS. They possess 42% of the population and 14% of the GDP of the world and approximately three fourths of the reserves in foreign currency. In terms of reserves, the five countries today have US$ 4 trillion, but in a very unequal distribution: 72% of

these resources belong to China; 12% to Russia, 7.5% each to Brazil and India and only 1% to South Africa. This by itself already suggests part of the difficulties in understandings regarding the use of resources for financial support to industrialized economies in trouble.

All BRICS countries belong to the financial G20, currently the most important forum for the definition of the global governance. Available information is that understandings prior to G20 meetings are more intensive among the members of the BRIC than among countries in the same region. Thus, the positions they defend are less identified as of a regional character and reflect rather the contrast between "emerging economies" and "industrialized countries". At least in this dimension there seems to be a greater weight in their composition as members of the group than as spokespersons for the positions of the countries from where they come. The possible exception is South Africa, a country that participates in both groups as the only representative of the African continent.

Trade flows among these countries could be another factor of aggregation. Regarding trade, however, the relative weight of transactions among the five members of the BRICS is dissimilar. "BRIC dependence" is greater in Brazil than in the other partners. Considering the average from 2008 to 2010,[1] Brazil depended on this joint market for 17% of its total exports, and in a similar proportion of its imports. Except in the case of imports by South Africa (participation of 18%), in all the other countries the percentages were similar (Russian imports) or smaller than in the case of Brazil. The intensity of commercial transactions is a more relevant element for some countries of the group than for others: in the case of China such "dependence" does not reach 7.5%

1 Data: UN/COMTRADE.

of its trade flows. Thus, other dimensions should be considered as elements for the agglutination of the five economies.

The five countries present less fiscal problems than the majority of the industrialized countries and all are liquid external creditors. All of them are creditors of the United States as holders of American Treasury bonds. With a total contribution of around US$ 80 billion to multilateral financial institutions it is to be expected that the BRICS will naturally exert pressure on these institutions for reforms in their decision-making process.

All economies of the BRICS are classified as "investment grade" and the prospects are that this status will be kept. Some of them, such as Brazil and Russia, however, depend on exports of commodities and for that reason are more vulnerable to the fluctuations of international prices.

It is estimated that in a short time the importance of the ensemble of the BRICS economies will surpass the economy of the United States and the members of the group will become not only economic powers but also active agents in the process of definition of global policies.

An example of fruitful joint action was seen in 2009, when the BRICS succeeded in convincing the United States and Europe to grant the group an active role in decisions about the use and management of the resources from the line of credit known as "New Arrangements to Borrow" from the IMF. The same can be said about the expansion of the participation of developing countries in the deciding instances of the IMF and the World Bank.

More recently, the BRICS defended common positions questioning a European proposal about the definition of macroeconomic indicators to identify imbalances. They also resisted proposals for the international control of food prices and

indicated interest in the adoption of a currency basket with more international weight.

The question of participation in the G20 deserves special consideration. It should not be forgotten that the G20 was created amid external turbulence as a mechanism to ensure the prevention of new crisis situations on the basis of global governance with the inclusion of new economically relevant partners. The BRICS seek to add the development dimension to this picture and this provokes a series of mismatches.

Neither is the internal situation within the BRICS devoid of conflict. For instance, Brazil has resented the competition of products – mainly from China – in the internal market and in traditional export markets, and that country has been the target of the largest number of trade defense measures adopted by Brazil.

Moreover, four of the five BRICS have explicit, individual and increasingly active strategies of rapprochement with Africa, while South Africa presents itself as a candidate to become a "gateway" for the other economies of the continent and not merely an intermediary in this process. This may become a question of potential friction among the five countries.

Mismatches/problems

As was said in the Introduction above, the five countries have sought to define a common agenda. This has been less easy than a look at the aggregate indicators of the five economies might suggest. Differences in the composition of trade claims, in the geographical concentration of the flows of commerce, in the financial strength of each economy, in the level of competitiveness, in the types of productive processes, in the weight of each country in the international scene, in the intensity of involvement in the immediate regional neighborhood of each country, in the

military potential, in the procedures in political votes at the main international forums, in the consideration of issues such as human rights and intellectual property, in the degree of intervention in productive processes and price formation, as well as many other dimensions have contributed to the difficulties in building a clear identity for the acronym BRICS.

In spite of these internal difficulties the group has been able to handle in a reasonably homogeneous way some of the questions dealt with in international debates, especially those related to the development dimension and those regarding proposals to mitigate conjuncture imbalances.

The question is to know to what extent this group of countries will be able to promote decisions capable of changing global governance, since there is universal recognition of their growing importance in the world economic scene together with the expectation of low growth and limited capacity of correction in the short run of the course followed by the macroeconomic policies of the industrialized countries.

The G20 is likely to become the forum where the BRICS can concentrate pressure. The countries that jointly hold the largest majority of votes in international organizations and correspond to 85% of the world GDP are represented there.

The G20 was constituted at the height of the international crisis. The elevation of its status as a forum for debate was since the beginning related to the perception that discussions held only within the G8 left out actors with increasing economic importance. The solution of the impasses, as well as the construction of a scenario that may prevent new imbalances necessarily requires the participation of these actors. It is an anchor to ensure economic stability and sustainable growth in the future.

These dimensions were consolidated in 2009 through the decision on Strong, Sustained and Balanced Growth that presupposes a process of shared responsibilities for the required adjustments.

For developing countries, however, the main imbalances in the world economy are not those of a commercial and financial nature among countries that hold surpluses or deficits, but rather the differences between their economies and those of the industrialized countries, also because many of the developing countries participating in the group have surpluses in their external accounts.

This leads to an inevitable mismatch in proposals for an agenda among the members of the G20, observed even before the eruption of the recent crisis that originated in the European imbalances. It is possible to manage crisis situations without eliminating differences among groups of countries, of the highest interest for developing economies. The implicit fear is that, as the situation of crisis is being sidestepped, the sense of urgency for the adoption of the policies needed to ensure a more homogeneous and sustainable growth process is necessarily reduced, as can be seen in the debates regarding negotiations within the scope of the WTO.

This does not mean that there have been no significant advances in dimensions that interest developing countries in global governance benefitting some of the BRICS in particular. Even so, until now progress has been topical, although relevant. The remaining problems are, to a large extent, a reflection of the difficulties, on the part of high Western officials, to accept the changes in the center of gravity of economic activity and its implications for the way of life of the citizens of the currently more affluent economies.

In terms of conjuncture, there are divergences about the kind of solution to be adopted in order to deal with the current problem in Western Europe. The BRICS countries advocate greater participation from the IMF, while the Europeans prefer to support solutions of a more regional nature.

In the same vein, there is no agreement on the adoption of parameters for the identification of macroeconomic imbalances that would help to identify the need for interventions to correct the situation.

There are also mismatches between the BRICS and the industrialized countries within the G20 regarding the way to deal with the systematic rise, in the past few years, of commodity prices. Producing countries do not accept artificial price control formulas.

However, there are also more structural mismatches.

The very composition of the G20 presents problems. It reflects the situation existing in the management boards of the main multilateral institutions, with an over-representation of European countries and an under-representation of Africans. One of the contentious issues related to this *de facto* situation is the non-conformity of developing countries with the "tradition" that reserves for a European the highest office at the IMF just as the presidency of the World Bank for an American. The ability of the BRICS to change these norms is a matter for speculation.

In the medium and long run there are divergences on the adoption of environmental criteria and in the use of alternative currencies to replace the US dollar as a way to reduce existing distortions.

Similar to the perplexities experienced in the 1960's the world lives today in the company of trade imbalances linked to a large extent to the practice of artificial parities and at the same time

the advisability of continuing to base the system of international payments on the American dollar is being questioned.

The first of these aspects is controversial and some of the BRICS countries do not even accept to discuss it; for example, China opposed the inclusion of this issue in the discussions within the scope of the WTO when Brazil proposed a debate on it.

With regard to the improvement of a currency basket to be used as unit of exchange and reserve value, it is important to note the fact that the limited weight of the emerging currencies in international transactions does not correspond to their growing relevance in the world economy. It is estimated that 95% of transactions are today denominated in dollars, euros, pounds sterling or yens.

However, as the Chinese *yuan* is being increasingly used in regional transactions in Asia, over one tenth of global currency issuances on the part of emerging countries in 2010 have been made in Brazilian reals.[22] Besides, the weight of each BRICS countries in transactions with its neighbors has increased in the past few years. There are, therefore, elements that justify discussions on a growing participation of the currencies of these countries in international transactions.

One possibility for the reduction of the current weight of the four main currencies – especially the dollar – in international transactions would be to expand the use of some composite, as is the case with Special Drawing Rights (SDR). However, it is clear that such a prospect meets resistance on the part of the issuers of the main currencies today, in particular the United States. There is also resistance from China, for example, to the adoption of exchange and currency management criteria to be required for the

2 MAZIAD, S; FARAHMAND, P; WANG, S.; AHMED, F. "Internationalization of Emerging Market Currencies: A Balance Between Risks and Rewards". IN: FMI/SDN/11/17, October 19, 2011.

eventual inclusion of the *yuan* in the currency basket that compose the Special Drawing Rights. This issue continues to be sensitive and it seems misleading to expect significant changes in the short run; at the recently concluded G20 meeting in Cannes the question of the composition of the basic basket for the SDRs was postponed to 2015.

Expectations

A general expectation is that the G20 does not come to reproduce a feature of the G8. In the latter, while the basic agenda kept focused on economic and financial issues, the leaders were increasing led to deal with a wide range of topics, involving from security questions to environmental problems. At each meeting the debates did not concentrate necessarily on the agenda but rather on issues that seemed more relevant at that moment.

In the case of the G8 the larger number of participants reduces the space for such dispersion, since it increases the need for greater clarity in the definition of the agenda and treatment of the agreed points.

However, the extent to which the active participation of emerging countries in the main forums is assured in the medium run is not clear, and neither is the extent to which they may be able to influence the decisions and recommendations: there are important limiting factors such as the remaining composition of the voting in the executive boards of some multilateral agencies as well as in the United Nations Security Council, where the existing distribution of power does not take into account the growing importance of those emerging economies. The resistances to changes in this composition are well known.

This provokes the perception that it is illusory to expect that the developed countries are indeed providing the emerging

countries, through the G20, with a place at the forums where the important decisions are made.

The challenge is to deal simultaneously with measures to mitigate the effects of the current crisis without losing sight of the need to change the parameters of global governance; and to find mechanisms to channel surpluses concentrated in some countries to satisfy the excess demand for improvements in infrastructure and other shortages in the majority of the other countries.

The prospects for low growth in the main Western economies highlight the importance of ensuring the rhythm of expansion of consumption and investment in emerging markets as a way to make an appropriate pace of global expansion viable. Up to now, the measures adopted to mitigate the macroeconomic problems – expansion of monetary offer and fiscal stimuli – have brought results below the expectations for the reactivation of the rhythm of productive activity and the generation of jobs. The margins for the increase of public debt are very close to the limit in a large part of the countries and the greater availability of resources has not resulted in an expansion of credit as the financial agents had expected.

Until now the G20 countries have adopted a discourse favorable to the stimulation of credit, resistance to protectionism and increase of the volume of resources available to developing countries. However, in crisis situations some difficulties tend to overlap; for instance, the divergences between those who advocate greater stimuli to increase spending and thus recover the pace of activity and those who stress the importance of improving the regulatory framework by making it stricter.

This context reinforces the perception that the reactivation of the rhythm of activity should happen on the basis of the contribution of emerging economies to the global performance.

However, this clashes with the difficulties that lead those economies to demand more reformist action with regard to the development agenda.

Like any emerging group, the BRICS have two ways to enforce their option in the search for more power in this international panorama currently dominated by the industrialized economies.

The first would be the military option. The joint capacity of the group is not negligible, and three of the five members possess nuclear armament and expressive military might. However, it seems reasonable to suppose – in view of the historic records, conjuncture circumstances and even geographic dispersion – the probability to reach convergence for a joint military action by these five countries is quite low. Besides, the possibility of success of the group through this option is doubtful, in view of the supremacy, for example, of the NATO ensemble, which seems unrivalled up to the moment. This option is, therefore, out of the question.

This leads to the second way, the one that has been explored up to now: the gradual search for identity in the group on specific issues and coordinated action at the main forums with the aim of increasing the degree of influence of the BRICS in global governance.

As with any emerging social group, this ensemble of countries has been characterized until now to a large extent by the search for its identity, the identification of the agenda of its interest and the means to convince other countries to adopt that agenda.

The success of this option depends on some basic conditions. At least four of them are immediate. It seems essential that the group (a) identifies its objectives and action goals in the international scene with reasonable clarity; b) consolidates a degree of cohesion necessary to be able to act jointly in the pursuit of these objectives; c) as a consequence, builds its external

credibility and d) be identified by non-members as a movement that represents certain positions.

What are the chances for the BRICS to achieve this greater capacity of impact? They will be considerable if there is political will, clarity of purpose and minimization of internal friction.

The moment of crisis on the two sides of the North Atlantic revealed the economic potential of the emerging economies and made explicit a demand for their help in the process of recovery of the rhythm of global activity. It is a conjuncture that seems more favorable to decided action on the part of the BRICS than perhaps at any other previous opportunity. The challenge that has been posed is how the BRICS can avail themselves of these circumstances to progress in the desired direction, if this direction has already been identified.

To deal with the current crisis situation there are considerable chances that the European countries may request substantial support, for instance through the IMF. Estimates from several analysts point to a volume of such magnitude that will require the Fund to muster additional resources.

The natural source of the offer of resources today are the huge foreign currency reserves accumulated by the BRICS countries, and they already expressed willingness to contribute with new resources to increase the financial capacity of the Fund. These resources should be provided under conditions of performance and monitoring by the creditor countries. That would bring up an opportunity to provoke a debate on global governance.

That should happen without prejudice to the issues that are dear to the group of developing countries, such as those that have prevented progress in trade negotiations, questions related to the international financial system and others. It is important for their action in the main forums that the BRICS be seen as aligned with

the agendas (if not as their representatives) of the developing world.

In sum, the BRICS countries are today facing the challenge of increasing the degree of their internal cohesion, identifying their common objectives, taking their agenda to the most important international forums and utilizing to the maximum extent a circumstance in which their support is being sought, in order to enforce the conditions that seem most appropriate to themselves. It is a historic opportunity that must be made the most use of.



Neither restorers nor reformers: the minimalist and selective international engagement of the BRICS

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Introduction

The objective of this paper is to contribute to the debate proposed by FUNAG/IPRI on the international context and Brazilian strategic options. Thus, it does not have an academic character and is closer to a policy paper in its format, language and structure.

The paper is divided in three parts. The first makes some comments on the international order in order to characterize it as diffuse and ill-defined, as a counterpoint to the already consolidated idea of multi-polarity. The second briefly analyzes the space that the BRICS group may come to occupy in the international order. Finally, the third part seeks to comment on international strategic options for Brazil.

I – On the international order

The accelerated change in the economic dynamic during the last two decades favoring some developing countries of large or medium dimensions is having significant reflections on the relative participation of these countries in the international trade and investment flows. The best known among these relate to the relative shift of the economic dynamism that benefits developing countries and in particular some very large ones, such as Brazil, India, China and Russia. Projections suggest that by 2050 these four economies will be among the six largest in the world, although

in terms of *per capita* income only Russia should come close to the average of the developed countries, while the others should remain at quite lower levels.

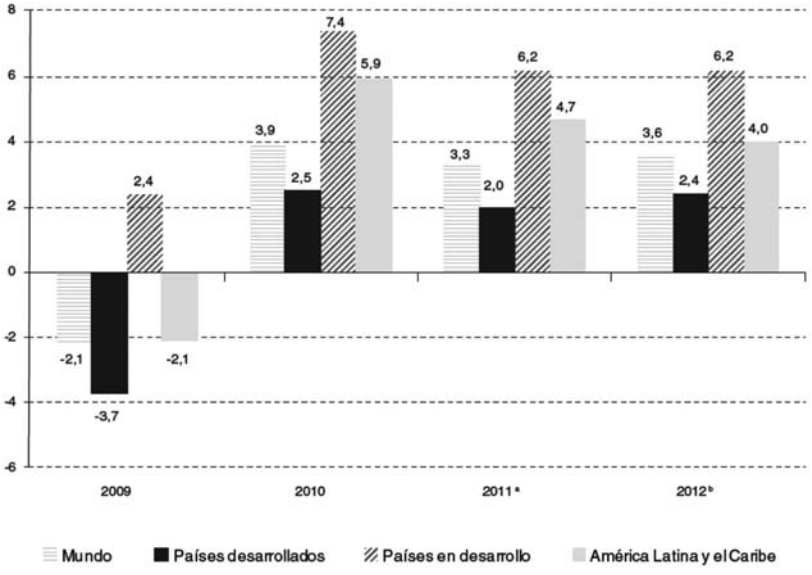
Table 1: GDP and per capita GDP (year 2000 and projection for 2050)

2006			
		PIB (US$ Trilhões)	PIB per capita (US$ mil)
1º	EUA	13,2	44,2
2º	Japão	4,3	34,4
3º	Alemanha	2,9	35,1
4º	China	2,6	1,9
5º	Reino Unido	2,3	39,2
6º	França	2,2	36,6
7º	Itália	1,8	32,2
8º	Canadá	1,3	38,9
9º	Espanha	1,2	27,8
10º	Brasil	1,0	5,6
11º	Rússia	0,98	7,1
12º	Índia	0,91	0,8

2050			
		PIB (US$ Trilhões)	PIB per capita (US$ mil)
1º	China	44,5	31,4
2º	EUA	35,2	83,7
3º	India	27,8	17,4
4º	Japão	6,7	66,8
5º	Brasil	6,1	26,6
6º	Russia	5,9	49,6
7º	Reino Unido	3,8	59,1
8º	Alemanha	3,6	48,9
9º	França	3,2	51,6
10º	Itália	2,1	40,9

These trends became even stronger after the financial crisis started in 2008, whose negative impact has been mostly concentrated on the developed countries. The following graph shows how the developing nations have achieved performances quite superior to those of the developed ones in the past few years.

Graph 1: Rate of GDP growth by region



Source: CEPAL, 2011 and 2012.

Until recently this phenomenon was concentrated in the flows of trade and GDP growth of the developing countries. However, in the last few years it also began to have an impact on investment flows, reinforcing at first a trend of attraction of foreign direct investment. As can be seen in the following table, from an average of participation in the attraction of direct investments of 28% between 1995 and 2005, developing countries attracted almost half of international investments in more recent years, attaining in 2009 a participation of 43% of the total, or US$ 478 billion.

However, the most relevant fact with political consequences is related to the growth of the participation of developing countries in the creation of direct investment flows. In other words, these countries started to internationalize their economies in an active

and sustainable manner. External investment by these countries jumped from an average of US$ 79 billion to US$ 229 billion a year in 2009, representing about 20% of the world total and doubling their relative participation in just five years.

Table 2: Foreign Direct Investment in billion US$ (selected years)

		1995-2005	2006	2007	2008	2009	1995-2005	2006	2007	2008	2009
Paises em Desenvolvimento	inward	211	434	564	630	478	28%	30%	27%	36%	43%
	outward	79	228	292	296	229	11%	16%	13%	15%	21%
Mundo	inward	741	1459	2099	1770	1114					
	outward	717	1410	2267	1928	1100					

Source: UNCTAD. World Investment Report 2010.

Multi-polarity or asymmetric multifaceted order

This process has already been widely announced and commented. However, two aspects deserve to be highlighted. The first is the fact that the increase in income and in the economic participation of developing countries, with stress on the emerging ones, does not yet constitute a reversal of the international order, whether in the North-South or in the West-East direction. The second relates to the low level of systemic interest of the emerging powers, which is reflected in an international agenda predominantly minimalist and in several cases conservative.

The emergence of new international non-traditional actors may be linked to a process of strengthening of the agenda of the developing countries around proposals like the "new international economic order" or forceful demands for reform in the international governance as happened with the Non-Aligned Movement and the G77 in the years 1970 and 1980. However, this is not happening, and this is one of the chief features of the current international period: the emergence of new international actors with minimalist agendas.

Although it seems clear that none of the BRICS may become a part in some of the groupings of developed countries – unlike smaller developing ones like Mexico and South Korea, that already do this – it also seems clear that no arrangement similar to NATO or OECD is being envisaged by the new emerging countries.

To consider and project the international order as a dichotomy entails taking as units groups formed by countries extremely heterogeneous among themselves. While developed countries present themselves as reasonably articulated in alliances and groups aiming at providing political coherence and build common agendas among them, as in the case of NATO and the OECD in fields such as international security and economic issues, the developing countries, and among them the BRICS, do not enjoy this political coherence nor do they have common agendas.

In the face of this process the emerging powers – especially China – have adopted a very particular political behavior: if, on the one hand, these countries have not sought to revolutionize the international political order, on the other they have not increased their support of and engagement in the reinforcement of the international order and institutions. Up to now it seems that what interests these countries is the *status quo*, with small adjustments regarding the governance in selected questions.

At least until now the re-accommodation of the emerging countries has generated tensions in the system but it has not been accompanied by confrontational strategies or proposals of an alternative political and economic order and neither by breaks in terms of competitive behavior by the new relevant actors. In other words, the larger part of the relative changes in weight and participation in international economic flows are taking place within the chief international regimes, as the recent adherence of Russia to the WTO (China adhered years ago and Brazil and

India are already traditional members of that organization). The same has happened with regard to the participation of these countries in the IMF and the United Nations.

Nevertheless, if on the one hand these powers avoid international isolation and even direct confrontation and for that reason are adhering to the basic existing regimes, on the other they clearly show a low level of interest in increasing the density of such regimes or in making them more effective and structured. The minimalist international agenda entails support to the general principles of international law and using them to reduce the political cost of open confrontation with traditional powers or even with third countries; but at the same time does not render these countries interested in investing material and political resources to make them more robust and effective.

In this way, it would be hasty – and an excessive simplification – to suppose that we are experiencing a transition from the international post-World War II order led by the United States and the Western powers to a new international order led by the BRICS or by the new emerging countries. The current period is characterized by the gradual dismantlement of the international order in force, in which existing international regimes and institutions increasingly lose their relevance and capacity to generate rules of coexistence – including through the reduction of the support of the powers that previously supported them – rather than by the replacement of the order in force by an emerging one.

In this way, the rise of new powers at the start of the 21st century has had a very different profile from the one that predominated at the close of the 19th century, when the rising powers – Germany, Japan and Italy – began to compete for international spaces until then occupied by traditional ones, ostensibly claiming markets, colonies and spheres of influence,

sponsoring the formation of their own political and economic spaces in order to compete with the regimes and relationship networks linked to the traditional powers.

In short, a trend toward the weakening of the standards of international coexistence of the last 50 years predominates, rather than toward their replacement by new ones. The main international regimes are clearly becoming weaker in relation to the dynamics of creation of new ones or even of reform of the old.

Ad hoc mechanisms of consultation and coordination, such as the case of the financial G20, are being increasingly utilized as political forums rather than multilateral institutions such as the IMF or the Bank for International Settlements (BIS). In the commercial field, the paralysis of the Doha Round at the WTO is also a strong indication of this process. In this case, not only does it seem impossible to progress on the traditional trade agenda but also with regard to new sensitive themes brought to the table by the economic rise of China and its internationalization model, characterized by an undervalued currency (the so-called exchange dumping), strong presence of the State in many sectors, strategic use of resources from sovereign funds, among other ways to strain the standards of international competition.

A similar movement has been happening in the environmental field, about which Summit meetings try to generate parameters for coordination of the action of countries without remarkable success and without progressing toward the creation of international regimes and institutions. In this case, the multiplication of Summits is a clear sign of the fragility of the coordination and political convergence of the countries, and not the opposite.

In this way, the international emergence of new economic actors with growing capacity to produce tensions and to influence and veto international political debates, albeit without a clear

political agenda, should deepen the trend toward the weakening of the international institutions and regimes put together in the last 50 years by the Western powers. This movement should benefit the establishment of a multiplicity of arrangements, very different among themselves, which will try to generate minimum coordination spaces among the countries on issues that appear as critical. In a more fragmented way, mini-lateral arrangements (such as the G20 and the OECD) will probably coexist with regional arrangements (such the Euro Zone, financial coordination and cooperation at ASEAN or the Defense Council of UNASUR) and with some multilateral arrangements for action in specific cases (the International Telecommunications Union – ITU, the WTO or the UN itself). By weakening international instances more space will be opened for unilateral solutions on the part of actors capable thereof, mainly the United States, China and Russia.

This context is not characterized by a consolidated multi-polarity but rather by an asymmetric and multi-faceted international environment, with quite different spaces of coordination and confrontation.

What has been happening in the monetary field is quite emblematic in this process. The decline in the use of the dollar as international reserve currency (it used to represent 85% of total world reserves and now accounts for only 60%) did not incur in a replacement by another multilateral or systemic arrangement. On the contrary, it has been losing ground to a regional currency – the euro – and a national one – the *yuan*. It seems that the monetary world will be considerably more fragmented and less coordinated than it is at present and tends to be composed of several different regional institutions (as is already happening in Europe with the European Central Bank and the European Financial Stability Facility – EFSF, and in East Asia with mechanisms and instances that have the same objective).

The dominant trend today seems to be toward a pattern of weakening of the existing multilateral arrangements that are not replaced by others of the same kind but coexist with regional and unilateral arrangements not necessarily coordinated with each other.

Critical issues

The international dynamics previously described allows for an accommodation between the old and the new powers, although without imposing certain cost in the majority of issues. In this case it is possible to project a difficult and troubled accommodation, albeit not disjunctive, for the majority of international questions. There are, however, some exceptions to the general trend and these seem to regard two specific fields. These are: the distribution of military capabilities and access to strategic resources.

Not by chance are these two issues more directly related to zero-sum games. Therefore, a cooperative solution of positive sum seems more complicated.

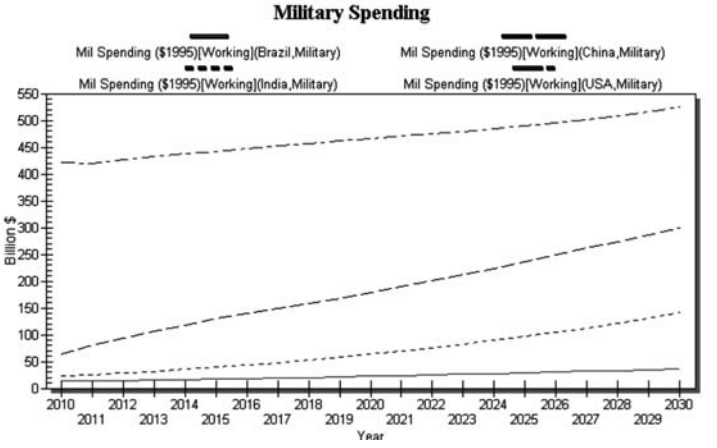
From the military standpoint the well-known global projection of the United States only met significant restrictions during the Cold War, basically due to the confrontation with the Soviet Union. With the dismantlement of that bloc, the United States unquestionably consolidated its military presence on a global scope through its network of naval and strategic bases all over the world. This projection encountered some important constraints, mainly in the China Sea and parts of the Indian Ocean. Projections about the increase of China's military investment, as shown below, combined with the rapid increase in its military capacity (including the launching of the first aircraft carrier as part of a wide ranging program of naval projection and a missile and

military satellite program) indicate that in this field the margin for accommodation is becoming narrower. The growing affirmation of China within its direct sphere of influence should have as a counter movement a negotiated rollback on the part of the United States, an unusual gesture in its international action. Otherwise, some level of confrontation in this region is to be expected.

The following graph indicates the trend in this process. Within 20 years China should invest almost two-thirds of the investments of the United States in armaments. A similar proportion between United States' expenditures and those of another country only happened at the start and the middle of the Cold War with the Soviet Union. The repetition of such a situation may generate new levels of international tension.

Something similar may also happen with regard to India, albeit to a lesser degree, as the graph also shows. On the other hand, there is an evident contrast with Brazilian expenditure.

Graph 2

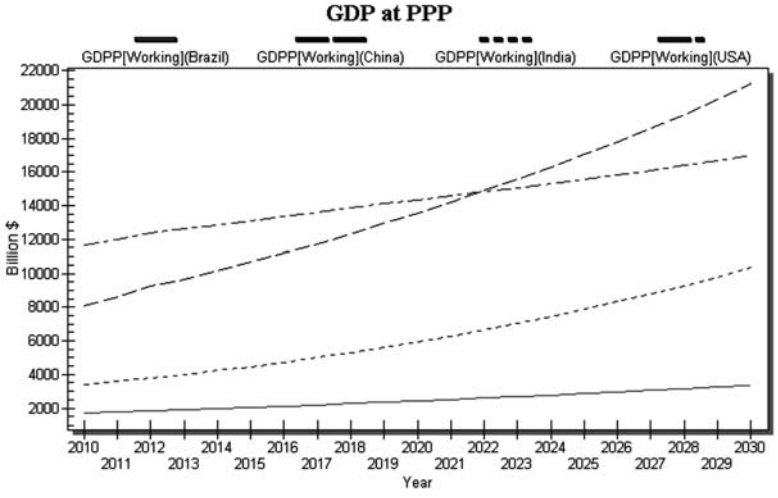


Source: Projections based on The International Futures (IFs) modeling system, version 2011. Developed by Barry B. Hughes and based on Frederick S. Pardee Center for International Futures, Josef Korbel School of International Studies, University of Denver.

The second critical issue to be considered regards the question of strategic natural resources. Here again the predominant dynamic is that of zero-sum games and therefore difficult to accommodate among the relevant actors unless one of them gives up part of the benefits to which it currently has access. In a situation where the current rates of economic growth of China and India hold firm, demand for basic and strategic natural resources, as well as for food and energy, tend to multiply with a strong repercussion on the international market and political relations linked to the issue. China already showed that it considers these questions as central for the security of the country, besides displaying great willingness to adopt heterodox strategies with regard to them. Its action aiming at access to energy resources in Central Asia and mineral and energetic resources in Africa and some Latin American countries is a convincing sign of that willingness.

If we suppose a linear correlation between the growth of the GDP in these countries and the increase of the demand for such resources – therefore a conservative projection to the extent that the demand for natural resources tends to grow at rates above the average income growth – it can be said that the Chinese demand for energy resource, food and minerals in 2030 will almost triple the current levels, as indicated by the following graph. Since it is difficult to suppose that the global availability of such resources will increase threefold in the next 20 years, an increase in tensions and possible conflicts in this field are to be expected. China and India, again in a very different manner from Brazil, should be the leaders of this process.

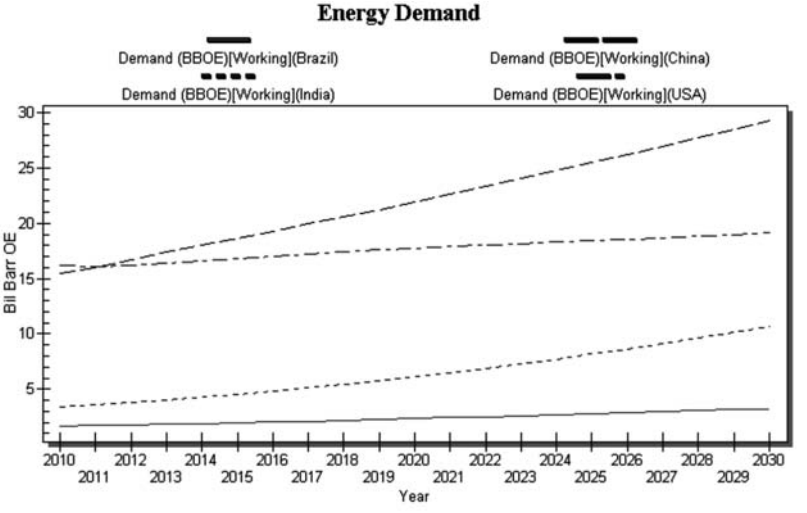
Graph 3



Source: Projections based on The International Futures (IFs) modeling system, version 2011. Developed by Barry B. Hughes and based on Frederick S. Pardee Center for International Futures, Josef Korbel School of International Studies, University of Denver.

A similar process should happen in the field of energy with special gravity. As indicated in Graph 4, ahead, China's energy demand should double in the next 20 years. The same tends to happen in India in a similar proportion, although at a lower level.

Graph 4



Source: Projections based on The International Futures (IFs) modeling system, version 2011. Developed by Barry B. Hughes and based on Frederick S. Pardee Center for International Futures, Josef Korbel School of International Studies, University of Denver.

II – The BRICS as political actor

Despite the fact that the acronym BRIC was created and disseminated in 2001, at the same time that Marco Aurelio Garcia, then Secretary for International Affairs of the Worker's Party, proposed that Brazil should attempt to form an alliance among emergent countries, the first formal meeting among the Heads of State of the countries that compose the acronym only happened in 2009. Up to now two other such meetings have been held (in Brasilia and Sanya) and at the latest one South Africa was invited to join the group. Since the first Summit it was decided that the guiding axis for these countries should be the search for "a multi-polar, equitable and democratic world order".

In spite of the strong symbolic appeal, there is little probability that this group of countries will evolve toward becoming a political

alliance and an international organization. Although there are some issues on which these countries seem to coincide, there is in general a lack of political motivation and a concrete agenda for the group to consolidate as a relevant international political actor.

Three hypotheses support these statements. The first is that the behavior and declarations from the countries that make up the BRICS indicate that these countries defend quite conservative postures with regard to global order, multilateral institutions and the new challenges in security, democracy, environment and human rights. In other words, the countries of the group, both individually and as a group, have not proposed a new international agenda and not even one aimed at reforming the global order. It is possible that the weight of their domestic agendas and challenges, as well as their interdependent links with Western powers, drastically reduces their ability to mobilize resources for more assertive international action. As a result, these countries, with rare exceptions, only coincide on a minimalist international agenda, that is, they converge toward the defense of a very small set of principles and rules of international coexistence – usually associated to the original UN Charter – and assume commitments only with regard to international agreements that are not very demanding or binding and which therefore ensure a reasonable margin of maneuver for them.

A quick analysis of the latest BRICS declaration, in April 2011 in China, reflects some of these characteristics. In this document, an initial frame is contained in the statement that the world is marching toward the "strengthening of multi-polarity through economic globalization and growing interdependence". It is very significant that this group of emerging countries claims wider political space at the same time as it affirms growing interdependence. This vision makes clear the extent that these countries see themselves as the new poles of the international

order (and for this reason they claim more political space) but also as a dynamic part and the beneficiaries of the process of globalization and interdependence.

Right at the start of the document these countries affirm that the United Nations should play a central role in global governance and defend a wide-ranging reform of this organization, including the Security Council, to ensure "more effectiveness, efficiency, and representativeness". The document does not defend the inclusion of Brazil, India and South Africa in the Security Council. Instead, it affirms in a diplomatic and uncompromising language that "China and Russia reiterate the importance they attach to Brazil, India and South Africa in international affairs and understand and support their aspiration to play a more relevant role at the United Nations". The fact that the document is quite vague in its reference to this matter, which is central to the debate on the international order – by the way, much vaguer than the following section on international monetary and financial issues – reflects the low level of importance, agreement or priority that these countries attribute to systemic political issues in their international agendas. This is one of the aspects that reinforce the hypothesis that these countries defend a minimalist and even not very reformist agenda in what regards the main agreements and international political and security institutions.

The document also records the support and commends the performance of the G20, an informal and multilateral coordination instance among selected countries about financial and monetary issues. Since the G20 is an expanded version of the G8, which only used to congregate developed Western countries, it should be noted that previous criticism to this selective and exclusionary logic of action to the detriment of expanded and multilateral instances was a usual practice by developing countries, including the Brazilian and Indian diplomacies themselves. Now part of the select group,

they commend its importance and operational capacity, reflecting a more pragmatic and self-oriented position.

Also in what regards the IMF the group has a symptomatic opinion about the international vision that it now espouses. On the one hand, they again demand the expansion of the representation of developing countries in the power structures of the institution, a position coherent with their historical claims. On the other, they reinforce the role of the IMF as a promoter of "security and stability". On this particular point the defense by these countries of the importance of the IMF and their central interest on security and stability is again to be noted, in great contrast with the demands of a few years ago, in which the focus of the debate on the IMF was the perception that its role did not favor development and the special needs of developing countries.

Further down in the same text the members of BRICS bring back a historical demand, one of the few aimed at the reform and progress of the international financial and monetary regime. This is a clear exception to the general conservative trend. It regards two proposals: the expansion of the Special Drawing Rights (SDR) and the need for the IMF to expand the use of a basket of currencies, and not only the dollar, as a priority reference for the institution. Although they have not presented nor explicitly defended the idea of the creation and institution of an international currency to replace the dollar, the above mentioned proposal is a clear signal in that direction. However, also in this case gradual and negotiated changes are proposed, avoiding sudden breaks.

After some vague declarations about support to the implementation of the Millennium Goals, the document makes reference to environmental issues. Reaffirming the general consensual principle of "equality and common but differentiated

responsibilities" among the BRICS, the document also refers to the support of the BRICS to a "legally binding" international agreement. In this case the reference is to the need for a "global and balanced" agreement with a view to the implementation of the United Nations Framework Convention on Climate Change and the Kyoto Protocol. It is the only mention in the text to the clear willingness of the BRICS to back a more robust and concrete international agreement whose commitments generate specific goals and obligations for the signatory countries. Even if it is surrounded by several conditions, it is relevant to identify this concrete – and rare – point of convergence by these countries with regard to international commitments with binding legal force.

The second hypothesis on the fragility of the BRICS as political actors is that the agenda of interests of the members of the group shows few convergences and does not go much beyond the minimalistic consensus mentioned above. In the specific case of Brazil some divergences with regard to other BRICS are quite well-known. One of them, already briefly mentioned, has to do with the permanent seat in the United Nations Security Council. China has resisted supporting Brazil on this issue – although Russia already did it – and gives signs that the cost to agree with the Brazilians is too high because China would have to explicitly veto the same demand from India and Japan.

The question of nuclear weapons, another central issue for international security, also opposes Brazil to other members of the BRICS, in this case Russia, China and India. As a non-possessor of a nuclear arsenal, Brazil tends to support strong restrictive measures against the advance of nuclear countries, in contrast with an important part of the strategies of China and to a lesser extent also those of Russia and India.

Beside the classic security issues, other themes tend to place in a quite different, if not opposed, position with regard to the other BRICS. This is the case of the foreign exchange issue, currently at the center of the debate on international economic stability and balance. This question is already included in the agenda of the G20 and the IMF and recently also became part of the WTO agenda, through a Brazilian initiative, under the label of "foreign exchange dumping". Here again the position of Brazil tends to be contrary to the already classic posture of China.

There are also tensions with regard to democracy and human rights issues, not only directly vis-à-vis China but also third countries which are not easy to adjust between Brazil and its BRICS partners.

Finally, the third hypothesis to explain the low relevance of the BRICS as an international political actor is that China is not interested in seeing this happen. If the BRICS seem to be a reasonably important channel for countries like Brazil, South Africa and India to increase their capacity to bargain their international influence, the same is not the case with China, whose relevance in the great majority of international forums and issues is already significant. In other words, China's gain in terms of international representativeness and influence is quite marginal when compared to the gain for Brazil and the others. This asymmetry tends to discourage China from seeking a common agenda with the remaining BRICS countries.

From the standpoint of political calculation, China will only try to align its postures with those of the other BRICS when the cost of trying to negotiate some international issue directly with the other actors is clearly higher for it than acting through the BRICS. Thus, China will bring to discussion within the BRICS only those issues in which the average position of the group is

quite close to its own preference or when the political cost of its preferences is high enough to make it more interesting to dilute it with the other members of the group.

However, the same calculation is also valid for the other countries in the group. From the tactical and negotiating strategy point of view, Brazil and the others may be interested in aligning themselves with China on issues in which their interest is low in exchange for being able to attract Beijing in other questions where their interest is greater. This bargain may initially occur in different fields, such as monetary, financial, security or environmental questions.

III – Brazil and the undefined international context

The international rise of Brazil is quite compatible with the current global order, permitting it to project its international accommodation without significant tensions and disputes. The increase in Brazil's political and economic presence does not increase tensions in any of the key questions for the stability of the international order, whether demographic, environmental, military, market disputes, demand for natural resources, or regarding objectives and ambitions in the political, cultural, technological, energy and territorial fields. Some tension may occur in the regional South American space, but it is very unlikely that it will happen in a global scale. Much to the contrary, on several of such key questions Brazil can become an actor capable of dispelling part of existing tensions, as its contribution to food production illustrates and as a reserve of natural resources for the production of renewable energy sources, etc.

Part of the reasonable compatibility of Brazil with the current international order is also due to the fact that Brazilian interests are in general quite close to those of the Western powers. The history

of Brazilian external policy shows that the country never had an effective revolutionary agenda with regard to the international order, either in general or on specific issues. It has had, and still has, a reformist posture regarding some of them, in some cases with a conservative bias, as seen in the case of the dispute for a permanent seat in the UN Security Council and also in its regional action in Latin and South America.

The history of the international strategies of Brazil indicates, on the one hand, efforts to ensure sovereignty and an autonomous capacity for the country and its geographical surroundings, and on the other a search for more space and influence in international questions. Both priorities are systematically predominant in the objectives of significantly transforming both the current international order and the existing regimes.

This picture clearly shows the contrast of the Brazilian international posture and interests with regard to some of the BRICS and other emerging powers such as Iran, Indonesia and Turkey. For several of these countries, especially China and India, economic growth and greater political projection should bring quite significant tensions to several key questions of relevance to the international political, environmental and economic stability, as we have seen in the first section of this paper.

Another important contrast between Brazil and a significant part of the emerging powers has to do with the world vision and adherence to the regimes in force and the strategic interests. Brazil is possibly the most Western among the emerging powers and the BRICS. The country's political and social organization, its constitutional matrix and its economic and entrepreneurial practices are quite close to the prevailing standards in Europe and the United States. Not by accident is Brazil an observer at

the OECD and a strong candidate to become a member of that group.

Therefore, it is not evident that the BRICS constitute the best strategic option for Brazil in what regards the great themes of the international order. However, given the limitations in the country's capacity of international bargain and influence the group may be a relevant tactical option at least in some selected issues.

The first issue that comes to mind in this regard is whether it is interesting for Brazil, specifically in its bargaining and influence calculations, to act alone in several spaces of through some kind of coalition or alliance. And, in the second case, whether it is more interesting to follow a strategy of priority for some specific alliance or alliances with "variable geometries", to use the term coined by Fonseca and Lafer.

For a country like Brazil it seems reasonably clear that the option to act in isolation, although allowing the country to keep the full coherence of its agenda of interests, has serious consequences as far as political relevance and bargaining capacity in the main international forums are concerned. A clear exception to this condition regards regional issues and the South American space. If in these fields the isolated action of Brazil is enough to permit it to keep its own agenda of priorities and a high level of influence, the same is not true in the international and multilateral spheres. In the multilateral area, even if the country has acquired relevance in several questions – financial, environmental or commercial – its bargaining power vis-à-vis the United States, Europe and China is still quite limited, placing it as an intermediary player whose scope of action depends on the level of alignment/disagreement among the former three.

These conditions suggest that Brazilian participation in the BRICS bloc should be cautious and follow a careful cost and benefit

calculation. Practical reasons of a tactical nature may justify convergent postures with the BRICS but do not generate enough basis for a strategic long-term alignment. To say the least, such a stand would be somewhat unwise.



What is the common ground in the BRICS agenda?

Sandra Polónia Rios

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to 2003, Advisor to the Head of the Economic Department from February 1988 to April 1994, researcher at the Research Institute/ Social and Economic Planning Institute from June 1985 to January 1988, working with econometric models for the external sector of the Brazilian Economy, research Assistant at the Pontifical Catholic University of Rio de Janeiro from June 1983 to June 1985. Teaching activities: Professor at the Economic Department of PUC-RJ for: Microeconomic Theory (1984-1988), International Economics (1991-1994 and 2010), Trade Policy since 2004, Professor at the MBA on External Trade of IBMAC in 2002/2001. Member of the Indicative List of Panelists at WTO – appointed by the Brazilian government.

The BRICS acronym is now ten years old. In 2001, in an article entitled "Building Better Global Economic BRICs" the chief economist at Goldman Sachs, Jim O'Neill, supported the idea that a greater engagement in global governance by four countries – Brazil, Russia, India and China – was necessary. Five years later, this concept originated a group linked to the external policies of these countries. In 2009 the first Summit meeting was held in Russia. Finally, in April 2011, South Africa joined the group. However, as Anders Aslund[1] asked, "[...] are the BRICS the most relevant representation of the emergent economies?". Or – still more important for the external policies of these countries – is this group the best form of defense of the interests of these countries in the global economic agenda?

One of the most remarkable changes in the current cycle of globalization was the emergence of some large developing countries as relevant actors – because they became capable of influencing the course and the pace of globalization, as well as the establishment of international rules and regimes – in the international economic panorama. It is undeniable that through the recent evolution of their economies, their growth potential and the dramatic economic crisis in which the developing countries are entangled, this group will have in the coming years a weight in the international economy not imaginable a little over a decade ago.

1 ASLUND, Anders. Does Russia belong to the BRICS? *The Financial Times,* January 19, 2010.

On the other hand there is clearly a marked heterogeneity among the big emerging countries, in terms of economic structure and performance as well as of political regimes. Besides, all of them face internal economic and social imbalances of large proportions that are unimaginable in developed countries.

To a large extent the growth of the participation of the BRICS in the world production and commerce reflects the consolidation of reasonably sharp international specializations, albeit different for each country. China owes a considerable part of its performance to the expansion of a hyper-competitive manufacturing production base; India relies on the offer of efficient services (mainly IT); Brazil consolidates itself as an agro-industrial power and exporter of mineral and agricultural commodities, while Russia rests its performance on the petroleum and gas sector. Recently admitted, South Africa shares with Russia and Brazil the fact that its growth in the past few years benefited from a bustling world market in commodities.

Among the five countries, Brazil, India and China stand out for their emergence as more assertive leaders after the 2008 financial crisis. Russia, for its part, can hardly fit in the category of emergent economy; not too long ago it was one of the big world powers. Despite having social indicators quite above those of India and China and also superior to those of Brazil and South Africa in several areas, Russia experienced a disastrous performance during the crisis and lost international weight, at least in economic terms. Besides, its dependence on petroleum and gas, declining population and the fact that it only now became a member of the WTO distanced Russia from the other three countries. The accession of South Africa to the group seems to make more sense due to the regional and demographic representation than to its capacity of influence in the global economic agenda.

Taking into account the differences in size, recent performance and capacity to influence the international economic agenda among the BIC and the other BRICS (Russia and South Africa), these notes will focus the analysis of the convergences, divergences and possibilities of cooperation among Brazil, India and China (BIC) considering the two main forums: the financial G20 and the multilateral trade negotiations at the WTO.

Another important area in the current economic agenda, namely the negotiations on climate change within the scope of the United Nations, will not be dealt with here due to space limitations. However, it is important to note that in this issue Russia does not act in a coordinated way with the BASIC (Brazil, South Africa, India and China), since that country is a party to the group of developed countries that have greater responsibilities in the efforts toward the reduction of the emissions of greenhouse effect gases.

Also in relation to the negotiations on climate change it is worth mentioning that the articulations of BASIC in the COP 17 negotiations (the most recent climate Conference) in Durban showed important differences among the four countries, particularly with regard to the capacity of each of them to commit themselves with the reduction of emissions of greenhouse effect gases. While South Africa, Brazil and China show willingness to move toward commitments to reduce such emissions in the future, India – a country whose *per capita* emissions are much lower than those of the others – resists to progress in this path.

This analysis cannot lose sight of the fact that in another subgroup – IBSA – the three democracies that are part of the BRICS seek to develop their economic relations and the cooperation potential. Relations between Brazil, India and South Africa seem to be less marked by conflicts of interests and offer more effective

possibilities of trilateral cooperation in the areas of commerce, transportation and logistics and of R & D, among others.

1. BIC

The BIC countries are large and have ample domestic markets but present marked economic differences among themselves in what regards the size and the models of development. In terms of economic weight, China is quite distant from the other two. The country follows a development model based on investment and exports, with evident comparative advantages in the export of manufactures. Brazil and India, for their part, are more focused on their domestic markets but have different international patterns of specialization: Brazil is highly competitive in commodities, while India's strong point are services in information technology.

The three countries also follow different trajectories in their political models. Also in this case, the main difference is between Brazil and India with regard to China. While Brazil and India are stable democracies and enjoy a high degree of domestic and international legitimacy, China is still attached to the single party authoritarian model with disrespect to human rights and democratic freedoms. Brazil and India campaign in favor of a reform of the United Nations Security Council of which China participates as a permanent member side by side with the USA, Russia, France and the United Kingdom. Since Brazil does not possess nuclear weapons, it is affected by not holding a permanent seat, a feeling shared by India, a nuclear power.

On the other hand, the BIC countries (Brazil, India and China) are key actors in their regions, competing for international markets of industrial goods (with the devalued *yuan* harming the exports of India and Brazil) and for geopolitical influence (China and India in Asia, Brazil and China in Africa).

The members of the BIC came out of the economic and financial crisis entitled to exert influence in global affairs. However, in spite of their efforts to establish common positions in relevant negotiating fronts, these countries have significant differences in their economic and strategic interests, as can be gleaned from the analysis of their bilateral relations and their positions with regard to the main issues of the global economic agenda.

1.1 Characteristics of the bilateral relations

The fantastic growth of the Chinese demand for mineral and agricultural commodities led China to become the main commercial partner of Brazil in 2009, a decisive factor for the quick recovery of Brazilian exports a few months after the eruption of the financial crisis in 2008. On the other hand, the aggressive competition of Chinese manufactures, pushed by the policy of exchange controls that keeps the *yuan* devalued, brings the commercial conflicts to the center of the bilateral agenda and renders inevitable the divergence of interests in the international economic negotiating forums.

Trade between Brazil and India, for its part, is quite modest and not much diversified in relation to the size of the two economies. Among the members of the BRICS, these two countries are those with closest positions in international negotiations, trying to defend their policy spaces for the adoption of instruments of protection and stimulus to domestic industrial production. The main differences between the two countries are to be found in the agricultural sector, with India seeking to maintain protection to its less efficient agricultural sector while Brazil is interested in progress toward trade liberalization. Traditionally, the two countries try to lead and represent the interests of developing countries in multilateral forums.

For its part, the relations between China and India are historically marked by commercial and territorial conflicts in the search for regional leadership. In the commercial field, India sees China as a threat to its national industry. Indian exports to China are mainly composed of primary and semi-manufactured products while its imports are predominantly industrial products with greater added value. Despite their differences, the two countries have sought ways to overcome conflicts and act in a coordinated way in international economic forums.

2. The BIC in the G20[2]

During these three years of the existence of the G20, the divergences among the BIC countries in issues related to global macroeconomic imbalances became increasingly evident. Although the BRICS keep striving to coordinate their positions before each G20 meeting, the definition of an agenda is increasingly limited by the scarcity of common interests. The last initiative, in Cannes, ended without the issuance of an official declaration.

The members of BIC have in common a strong perception of their growing importance in the global economic agenda and the desire to widen their formal spaces of influence and defy American hegemony. Beyond that, the automatic possibilities of alliances among the three countries are very limited. Both Brazil and India have among their main economic policy priorities to reverse the trend of exporting almost exclusively primary products to China and look for more balance in their commerce with that country in terms of added value of the exported and imported goods.

2 This section is based on CASTELLO BRANCO, M. On the way to Cannes – The BICs evolving agenda in the G20. *Breves CINDES*, no. 47, May 2011.

The question of the management of foreign exchange regimes is a central issue on the G20 agenda and is at the core of the difficulties of competitiveness of Brazilian products with their Chinese counterparts. As Cline and Williamson[3] have shown, on October 2011, when the *real* had gone during a few weeks through a not negligible process of devaluation vis-à-vis the dollar, the Brazilian currency was still appreciated in terms of the indicator of the real effective exchange rate.[4] For its part, even if the Chinese exchange policy is pursuing an appreciation in real terms vis-à-vis the dollar, it has been modest and insufficient to make the *yuan* appreciate in effective real terms. India, for its part, has adopted a more successful exchange policy with the effect of maintaining its exchange relate relatively stable. This evolution makes it clear that the three countries adopt very different currency exchange regimes, making it difficult to identify common elements with regard to a central question in the G20 agenda.

Among the G20 issues, it is worth to select some of them in order to illustrate the spaces for convergence, cleavages and problems for bloc action by the BIC.

2.1 Reform of the international financial institutions

On this issue the strategic interests of the three countries are clearly convergent. After achieving some progress in their demand for greater representation, particularly at the IMF, the BIC countries remain united in their claims for quotas, voice and governance.

3 CLINE, W.R.; WILLIAMSON, J. Currency Current Situation. *Policy Brief,* Peterson Institute for International Economics, no. PB11-18, November 2011.

4 An indicator that takes into account the currency basket of the main trade partners of each country, disregarding the respective inflation rates.

This union should persist until the reforms are carried out. From the moment when the countries will have attained greater influence in the decision-making process of the international financial institutions, the identification of common agendas will no longer be automatic and the alignment of Brazil and India with China may be counterproductive for the defense of national interests.

2.2 Global imbalances

The three countries have clearly divergent interests. Brazil and India have been negatively affected by the appreciation of the *yuan* but have avoided openly pressuring China, leaving this task to the United States. On the other hand, China has been criticizing the strongly expansionist American monetary policy, with Brazilian support. India, for its part, defends the policy of the United States and says that it is beneficial for the recovery of global growth.

One of the main proposals at the G20 for dealing with global macroeconomic imbalances was the definition of indicators. The BIC countries objected to the inclusion of the current account balance and international reserves as well as to the establishment of mandatory limits to these indicators and suggested that the G20 merely made recommendations about how to reduce imbalances. The Brazilian reserves are not considered excessive, which is an essential indicator to prove the inadequacy of the Chinese currency exchange policy. This is an area in which the positions that Brazil has been adopting are difficult to understand when analyzed from the standpoint of the economic interests of the country.

2.3 Volatility in commodity prices

The BIC countries did not favor the French proposal to regulate international commodity markets. Brazil was the most emphatic in obstructing this proposal and in this case it showed a clear alignment with the American position. In another initiative in this area, France launched a proposal aiming at the establishment of a data bank to publish the stocks of foodstuffs in the G20 countries, which would benefit transparency and price formation, reducing the room for speculation. Although Brazil favored such a mechanism, China adopted a negative position, since information on food stocks are considered a question of national security.

3. The BIC at the WTO[5]

Also on the agenda of the multilateral trade system, the interests of Brazil, China and India are predominantly divergent. While Brazil adopts an aggressive posture about the liberalization of the world agricultural trade, China and India, although sharing an interest in the reduction/elimination of agricultural subsidies, act quite defensively, seeking to ensure the needed protection and support to their fragile agricultural sectors. The difference of positions between Brazil and the other countries became clear at the time of the impasse in the negotiations of the Doha Round, in 2008, when Brasilia accepted the terms of the so-called "Lamy package", vehemently rejected by India.

Brazilian attempts at articulating common positions in market access negotiations for industrialized products (NAMA) were successful only with India. China adopted a cautious posture, certainly expecting to obtain an improvement in the access of its

5 See LEMME, NADIN and GADELHA. "Brazil, India e China (BIC) na Rodada Doha: convergências e clivagens". *Breves* CINDES no. 40, August 2010.

manufactures to the markets of the other emerging countries (particularly Brazil and India) and counting on a more favorable treatment for countries having adhered recently to the WTO – which should make more limited efforts at opening their markets – according to what was provided in the Round's mandate. In this area, not even the Brazilian attempts at articulation with South Africa were successful. The country did not sign joint position documents with Brazil and India, since the consolidated average tariffs applied by South Africa to industrial products are substantially lower than those in force in the other two countries.[6]

In negotiations on subsidies the positions of Brazil, China and India reflected the interest in preserving internal policies of support to productive sectors. Brazil sought to defend its long term financial and export credit instruments. India defended greater policy space for the application of internal support measures while China assumed a cautious position, avoiding calling attention in order to preserve its domestic policies with strong State intervention.

In the area of services, India is the country with the more aggressive position, defending greater liberalization in the commerce of services, particularly mode 1 (trans-border services), modes 2 (consumer movement) and 4 (people movements), that is, those that do not involve commercial presence (mode 3). In this area, Brazilian moves were quite timid and in any case the willingness of Brazil to openings in the service sector is essentially concentrated on mode 3, precisely the one of least interest to India.

6 The average consolidated tariff by South Africa at the WTO for industrial products is 15.8%, while India's is 34.6%, close to the Brazilian tariff of 30.7%.

Outside the scope of the Doha Round, Brazil made an effort to take to the WTO the debate on the commercial effects of the currency exchange differences, with the objective of combating the alleged "exchange dumping" resulting from foreign exchange policies by trade partners that promote competitive devaluations of their currencies. The country sent a proposal to the Working Group on Trade, Debt and Financing of the WTO for the members to discuss the instruments of commercial policy available in the multilateral trade system to compensate for policies that encourage levels of artificial devaluation of exchange rates.

Although the Brazilian discourse is aimed mainly at the expansionist monetary policy of the United States, in practice China would be the main target of such measures if the Brazilian proposal prospered at the WTO. After all, this proposal responds to pressures by the Brazilian industry for protection against imports of manufactures from China and not the United States.

4. Closing remarks

Despite the attractive acronym, the rationality of the BRICS as a coalition is open to question. The first doubt lies on the attributes that qualify countries to participate in the group. As was already said, Russia and South Africa, due to their different characteristics, hardly fit in the group of emerging economies and with growing power of influence in the global economic agenda. Even the presence of Brazil has been sometimes questioned in view of the modest growth rates shown by the country in comparison with those boasted by the other two members of the group.

Nevertheless, the coalition can be useful for the defense of some objectives common to the five countries. The main one is the search for greater representation, voice and vote in international

economic forums. Beyond such more generic objectives it becomes difficult and often counterproductive for the countries' individual interests to seek action as a bloc.

Although there are innumerable possibilities for the development of the bilateral economic and commercial relations among the five countries, it is difficult to put a common agenda together. In this case, IBSA seems the forum with greatest possibilities even if the easiest way for negotiation of commercial preferences is through bilateral agreements. To add China and Russia to the efforts of IBSA does not seem to make sense.

Acting in coalition to defend strategic objectives at specific moments can be very successful. A good example is the success of the commercial G20 in blocking proposals by the United States and the European Union for agricultural negotiations at the Ministerial Meeting of the WTO in Cancún within the scope of the Doha Round. When that coalition, under Brazilian leadership, attempted to extrapolate its range of action to more ambitious objectives, it quickly found obstacles resulting from the lack of common interests. On other occasions, the need to respect divergent positions by the other countries seems to inhibit a more vehement defense of fundamental Brazilian interests, as in the case of foreign exchange regimes on the G-10 agenda.

The efforts of the five BRICS countries to keep a common agenda mask their differences and often obstruct their ability to build alliances with variable geometry that could better contribute to the defense of their individual interests. To recognize the limits for cooperation and to concentrate efforts on questions or areas in which the group can effectively make a difference to move the interests of the five countries in the relevant spaces of global governance seems to be the best strategy, at least from the economic point of view.

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Brazil and the BRICS:
POLICY PAPER

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The job of diplomacy is mainly to identify where national interests lie and seek to hasten their realization. One of the areas where this exercise can be clearly seen is precisely the effort to shape the future of the cooperation among the countries that participate in BRICS (Brazil, Russia, India, China and South Africa).

The academic world has been closely observing this new group formed by the governments of member countries sparked by an idea from the financial market that was conceived with the objective of attracting investments to the large emerging economies. Responding to the provocation that contributions to this book should seek to widen the analyses in order to generate subsidies for the formulation of Brazilian external policy, this policy paper avoids academic speculation and tries to focus on the possible alternatives available to the diplomatic and political operator by attempting, specifically, to define concrete ideas on how the BRICS group could function.

From the Brazilian perspective, its inclusion side by side with China, India and Russia may have been the single individual factor most relevant for its external projection. No public relations campaign to make Brazil better known could achieve such a marketing feat so quickly. Without asking for or spending resources from the Treasury we became part of the group of the most important emerging countries through a movement that would normally take decades to happen.

The rise of the BRICS as an organization, on the other hand, can be considered one of the examples of the great transformations of the international scene in the past thirty years. By forming a group, the five countries acquired greater influence than each one could have individually, due to the weight of the ensemble.

Although recognizing the strong economic weight of the group, particularly China, and the potential for better coordination among the members, the international community and opinion makers attach little political weight to the BRICS and point out difficulties for the coordination of policies among the five countries. This is ascribed to the non-existence of a common agenda, lack of institutional organization, historic conflicts and rivalries and divergent policies preventing them for acting coherently. The positive features of each of them, such as the strength of the respective economies, regional and international projection and clearly defined external interests are seen as questions that hinder the coordination of policies among the countries in the group.

Starting from these widely disseminated and often repeated perceptions of the international community and opinion makers about the BRICS, this policy paper tries to provide brief answers to three questions:

- What does Brazil want from the BRICS?
- What are the Brazilian interests in the group and what is its agenda?
- Is it possible to define a BRICS own agenda?

What does Brazil want from the BRICS?

a. *The great transformations underway in the international panorama, in the South American continent and in Brazil render*

more difficult the internal debate to define the real and concrete Brazilian interests. In view of the growing external projection of the country, which requires new forms of action in external policy and the determination to assume responsibilities, the definition of Brazilian interests in the world becomes a complex exercise with great internal and external sensitivity. In the face of this unprecedented situation, the debate on the formulation of external policy has received little scrutiny and attention. Given the growing influence of new actors that interfere in the area until recently reserved almost exclusively to Itamaraty, the formation of a consensus around the main issues of the Brazilian external agenda becomes harder. The same question related to the BRICS can be asked regarding the United States and China. What does Brazil want in the relations with these two countries? Until now, there is no satisfactory answer.

b. If we accept the premise that Brazil is the country that benefitted most from the creation of the acronym and the one that stands to profit most in the future, given the significant company it enjoys, Brazilian policy formulators should:

i – act with the aim of favoring a greater political presence of the BRICS in the international scene and try to extract the greatest possible benefit from its participation in the group;

ii – define the role of Brazil in the BRICS on the basis of realistic and non-patriotically exacerbated analyses about what is feasible;

iii – realism should not be an inhibiting factor to limit ambitions about the use of the group for the country's objectives.

Definition of the interests of Brazil and of its agenda within the group

Deng Tsiao Ping recommended that in its external policy China should always adopt a low profile attitude and never take a leading role. Brazil finds itself in a different historic and political situation and some of the recent actions in our external policy show that we have a vocation for a different posture. In this sense, Brazilian interests within the BRICS will be better defended if the following lines of action are followed:

i – the BRICS group should be used for expanding Brazil's external projection;

ii – four or five years ago, there were few political, economic-financial and commercial contacts among the leaders of the five countries and among their bureaucracies. Today, a growing number of meetings at the technical and political levels are held almost every month. The greater intimacy among the members of the BRICS must be exploited for the expansion of the bilateral networks with each member, in areas of Brazilian interests (petroleum, investments, for example);

iii – the BRICS must be understood as a means to attain or reinforce the objectives of Brazilian foreign policy (as does China and to a lesser extent Russia, by putting into practice Deng Tsiao Ping's advice: *low profile and never take the lead*);

iv – it is important to keep in mind that the group is more important for Brazil than for the other members;

v – not increase the number of members, since this would dilute the weight of the group and the role of Brazil;

vi – act firmly to try to reduce, in a realistic and gradual manner, the differences of political action among the members of

the group in specific areas (UNSC, trade, climate change). In many concrete aspects the countries compete among themselves, agree on general lines but disagree on specific aspects and have different economic weights. A gradual reduction of differences would give greater visibility and political weight to the BRICS;

vii – avail oneself to the maximum extent of the convergence of interests in the preservation of the respective sovereignties and the prospect of expanding bilateral economic relations. In this regard, experiences in the areas of the work of development banks and poverty reduction programs could be exchanged;

viii – look for the expansion of coordination in international organizations in areas in which there is a clear convergence of interests, with the same objective as mentioned in (vi);

ix – to assume a central role in the formulation of global policies within the scope of the G20, responding to the expectations generated by its great external presence;

x – Apart from the coordinating role mentioned in items (viii) and (ix) above, Brazil should look for the coordination of actions among the countries of the group in specific situations of troubled spots in the international panorama, such as the Middle East;

xi – recognizing the difference in the agendas, Brazil should also explore, within the group, separate convergences between IBSA and China and Russia;

xii – the action should be exercised and perceived as that of a consensus builder within the group. For this end, a proactive agenda should be encouraged, in search of convergences on issues under discussion at international organizations and in concrete situations in the global scenario.

Definition of a BRICS own agenda

As the country that suggested the institutionalization of the group, Brazil should work toward the gradual construction of a common agenda, both in the economic and in the political area, that may characterize the action of the BRICS and be perceived by the international community as a common will to utilize the value of its weight in the international scenery.

In view of the historical, regional, political and economic circumstances of each of the four member countries, there is not, and neither could there be, a common agenda from the beginning and perhaps not even in the future. The points of convergence should be built on the basis of concrete interests and positions in the international forums for dealing with global issues (global governance, energy, environment, climate change, trade, terrorism).

Brazil should act towards:

i – presenting common specific proposals and operating jointly, wherever possible, with a view to increasing its influence;

ii – taking to the next meeting in India a series of realistic and pragmatic proposals, without minimizing the difficulties that ambitious action might bring. Such proposals could be of an economic and political nature, providing the embryo of a future common agenda;

iii – in accordance with the general guideline of ambition and realism, Brazil could start conversation aiming at the formation of a common agenda that might have an impact on international relations;

iv – suggestions for the preparation of a political agenda for the BRICS:

1. The BRICS group could revive Saudi Arabia's plan for the Middle East. Russia, as a member of the "Quartet", could lead this move. In 2002, Prince Abdullah, of Saudi Arabia, presented a proposal to the American government about the Israel-Palestine conflict including the creation of a Palestine State and the recognition of Israel by all Arab countries. Since this is the position of all members of the group, support to the re-presentation of this proposal by the BRICS would create a new fact in the hard to crack Middle East impasse;

2. Regarding cooperation in third countries, as is starting to happen with the United States in Africa, the possibilities of working together with India and South Africa in the African continent in jointly defined specific areas could be explored;

3. Coordination of action in the international scene in specific situations, making it possible for the group to present itself with a single voice in such issues.

v - Suggestions for the formation of an economic and commercial agenda for the BRICS. In two decades, four of its members will be part of the six strongest economies in the world, together with the United States and Japan:

1. Taking into account the different weights of the respective economies and the interests, not always coincident, the economic and commercial agenda in many cases should assume a character of variable geometry in economic financial (G20) and commercial (WTO) organizations;

2. The BRICS should have a joint position at the G20 regarding the reform of the international financial organizations and the campaign for greater voting power for emerging countries;

3. In specific cases, as in the currently European crisis, the group should define that financial support to Europe from those willing to do so should only be materialized under joint agreements;

4. The idea of opening reciprocal credit lines denominated in local currencies, as proposed at the 2011 China meeting should be studied in depth in order to discuss the possibilities of its implementation and its real implications;

5. Support to a wide-ranging international system of reserve currency should be studied by economists from the member countries and other States, to discuss its real implications.

For Brazil, the existence of the BRICS offers a singular opportunity to increase its influence and its weight in the international scene due do the vacuum created by the transition that it is going through and the rise of a Sino-centric world.

Initially, as it is already happening, the greater presence of the BRICS in the concert of nations is reflected in the discussion of the new global economic order within the G20.

From the point of view of Brazilian interests, it would be important to advance in other areas where the weight and the voice of the group can be felt, in order to demonstrate its effectiveness.

Finally, it is worth calling attention to two important elements.

The full participation of Brazil in the group and the effort to have an influence in the definition of an agenda will bring demands and pressures for taking public positions for which we must be prepared in order to respond in a swift and agile manner. In the definition of policies within the group, it will be important to be able to distinguish the interests and values defended internally.

A greater engagement of Brazil with the BRICS may generate reactions in our closer geographic neighborhood due to a gradual movement of Brazil away from the region. This attitude on the part of our neighbors should be perceived as natural and should not influence the definitions of our interests in the group nor reduce our willingness to act at other levels besides the regional, thus helping to project Brazil still further in the international scenario.



Brazil, BRICS and global challenges

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Introduction

The power shift from Western Europe and the United States to the benefit of the emerging countries – mainly China, India and Brazil – has been one of the defining features of the two decades that succeeded the end of the Cold War. This trend seems to persist and soon the creators of the current global system will no longer be the sole ones in control. This has the potential to create significant tensions in the international system, forcing us to re-evaluate several structures and concepts that have guided our way of thinking since World War II. What is the role to be played by the BRIC in this world? This article is divided in four parts in order to answer that question. First, the peculiar genesis of the BRIC concept is described. An elaboration of the areas in which the BRIC countries can play a more effective role in the international arena comes next, followed by a brief analysis of the way in which South Africa's adherence affects the alliance. The fourth section is the conclusion and contains the argument that the BRICS could achieve great importance in a world where the old alliances seem increasingly unable to provide global public goods, such as maritime security.

1. In search of a category

As China, India and Brazil rise, many academics attempt to find a categorical way to understand the emerging nations and

the system in which they operate; until now, no one has been able to do this conclusively. This is not an unprecedented challenge. Academics and formulators of policy have tried, quite regularly, to draw a distinction between countries according to categories, blocs and groups organized on the basis of different variables. Winston Churchill succeeded in establish a new concept of this kind when he introduced the idea of an "Iron Curtain", using ideology as the ordering principle. Six years later, Alfred Savy took forward the two worlds of the Churchillian conception by coining the expression "Third World" and established a concept that helped human beings around the planet to understand and analyze the international system.[1]

These models have no meaning today and it is therefore natural that many proposals have come about since the turn of the century on how to conceptualize the geopolitical reality again. Around the turn of the century many scholars in international politics started to focus on the impact that the rise of China would have on the global order. John Ikenberry presented theories on what the strengthening of China would represent for the West,[2] John Mearsheimer predicted the "non-peaceful rise of China"[3] and Martin Jacques foresaw "the rise of the Middle Empire and the end of the Western World".[4] Parag Khanna and Paul Kennedy argued that the three dominant powers are not the only ones that will shape the global order in the coming decades, but also the so-called "Second World" made up of "key" rising actors located on the margin of the global institutions – countries like South

1 SANDERS, Doug. Brazil and Turkey rush to the middle. *The Globe and Mail*, May 22, 2010.

2 IKENBERRY, G. John. The Rise of China and the Future of the West. *Foreign Affairs*, v. 87 ed. 1, pp. 22-37, Jan.-Feb. 2008.

3 MEARSHEIMER, John J. China's Unpeaceful Rise. *Curent History*, 105, 690 April 2006. For other technical approaches to China's rise see WALT, Stephen. One World, many theories. *Foreign Policy*, ed. 110, p. 29, 1998.

4 JACQUES, Martin. *When China Rules the World*. London. Penguin Group, 2009.

Africa, Turkey, Mexico, India and Brazil.[5] In the same context, Fareed Zakaria and Kishore Mahbubani see the "Post-American World"[6] and the "rise of the rest"[7] with the expectation that the strengthening of new actors will have systemic consequences.[8]

In 2001, Jim O'Neill, Head of Global Economic Research of Goldman Sachs, attempted to create a category for the large developing countries in fast process of growth which, as he believed, could symbolize the current global economic transformation.

An economist by training, O'Neill did not take political aspects into consideration and created a group based exclusively on economic indicators. After having initially selected Brazil, India, China, Russia, Mexico and South Korea, he ended by excluding the last two because they were no longer developing countries. The resulting group, that is, Brazil, Russia, India and China, or BRIC, was consequently very heterogeneous.[9] Some examples may clarify this. While Brazil and India are democracies, Russia and China have non-democratic regimes. Russia and Brazil are exporters of raw materials and India and China are importers of that kind of product. Brazil is not a nuclear power, while the other three possess nuclear weapons and India is not a signatory of the Non-Proliferation Treaty. Besides, China and Russia are

5 CHASE, Robert; HILL, Emily; KENNEDY, Paul. *The pivotal States:* a new framework for U.S. foreign policy in the developing world, 1999. See also KHANNA, Parag. *The Second World:* Empires and influence in the new global order. New York, Random House, 2008.

6 MAHBUBANI, Kishore. *The new Asian Hemisphere:* the irresistible shift of global power to the East. New York. Public Affairs 2008. See also ZAKARIA, Fareed. *The Post-American World.* New York: W.W. Norton & Company, 2008.

7 ZAKARIA, Fareed. *The Post-American World.* New York: W.W. Norton & Company, 2008.

8 This search is not in any way restricted to the academic contest. John McCain, American presidential candidate in 2008, attempted to create a "League of Democracies" and Charles Kupchan, who worked during Clinton's first term, proposed an "Atlantic Union" resulting from the fusion of the European Union and NATO; both exercises would have changed the way in which we think the world. (KUPCHAN, Charles A. Reviving the West. *Foreign Affairs*, v. 75, no. 3, pp. 92-104, May/June 1996).

9 HURRELL, Andrew. Hegemony, liberalism and Global Power: What space for would-be great powers? *International Affairs*, v. 82, no. 1, January 24, 2006.

permanent members of the United Nations Security Council, but Brazil and India are not.

Initially, the impact of the BRIC was limited to the world of finance, just like the so-called "Asian tigers", popular in the decade of 1990. Banks offered "investment models" in the BRICS countries to clients willing to invest in emerging markets. However, in 2003 Goldman Sachs published the report "Dreaming with the BRIC: the Path to 2050". It was foreseen that by 2050 the economies of the BRIC countries would be larger, in terms of US dollars, than those of the G-6, formed by the United States, Germany, Japan, United Kingdom, France and Italy.[10] The impact was not only immediate but also extended beyond the limits of the financial world and the expression became a fad in international politics.[11]

Overnight the BRIC became the issue in vogue for international policy formulators, analysts and academics. In 2010, political and economic observers emphasized that while the West had fallen victim of the worst economic recession since the 1930's, the BRIC countries had in fact "detached" themselves economically from the West[12] and contributed with 36.6% of global growth (purchasing power parity) during the first decade of the century,[13] giving it the name of "BRIC decade". Suddenly, to invest in countries of the group was considered more secure than in other previously solid countries of the European Union. Brazilian, Russian and Indian representatives admitted that Goldman Sachs had made them an

10 WILSON, Dominic; PURUSHOTHAMAN, Roota (Goldman Sachs); "Dreaming with BRICs: the Path to 2050". *Global Economic Paper* no. 99, 2003.

11 CHENG, Hui Fang; GUTIERREZ, Margarida; MAHAJAN, Arvind; SHACHMUROVE, Yochanan; SHAHROKI, Manuchehr. A future global economy to be built by BRICs. *Global Finance Journal*, no. 18, pp. 143-157, 2007.

12 NOT Just straw men: the biggest emerging economies are rebounding even without recovery in the West. *The Economist Correspondent*, June 18, 2009.

13 WILSON, Dominic; KELSTON, Alex L.; AHMED, Swamali (Goldman Sachs). Is this the BRICs decade? BRICs *Monthly*, no. 10/3, May 20, 2010.

invaluable marketing favor by placing them in strong advantage with regard to other emerging economies like Indonesia and Turkey.

The novel category also had political consequences. The Heads of State and Government of Brazil, India and Russia started to refer to themselves as "members of the BRIC" and agreed on the need to strengthen the "intra-BRIC" links.[14] Lula, then president of Brazil, and Dmitri Medvedev, president of Russia, referred to BRIC as if it were a kind of strategic alliance. This development peaked in 2008, when Russia invited the Ministers of Foreign Relations of Brazil, India and China to conversations, during which they formalized the BRIC Summits in order to strengthen its international weight.[15] In 2009 the Brazilian president Lula, Russian President Medvedev, Indian Prime Minister Manmohan Singh and Chinese president Hu Jintao met at a BRICS Summit in Saint Petersburg. A second BRIC Summit was held in April 2010 in Brasilia and the one in 2011 took place in Sanya, China. This process culminated when the BRIC countries invited South Africa to be a member, becoming the BRICS and finally assuming the ownership of the group.

How was it possible for this group to develop seemingly strong links if their members had never before considered the possibility of forming a club? Did the creation of the BRICS category facilitate our understanding of global politics or did it complicate things?

The unprecedented reaction to this category in the global media and in academia showed that academics and investors are not the only ones in search of a category that may capture reality. Heads of State also long for a significant way to understand the world. They met in St. Petersburg essentially to

14 DA SILVA, Luiz Inácio (2008).

15 SWEENEY, Conor. BRIC to form official club. *St. Petersburg Times,* May 20, 2008. Available at: <http://www.sptimesrussia.com/index.php?story_id=26029@action_id=2>.

"try out" the category that O'Neill had created for them. Instead of demonstrating their enthusiasm for summits their behavior indicated a strong wish by the members to understand the category to which they themselves belonged. The strong reaction also showed that O'Neill had identified a group of countries whose meaning was understood by others who did not know how to frame and define it correctly. At the conference in Brasilia, in April 2010, I discussed this phenomenon with other academics from the BRICS countries. We agreed that the countries of the group had more in common than just low *per capita* income, economic growth and large populations. In fact, something seemed quite obvious during the summit: what most united its members was the interest that they had in common to change the way in which the world was managed.[16] It is clear that short term pragmatism also played a role. For China, deeply concerned with the possibility that it be seen as a challenge to the United States, which might destabilize the system, the BRICS offered the opportunity to "hide" within a group of less threatening emerging powers. For Brazil, India, Russia and South Africa, to be placed in the same group as China strongly increased their self-assurance. The BRICS brand was especially practical for Brazil and India by helping them articulate their growing claim to the status of big power.

In considering the highly peculiar context within which the BRICS concept emerged, the combination of common and specific motivations of each country to join together and vaguely defined unifying factors, it seems that the governments and civil societies

16 EMERGING BRIC powers and the new world order. *Reuters Correspondent*, July 7, 2010. Available at <http://in.reuters.com/article/idINIndia-49935720100707>. Access on: August 10, 2010. Both Russia and China are permanent members of the United Nations Security Council, possibly the most important international institution. However, Russia is not a part of WTO; China is not a member of the G8; Brazil and India do not participate either in the Security Council or the G8 and India did not ratify the NPT. None of the four countries is a member of OECD or NATO.

of the members will be the ones that will decide where the BRICS will go and what role the group should play in the 21st century.

2. The BRICS and the global challenges

Table 1: Nominal GDP (US$ trillion)

	1990	US$ tri	2000	US$ tri	2010	US$ tri	2020	US$ tri	2030	US$ tri
1	EUA	5,8	EUA	10,0	EUA	14,6	China	24,6	China	73,5
2	Japão	3,0	Japão	4,7	China	5,9	Índia	23,3	Índia	38,2
3	Alemanha	1,5	Alemanha	1,9	Alemanha	5,6	Japão	9,6	Brasil	30,3
4	França	1,2	Reino Unido	1,5	França	3,3	Brasil	6,0	Rússia	12,2
5	Itália	1,1	França	1,3	Itália	2,6	Rússia	5,1	Indonésia	9,3
6	Reino Unido	1,0	China	1,2	Reino Unido	2,3	Alemanha	5,0	Japão	8,4
7	Canadá	0,6	Itália	1,1	Itália	2,0	França	3,9	Alemanha	8,2
8	Espanha	0,5	Canadá	0,7	Brasil	2,0	Rússia	3,5	México	6,6
9	Brasil	0,5	Brasil	0,6	Rússia	1,6	Reino Unido	3,4	França	6,4
10	China	0,4	México	0,6	Rússia	1,5	Indonésia	3,2	Reino Unido	5,6

Source: Standard Chartered Research.

Will the BRICS concept be useful and play an important role in international politics? Before considering the points of view and the national interests of each actor, a brief analysis of the global GDP ranking provides an interesting perception of the future that is in store for us (see data in Table 1). By 2020, China's economy will probably have surpassed that of the United States. What perhaps is the most intriguing development is that India will have probably rushed to the third position, surpassing both Japan and Germany and replacing the largest European country in the ranking of the first five. Brazil will have reached the fifth place by 2012 and should climb even further to the fourth position in the 2020's. There is a growing consensus in the forecasts that the long-term growth of India could be more advantageous than that of China, creating conditions for it to overcome the United States and even China in the second half of the century. Despite often being criticized for its autocratic regime in demographic decline, it is still too early to consider Russia a lost case. Better technologies and the melting of ice caps will increase Russian access to natural resources and make it a winner in climate changes. One of the most

important results of this brief analysis is that despite the addition of South Africa, China will continue to dominate the BRICS for the time being. Until 2030, at least, the Chinese economy will be larger than those of the other BRICS taken together and China will be – by far, in some cases – the most important commercial partner of all the other members of the group. This does not diminish the potential of the concept: in fact, many successful mini-lateral alliances are very asymmetric and have one dominant partner, as is the case with NATO, MERCOSUR or the European Union. However, this means that the position of China will have a strong weight in all BRICS summits. The inclusion of South Africa in the arrangement – an essentially unilateral decision by China – is the first demonstration of this weight.

As a result of the large reservations of all members regarding sovereignty, the arrangement will continue to be essentially what it is now: a platform for the leaders and ministers of each country to meet periodically and debate the room for joint positions (established at the summit meetings) and possibly coordinating their external policy. Whether the BRICS can or cannot play a role in the needed reconfiguration of the global system will depend to a great extent on the willingness of the national governments to utilize the platform in order to face and confront important challenges together. On this point, the expectation that the BRICS will articulate a new world order would be wrong. After all, they were the chief beneficiaries of the current regime and there are few incentives to change the basic rules of the game. Besides, China and Russia are fundamentally *status quo* powers strongly established in today's global hierarchy, symbolized by the United Nations Security Council. Brazil, India and South Africa tend to be more revisionist, but careful analysis shows that the governments at Brasilia, Pretoria and New Delhi are more concerned with joining the global establishment than

with destabilizing it. The confrontational and anti-systemic rhetoric is generally directed at national audiences, with little consequence for the external policy strategy, leading sometimes to grotesque contrasts. In 2009, for instance, Brazilian president Lula criticized the IMF harshly, calling it an "imperialist arrangement", when Brazil had already become a creditor of the institution and was therefore a part of the global elite that it previously despised so much. Both Brazil and India seek seats at the Security Council and thus implicitly affirm and accept its importance and legitimacy.

Nuclear proliferation is probably the only significant example of a field where the integration of emerging powers in the current system will be difficult. Unless India is recognized as a nuclear power, it will continue to refuse signing the NPT, compromising the nuclear regime. However, due to the firm commitment of Russia and China with that treaty (which designated them as nuclear powers) the BRICS will not suggest any alternative to the current regime.

Although the BRICS arrangement is not going to articulate a new world order and neither will it press for one to happen, the platform can nevertheless be useful as an important way to develop and exchange ideas which may shape the general debate in a not too distant future. Instead of promoting systemic changes, global change may become more visible in another aspect: in the growing ability of Brazil, India and China to become "agenda formulators", allowing them to influence global debate in the same way as the traditional powers have done in the past. The Summit Declarations of the BRICS provide ample opportunity to focus the debates on questions of importance to the members of the group.

The concept of "responsibility to protect" was an interesting example of how Brazil is increasingly becoming a formulator of the

international agenda. In her first speech at the General Assembly of the United Nations, President Dilma Rousseff recognized this concept, according to which intervention in another country that is not able or refuses to preserve the lives of its citizens is considered legitimate. At the same time, she imposed conditions for supporting it by suggesting a complementary norm that she called "responsibility while protecting" and that involves the establishment of basic criteria to ensure that forceful interventions always entail minimum possible harm. This provides an important structure for emerging powers that seek to establish a balance between protection to threatened populations and the reduction of the negative consequences of military action. The concept of "responsibility while protecting" was included in the latest Summit Declaration of IBSA and it is possible that this important issue is dealt with at the next BRICS Summit to be held in India in 2012.

Maritime security is another important issue that may become part of the BRICS agenda. As the global center of power shifts to the Indian Ocean, increasing the need to import energy both in India and China, issues like collective security at sea will have an increasingly important role in the debate on international security. A structure for managing the Indian Ocean must be put together. The members of BRICS have shores on the Atlantic Ocean (South Africa and Brazil), the Pacific (China and Russia), the Indian Ocean (India and South Africa) and the Arctic (Russia) and therefore have and will continue to have a key role to play in the governance of the seas. The Navies of India and China are managing to increasingly project their power beyond their respective oceans. Brazil has an interest in defining a security space for the South Atlantic; it defined Africa as a strategic priority and is developing a fleet of nuclear submarines. Since ever larger ships can no longer sail the Suez Canal, we will witness a renaissance of the Cape of Good Hope route, which could be controlled by Brazil and South Africa if both

countries possess that capacity. At the same time, piracy became a global problem that requires joint efforts. Drug trafficking around the African coast tends to increase. Guinea-Bissau risks becoming a narco-State and other failed States similar to Somalia may spring up. The issue of security was raised during the IBSA summits (in the context of the discovery of large oil deposits in the South Atlantic); however, considering the global scope of the BRICS, the latter should be a better forum to develop a viable structure. Instead of becoming a "NATO of the South" the BRICS arrangement could well serve as a platform for developing ideas on how to confront these challenges that loom in the horizon.

3. The adherence of South Africa

The successful integration of South Africa is a particularly important step. Adding new members often reduces the capacity of the institution to reach consensus, but this does not seem to have been the case at Sanya, in China, in the first meeting with the participation of South Africa. It is quite interesting to note that Brazil seems to have benefitted much from the addition. There are three important reasons for this.

First, the integration of South Africa gives the BRICS a truly global dimension, increasing its representativeness and endowing its joint declarations with added weight. It also provides an end to the geographic isolation of Brazil. Until then, the group was composed of three geographically contiguous countries plus a distant member in South America. After all, the relations between China, Russia and India have existed for centuries and are marked by the proximity of these countries, unlike the links with Brazil, which were insignificant before the end of the Cold War. This was changed with the adherence of South Africa and it can no longer be said that the epicenter of the group is located in Asia.

Second, the role of Brazil as the "odd man out" was aggravated by its status as a junior strategic partner. Despite Brazil's impressive economic growth, in terms of hard power it still does not measure up to its colleagues in the BRICS who possess nuclear weapons. In spite of the domestic problems of Russia, its permanent seat at the Security Council, its natural resources and its military power lead analysts to place it before Brazil with regard to its strategic importance. Now the new junior member is South Africa, fundamentally increasing Brazil's prestige in the club.

Third, the adherence of South Africa strengthens the negotiating position of Brazil within the group because the African country is similar to the Latin American one in two essential aspects: on the one hand, it is an emerging power that seeks a seat at the United Nations Security Council, and on the other it is a democracy. There are now three members of the BRICS seeking a permanent seat and it becomes increasingly difficult to reject their claims. Besides, the African country is not in any way a rival for Brazilian ambitions, since any expansion of the Security Council should include South Africa and Brazil, together with India.

Finally, the form of government in South Africa is important. No democracy is perfect, and the new BRICS member is not an exception. However, its adherence provides a majority, within the BRICS, of Heads of State freely and legally elected, reinforcing the general legitimacy of the club and improving its international image. China and Russia are not going to become democracies or stalwarts of human rights and it would be very hard to approach these issues at the BRICS Summits. Even so, to award the coveted condition of member of the BRICS to an emerging democracy helps to dispel the myth that autocratic countries like China, ruled by the State, have an advantage over unruly and bustling democracies like India, Brazil or South Africa.

4. Conclusion

As this brief analysis shows, the BRICS have already become an important platform for emerging powers to discuss and coordinate their positions with regard to global challenges such as climate change, economic development and global governance. However, the platform also has serious limitations. Human rights and democracy are excluded due to the repressive regimes in Russia and China and the Chinese dominance makes it difficult to blame Beijing for its attitude on certain questions. Brazil, India, Russia and South Africa will probably not be able to convince China to adjust the value of the *yuan*, and the BRICS will not make progress on climate change unless Beijing changes its approach. However, despite these limitations, other key issues will be increasingly debated at the BRICS summits, providing for better possibilities of cooperation in important areas such as intra-BRICS trade, maritime security, space technology and the responsibility to protect and while protecting. Especially with regard to the challenges that should arise in the Indian Ocean – a region where the United States, traditional provider of global public security, may soon have growing difficulties to project its power – the BRICS alliance can become an important pillar in tomorrow's global architecture.



BRICS: THE NEW "PLACE" OF THE CONCEPT

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1. Opening comments

I was recently appointed to head the Department of Inter-regional Mechanisms at the Ministry of External Relations and for this reason my comments are necessarily very preliminary. It is possible to see two different, but not contradictory approaches to the BRICS question: those of the academic and of the practitioner. As a *practitioner in the making* I must take into account the tasks under the purview of the Ministry to deal with an initiative supported by the highest officials of the countries that are members of the group. Those who are charged with carrying out external policy must seek the paths that seem more propitious and effective to realize the initial motivation of those who make the decisions – with its natural variations and adaptations as time goes by – that bring an optimum result for the country, increasing its profile and weight in the international scene. In this sense, the interaction with the academic world seems essential in order to explore avenues and concepts and envisage alternatives that contribute to advance this objective.

2. The foundation: from economics to international politics

An initial observation stems from the fact that the texts and analyses about the BRIC/BRICS[1] invariably refer to Jim O'Neill, who

1 The acronym BRIC corresponds to the configuration of the group that prevailed until the 3rd Summit of the group, held in Sanya (China) in April 2011, when South Africa was incorporated and the acronym became BRICS.

coined the acronym ten years ago in order to provide suggestions to financial markets about promising investments. There is no doubt that he literally found gold (and fame) by creating such a well-sounding and solid a term and that his forecasts were not disappointing. On the contrary, the economic performance of the BRIC amply surpassed O'Neill's predictions in 2001.[2]

It is interesting to note that the vigor of the economies of the BRICS countries was far from being a sure bet at the time it was formulated. The consequences of the Asian crisis were then being felt, forcing Brazil to make a significant devaluation of its exchange rate. China had not yet joined the WTO and despite the exponential growth of its exports since 1978 it was not foreseen, in 2001, that it would become the largest world exporter in just ten years. Neither was it possible to catch a glimpse of a sustained recovery of the Russian economy, which was emerging from a terrible crisis of transition from a centrally planned economy to a market economy and which, in the wake of the Asian crisis, was compelled to resort to food aid from the United States. It was equally not possible to foresee that India would maintain its sustained trajectory of autonomous liberalization started in the 1990's.

At that time, BRIC was just one among a huge variety of acronyms that could be applied to a wide combination of countries. In fact, competitors of Goldman Sachs did not take long to suggest alternatives as years went by.[3] However, among all those "brands"

2 Jim O'Neill's article for *Valor Econômico* on December 1, 2011, "Dez anos de novos BRIC para o mundo", points out that in his original prediction the joint GDP of the BRICS, starting from 8% of the world GDP in 2001, attained 14% in 2010. The final figure was around 20%.

3 The article "BRIC-a-BRAC", in the electronic edition of *The Economist*, available at <http://www.economist.com/node/17493468>, comments some creative alternatives such as CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey, South Africa) or others even less promising, such as AfAsia. More recently, Jack Goldstone suggests, in *Foreign Policy*, "The Rise of the TIMBIs" available at <http://www.foreignpolicy.com/articles/2011/11/02rise_of_the_timbis>, a new combination encompassing Turkey, India, Mexico, Brazil and Indonesia. Obviously, an acronym that sounds in English like "Team B" cannot dream of a success similar to the BRICS'.

the only one that captured the imagination of markets and stood the test of time was the original formulation.

The decisive qualitative change resulted, however, from the fact that the concept of BRICS grew beyond its original formulation and became a distinct and unattached political reality from the moment of the first meeting of the four Foreign Ministers on the margins of the 2006 Session of the United Nations General Assembly, on Russian initiative. BRIC was no longer merely a product aimed at the markets. Obviously it was not a complete separation since economic vigor goes hand in hand with power.

Away from its original location[44] as a market concept, BRIC becomes something else. A new coalition was born from the political decision of its members to embrace and reposition the acronym. The new location is still to be completely defined, since the new coalition, unlike other negotiating coalitions, such as the G20 at the WTO or BASIC in climate change negotiations does not have a single focus and objective.

This characteristic as a diffuse, *sui generis* coalition, without a pre-defined objective or a common set of ideas, is a source of perplexity for analysts who are satisfied with highlighting the most immediate aspects, such as common points or contradictions. Much ink was used to comment convergences among its members as well as their many differences. All kinds of conclusions can be derived from this list of coincidences, discordances, asymmetries or lack of convergent interests. It is possible to go from formulations that point out the lack of added value when speaking of coincidences to the notion that they are strange bedfellows when an obvious absence of syntony is detected.

4 In this sense, the circumstances of the creation of the BRIC bring to mind the comment of Fernando Henrique Cardoso in his book *As ideias e seu lugar,* essays on the theory of development, on the meaning of economic liberalism in Europe and in Latin America.

Arguments can be wielded on either side, including on their forecasting capacity. In the case of possible incompatibilities, a counter-factual case could be the example of the agricultural G20 at the WTO – a group of developing countries made up of exporters and importers of agricultural products – which, despite every contrary prediction, was able to remain as an effective coalition, capable of neutralizing several attempts at its dismantling until the more serious effort of negotiation of the Doha Round in July 2008.

In the opposite direction, seemingly divergent commercial interests among the members of the BRIC, far from pushing them to a free trade agreement, may in fact hinder the achievement of that objective: Brazil and Russia are exporters of energy and mineral commodities while China and India are large importers of these products. Brazil is a big agricultural exporter and China and Russia are large consumer markets; India is an efficient exporter of services, while China seems destined to become the "new Manchester" and Brazil, India and Russia are significant importers of manufactures. In reality, such apparent complementarities hardly hide important sensitivities of the importing sectors, such as the Brazilian industrial segment and the Chinese and Indian agricultures (and to a lesser degree, the Russian).

The other often mentioned example of possible intra-BRICs contradictions regards the differences of perception between the two members of the group that have permanent seats at the United Nations Security Council while Brazil and India demand the expansion of the organ in order to achieve a similar status.

3. The theory and the practice of coalitions

3.1 The coalition idea and the BRICS

The notion of formation of coalitions as an instrument of external policy derives from the intuitive idea that the aggregation of forces among its members would permit that the final result of their action would be more than the sum of its parts. In this sense, the formation of negotiating coalitions already has a firm basis, particularly among developing countries within the scope of negotiations conducted under international regimes. The longest running coalitions are the Non-Aligned Movement and the G77, acting essentially in the United Nations system. Although the G77 recently acquired renewed breath with the negotiations on the climate change regime, its most significant results were obtained in the 1960's with the creation of UNCTAD.

The wide ranging character of these coalitions encompasses Non-Aligned States and the G77 at the same time as the diversity of interests among its members – resulting from different economic and political evolution – eventually affected its capacity of articulation and formulation of proposals. However, even if they are not at the height of the potential, such ample coalitions keep their interest and rely on the permanent adherence of members that have a low rate of friction. The hypothesis on the permanence of these leagues is that they bring comfort to their members by providing a common identity, a particularly relevant element for more vulnerable countries whose foreign services are less structured.

This is obviously not the case of the BRIC, which is formed by the (few) countries that simultaneously possess significant

territorial extension, large population and vigorous economies.[5] It is politically significant that countries of such large dimensions consider the possibility of acting together in the great questions of the international agenda. Their relevance and specific weight already made them stand out even when acting in an individual capacity. By acting together it would be impossible to ignore them for any practical purpose.

Recent developments in the theory of international relations,[6] starting from elementary hypotheses on the behavior of coalitions, shed some light on certain forms of action adopted by negotiating coalitions that may be useful in the case of the BRICS.

3.2 Stability

The first crucial aspect for coalitions, once their negotiating objectives and their agenda are defined, regards their stability over time, that is, the capacity of keeping active and relevant.

Intuitively it is known that the maintenance of the stability of a coalition would be the inverse function of the number of issues to be coordinated and of the number of its participants. Hence, a coalition would be all the more stable the smaller is the number of its members and the less are the issues under coordination. In this sense, maximum stability for the BRICS could be assured by restricting its ambition about the issues on which they could search for common positions as well as by avoiding the increase in their own membership, since heterogeneity among its members could undermine the scope of coordination. The G77 would fit this

5 Obviously the strength of this characterization lost in part its explanatory power with the entry of South Africa in the group. Its adherence is believed to be mainly due to the criterion of representativeness, given the need to have an African country as a member.

6 Among the authors who deal with this issue ODELL, John (2001), NARLIKAR, Amrita (2002, 2003, 2004, 2006) and SALLY, Razeen (2005) stand out. See bibliography.

model since it is very ample and has a large list of items on which it tries to coordinate.[7]

Another aspect to have in mind regards the interest of members outside the coalition in trying to break it up by means of incentives aimed especially at the more fragile partners. This consideration seems less relevant to the BRICS[8] since its members are quite strong (and enjoy financial and political stability), which renders them practically immune to centrifugal forces.

The theory of coalitions predicts, in addition, that in the case of attempts to break up the coalition it would be up to its "leader" to make efforts to "distribute value", that is, to offer incentives so that the potential defector remains faithful to the common set of ideas of the group. As a comment, it is worth keeping in mind that although China emerges as *primus inter pares* as a consequence of its economic weight, it does not see itself as a leader in the BRICS coalition.

An interesting corollary to the onus of leadership regards the fact that it is not improbable that *ad hoc* leaderships are established within the BRICS, in which one of the members of the group, for reasons of external (or internal) policy seeks with special zeal the endorsement of the coalition in a question of its particular interest. In this sense, an implicit rule of thumb would be that the country seeking the "brand" of the coalition should be prepared to

7 Currently the G77 has 132 member States and coordinates on a large part of the economic and social issues on the United Nations agenda, including the UNCTAD, besides questions within the scope of the United Nations Organization for Food and Agriculture (FAO), United Nations Organization for Industrial Development (UNIDO) and United Nations Organization for Education, Science and Culture (UNESCO).

8 One might argue that South Africa is not on the same level of the other members of the group, but nevertheless is far from being easy to coopt. Obviously the difficulties of cooptation of the members of the BRICS would not by themselves be an element capable of deterring more subtle attempts at exploiting eventual differences in perception.

bear the costs of convincing the other partners. *A contrario sensu*, the country that presents itself as the guarantor of the "brand" (or as gatekeeper) places itself in a good position to bargain on the price of its support.[9]

3.3 The character of the BRICS

The definition of the character of a grouping – offensive/defensive –, of its capacity of making proposals – agenda taker/agenda maker – and of its negotiating strategy – distributive/integrating – is necessarily understood through the definition of its negotiating objectives.

The negotiating objective of the BRICS, as defined in the Declaration of Yekaterinburg is diffuse, particularly in what respects political coordination. However, it is more concrete on the reform of the governance of the Bretton Woods institutions, especially regarding the distribution of quotas in the IMF.[10] Starting from there, the BRICS would have its element of agglutination in the endeavor for a change in the international governance in that field. The path to an alteration in that order, however, is not yet explicit. Thus, the focus of the group would be fundamentally offensive, looking for aspects of reform of the status quo.[11]

9 A recent example was the meeting of Vice Foreign Ministers of the BRICS convened by Russia to deal with the situation of Syria and the Middle East and North Africa. The draft joint communiqué ended by endorsing language from the IBSA Communiqué on the situation in Syria.

10 This point is well reflected in Ambassador LEÃO, Valdemar Carneiro's text "BRICS: identity and economic agenda. Notes by a diplomatic observer".

11 It is certainly relevant that in some negotiations such as the Doha Round the developed countries, and in particular the USA, try to reverse the posture of the "emerging" ones by indicating that these countries, due to the economic and commercial performance, are now already in a position to graduate and therefore assume liberalization commitments similar to those of the developed States. The same rationale is behind the idea of the President of the World Bank and former USTR Robert Zoelick about the emerging countries as *responsible stakeholders,* which supposes the mere need for adjustments in the international order and not its reform, as the BRICS argue. This circumstance forces the "emerging" countries to adopt tactical defensive postures. However, such adjustments do not alter the general picture of the BRICS claims for changes in the international order.

Nevertheless, the political dynamic within the group opted very wisely, at the time of its foundation, for not making explicit a clear set of ideas of stages or paths to be followed by the BRICS. Resort to diplomatic caution can be seen in this option in order to avoid prescriptive proposals or the testing of the limits of cooperation among its participants.

In this way, by not looking for the definition of a concrete objective whose attainment or not would act as a yardstick to measure the effectiveness of the coalition, the BRICS preferred to follow a path that could ensure its maintenance and permanence for a quality intervention at a later time. It thus became predetermined that the group would act primarily as an agenda-taker, although this is far from an indication of the relevance or not of the positions of the group but reveals realism about the possibility of imposing ideas on third parties. In this sense, the BRICS adopted a tactical flexibility that allows them to react to new developments and maintain the ability to formulate responses.[12]

In what regards negotiating strategies, the BRICS do not seem to follow a single parameter and instead vary their focus according to the ongoing negotiation. In the case of the negotiation of the IMF quotas, a zero-sum game[13] by the very nature of the issue under discussion, the negotiating focus can only be distributive: the gain for the BRICS corresponds necessarily to reductions in the number of votes kept by the other partners (particularly the European countries). In what respects the G20, given the

12 A clear example of such circumstances deals with the action of the BRICS on the occasion of the indication of the Managing Director of the IMF and the *ad hoc* Summit meeting during the G20 meeting in Cannes to discuss the common position regarding assistance to the Euro Zone.

13 The zero-sum game is configured even having in mind the fact that there was an increase in the contribution of capital to the Fund. The relevant factor is the relative distribution of votes among the members.

stabilizing character of its action for the world economy, the members of the BRICS look for "creating value" by means of strategies of integration.

4. The BRICS game in international regimes

Having made these considerations on the action and the character of the action of coalitions in a "pure" state, the approach necessary to expand the understanding of the challenges before the BRICS entails an analysis of the performance of the group in the different international regimes. In its economic-financial-commercial, political and security dimensions, the current international order is a direct heir of the Bretton Woods institutions and of the United Nations system, which emerged from the ashes of World War II.

4.1 United Nations

As we have seen, at the time of its foundation the BRICS avoided looking for greater detail in their perceptions about international peace and security that would go beyond their commitment to multilateralism and the construction of a multipolar order. Deeper considerations about the character of an eventual reform of the United Nations and its Security Council were set aside, as well as about other kindred regimes, such the one on non-proliferation. Similarly, as already mentioned this posture has tactical characteristics and avoids pushing forth a premature coordination, in view of the individual national preferences.

This circumstance is far from surprising since at least two members of the BRICS – Russia and China – participate in the decision-making center of the collective security system of the United Nations as members the Security Council with the right of veto. A third member of the BRICS (India) is a nuclear-weapon power just as the two previously mentioned ones and

faces high-intensity conflicts in its immediate vicinity. Thus, these countries not only possess great military might but also count on power projections and interests that go beyond their geographic neighborhood. The situation of post-*apartheid* South Africa is different, as also particularly that of Brazil, a country that for 150 years has not had to contend with regional conflicts. In this sense, the interaction on international security issues among the members of the group possessing hard power and those counting on soft power requires a greater effort of accommodation between power realities and international law.[14] The central message from the group at the Yekaterinburg Summit consisted of support to multilateralism and its strengthening in a multi-polar context, whose limits and direction were not elaborated in further detail:

> *We underline our support for a more democratic and just multi-polar world order based on the rule of international law, equality, mutual respect, cooperation, coordinated action and collective decision-making of all States. We reiterate our support for political and diplomatic efforts to resolve disputes in international relations.*
>
> *We express our strong commitment to multilateral diplomacy with the United Nations playing the central role in dealing with global challenges and threats.*[15]

The text does not mention the reform of the Security Council but includes it in the scope of the global reform of the United Nations and the increase of its effectiveness in dealing with "global challenges". In this way, the aspirations of Brazil and India (it should be recalled that at that time South Africa was not a member of the group) of playing a more salient role in the

14 For a distinction between *soft* and *hard power* see NYE, Joseph (2011), "The future of power".
15 <http://www2.mre.gov.br/dibas/BRIC_Joint_Statement_I_Summit.pdf>.

international sphere were recognized only *pro-forma*, without explicit mention to the ambition of integrating the Security Council as permanent members:

> *In this respect, we reaffirm the need for a comprehensive reform of the United Nations with a view to making it more efficient so that it can deal with today's global challenges more effectively. We reiterate 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 at the United Nations.*[16]

Outside the scope of international peace and security, the negotiation of an international regime, equally within the United Nations, aiming at combating and mitigating climate change, also brings challenges to the BRICS in view of the concrete interests of BASIC (Brazil, South Africa, India and China), great suppliers of fossil energy.

The BRICS play a much more prominent role in the specific case of climate change, in view of their growing participation as sources of emission of gases that provoke greenhouse effect (China and India, respectively, are the first and third producers of CO_2), although at a very low *per capita* level, or for being the main possessors of forest areas (Brazil). The definition of a mandatory universal regime based on the Kyoto Protocol depends on an agreement between these countries and the United States. The latter avoids assuming such a commitment claiming Chinese and Indian resistance. The recent agreement in Durban with a view to the definition of a legally binding result stemming from negotiations based on the "road map" suggested by the European Union may offer a new paradigm for the BRICS to assume mandatory

16 <http://www2.mre.gov.br/dibas/BRIC_Joint_Statement_I_Summit.pdf>.

commitments, even if it is not yet clear what the differentiation level resulting from the acceptance of shared responsibilities will be.

4.2 The Bretton Woods institutions and the G20F

The most consistent focus of action of the BRICS is the reform of the Bretton Woods institutions, particularly the IMF, and in the coordination for this end within the financial G20, reflecting the mandate defined at the first Summit of the group at Yekaterinburg. The terms of the declaration leave no room for ambiguity regarding the reformist and gradualist character of the objectives of the negotiation:

> *We are committed to advancing 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 officials should be appointed through an open, transparent and merit-based selection process. We also believe that there is a strong need for a stable, predictable and more diversified international monetary system.*
>
> *We are convinced that a reformed financial and economic architecture should be based, inter alia, on the following principles:*
>
> *- democratic and transparent decision-making and implementation process at the international financial organizations;*
>
> *- solid legal basis;*
>
> *- compatibility of activities of effective national regulatory institutions and international standard-setting bodies;*

> *- strengthening of risk management and supervisory practices.*[17]

Accordingly, the objectives of the BRICS would be to align their representation in the Bretton Woods institutions with their economic preeminence. The aggressive character of their action, however, is clearly moderate to the extent that it seeks, at first, the increase of the quotas held by the BRICS so that they can avail themselves of veto power within the IMF. In this sense, they would be trying to ensure at the IMF a level of rights (in the case of veto) that is already assured to them in other regimes. Even if in this way the BRICS come to assume a qualitatively superior position, it is not a reform objective that can be considered incompatible with the *modus operandi* of the IMF.

Additionally, when listing the principles that would guide the reform of the economic and financial architecture, the group affirms its preference for the strengthening of regulatory practices and increase of the capacity of risk management and supervision, thus criticizing the excesses of the deregulation of domestic financial markets ("...compatibility of effective national regulatory institutions and international standard-setting bodies") which it considers one of the roots of the financial crisis. In this way, the BRICS indicated that their preference for an eventual reform of the financial sector should entail the return to the paradigm of *embedded liberalism*, as long as in this *embedding* their regulatory practices and regimes were also taken into account, and not only those of the developed countries.

17 <http://www2.mre.gov.br/dibas/BRIC_Joint_Statement_I_Summit.pdf>.

4.3 WTO

The GATT/WTO system was the most recently reformed international regime with the creation of the World Trade Organization in 1995, at the conclusion of the Uruguay Round. As a post-Bretton Woods institution, the WTO has a more fluid and adaptable governance structure than the IMF and the World Bank. Even so, elements of realism, reflecting the economic and political situation of the 1990's, were inserted in its rules, with topic concessions to liberalism *à la carte* and resort to carve-outs in its disciplines in sensitive sectors for the United States (anti-dumping and agriculture) and the European Union (agriculture).

In spite of this, during the Doha Round, nicknamed "of development", early in the negotiating process starting with the Cancún Conference, with the creation of the agricultural G20, Brazil and India were included in the central directory that controlled the course of the Round, replacing the former QUAD – United States, Japan, European Union and Canada.[18] Finally, in 2008, China, having just joined the WTO (2001) and until then represented by the G20 but about to become the biggest commercial power, was incorporated into the decision-making group. The very nature of commercial negotiations made it impossible to take decisions without the participation at the table of the main providers and clients.

One important characteristic of commercial negotiations is that they can constitute a good indicator of the state of international cooperation. In this sense, the failure to conclude the Doha Round in July 2008, just before the collapse of the Lehman Brothers and the eruption of the world economic and

18 The group that replaced QUAD was given different names and combinations of countries during the negotiations; FIPS (Five Interested Parties – Australia, Brazil, United States, India and European Union), G6 (with the inclusion of Japan), G4 (Brazil, USA, India and UE).

financial crisis, foreshadowed the difficulties already foreseen by the negotiators to conclude a legally binding agreement that would regulate international trade for a long while.

Since then trade negotiations got bogged down in the confrontation between the United States and the "emerging" countries, with the former trying to turn a "Development Round" into a "Graduation Round" in which the most advanced developing nations would assume liberalizing commitments, putting them virtually on the same standing as the developed ones by giving up, in practice, the special and differentiated treatment.

The notion of shared but differentiated responsibility of developing countries with regard to the multilateral rule-based trade regime would thus be diluted. The clashes at the WTO foreshadow and encapsulate to a large extent the terms of the discussion on the demand for the participation of the BRICS in the international regimes. In other words, the developed countries, particularly the United States, want these countries to assume the cost of sustaining these regimes due to their increased international weight. However, this demand seems to be of a tactical nature, since they suspect that the high cost entailed would be out of the reach of the BRICS for the time being. In any scenario, it will be up to the BRICS to see whether it is in their interest to bear the burden of supporting non reformed international regimes that would not fully incorporate their concerns and interests. Obviously, a related but not fully unimportant question regards the ability of the BRICS to jointly or individually articulate their own view on the format that such regimes would adopt.

As the impasse persists, the WTO is not able to achieve progress in the negotiation of agreements and limits itself to monitoring the effects of the economic crisis and its impact on the multilateral trade regime at the same time as it relies on the hope

that the interaction of rules that come from the Uruguay Round and its system of settlement of disputes succeed in discouraging countries from starting trade wars similar to those of the 1930's.

4.4 The current state of the regimes

A preliminary analysis shows that the state of international regimes points to difficulties for progress. The rise of a coalition such as the BRICS, with specific and important interests within the scope of these regimes will obviously not facilitate the achievement of agreements. However, their willingness to reform such regimes, making them more equitable and managing that they take their interests into consideration will undoubtedly entail, whenever the agreements are finalized, the adoption of more legitimate and hence more sustainable regimes.

The essential element to have in mind is the willingness of the BRICS to act within the institutional framework of these regimes and to operate with a view to strengthen them. This necessarily entails the mainstreaming of their prospects and needs. However, this reformist prospect to counter the influence of the developed countries (soft balancing) has not been well received, as was to be expected, especially since the United States (and increasingly the European Union) are experiencing an interval of relative disengagement from their international obligations and try to challenge the group into assuming greater obligations stemming from their intention to accept global responsibilities commensurate with their higher profile.

For the time being, the BRICS do not yet have a shared vision that would allow them to shoulder such responsibilities to the same extent as the demands. It is natural that the perceptions of the BRICS take time to mature in view of the novelty of the situation and the complexity of the issues at stake. These circumstances

make one think that there might be a protracted transition period within the scope of international regimes.

5. Building the BRICS "toward the inside" and "toward the outside"[19]

Responding to the growing demand for the BRICS as an element that could deal with the crisis in several international regimes, short-term analyses of the group tend to give emphasis to the potential confrontational aspects of the coalition vis-à-vis the Western/developed countries. In this sense, by attaching priority to the external side (or "toward the outside") of the BRICS they neglect the huge potential of internal growth of the coalition.

Given the involvements at stake, the strategic decisions of the next steps to be taken by the coalition in what regards the wider fields of confrontation and/or cooperation with the main established interests, the preference falls on the decision-making process at the highest level, during its Summit meetings, or when pressured by the unfolding of events. In other words, all members of the BRICS seem to be endowed with great caution in what regards the mobilization of the mechanism and they resort to it prudently, either because they understand the heavy political weight of the group or due to the insecurity with respect to the receptivity of initiatives among their partners in the coalition.

The intra-group activity of cooperation by sectors should be much less troublesome.[20] This should be the field of action *par excellence* for the Chanceries, which, by facilitating contacts among

19 These points follow FONSECA, Gelson's observations in his article "BRICS: Notes and questions", included in this book.

20 Although the thesis that international negotiations are a "two-level game" is well known, according to Odell and Milner's formulations, the gains resulting from the "offer" of the brand to support cooperation activities are often neglected in the assessments of the BRICS.

the different actors of the members of the group in the various sectors, would be "distributing value" to the different segments of the State and making it possible for them to attach their international cooperation activities to the BRICS so as to ensure priority access to budgetary resources.

In the same manner, other sectors of civil society and of the entrepreneurial segment would not like to miss the opportunity to join a promising and prestigious initiative. In this way the intra-group aspect appears to be a winning proposal in which all those involved obtain benefits. Additionally, this construction of the coalition "from the bottom up" contributes to building confidence and to prepare for external action. Such an incremental path using "building blocks" constitutes a promising and sure way, albeit slower, for the strengthening of the coalition.

6. Some considerations by way of conclusion

In order to start a dialogue about the BRICS between external policy agents and academics it has been possible to chart some relevant aspects of the process of creation of the coalition that went much beyond the scope of the original formulation and became an unavoidable political reality whose definitive outlines, however, are still to be constructed.

To a considerable extent the international action of the BRICS in its external dimension still has a very reactive character with its members showing caution in defining main lines of action, a set of convictions or programmatic content. Such hesitation seems to stem from the perception that it is at the same time a powerful instrument but also too precious to be eroded. Not by accident their most important decisions on engagement flow from processes linked to presidential diplomacy.

On the external level, the group's posture is clearly aggressive and demanding of a gradual reform of the international order and governance, but the reaction from established interests works to impose limits to this reformist impulse. In fact, they increasingly resort to counter-offensives and point out that eventual changes should be accompanied by contributions to sustain the very international regimes that they seek to reform, which for the time being seems a *bridge too far* for the BRICS.

This cautious action also seems to result from the need to assess the reaction of the partners in the coalition. In this sense, the members of the group show great concern with the costs of leadership and the need for intra-group negotiation.

Similarly, it was stressed that the process of construction of the group "from the bottom up" seems promising for the preparation of the ground for even more ambitious cooperation initiatives that also contribute to the domestic distribution of value on the part of the Chanceries toward subsidiary organs, yielding dividends in terms of legitimacy and relevance.

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BRICS AND THE CHANGES IN THE INTERNATIONAL ORDER

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1. Introduction

In the last five years the BRICS have been acquiring a more consistent profile in different international forums and have earned growing recognition in world politics. Despite persistent skepticism about its ability to act in a coordinated way on the basis of common interests, the group can no longer be reduced to a label for investment in financial markets. Even after the 2008 crisis the economies of the BRICS continued to grow at healthy rates, contributing to reduce the impact of the fall of demand in the global economy. Similarly, projections on the future performance of the emerging economies that make up the bloc are being surpassed every year and the pessimistic expectations about the evolution of the agenda of reforms of global governance proposed by the BRICS were also contradicted by events. The accumulated GDP of the BRICS increased fourfold since 2001, reaching US$ 12 trillion in 2011.[1] The BRICS can be considered today as an arrangement of emerging power that represents some important claims for the reform of the international system, particularly in what regards the imbalances in the relations between the West and developing countries. The aim of this presentation is to discuss the scope and the role of the BRICS in the production of changes in the international order as well as its prospects about a new

1 O'NEILL, 2011.

configuration of world power. For this end an initial evaluation of the conditions for change in the post-Cold War international system will be made, particularly of the currently very diffuse arguments about transition to multi-polarity and the decline of the primacy of the United States as the only world superpower. Next, a brief analysis of the behavior and strategies of the BRICS in this context will be carried out together with an evaluation of its potential impact on the alleged shift in the distribution of power within the system. Finally, a last section contains speculations on trends and possible scenarios for the world political constellation in the coming decade. The argument is made that while the BRICS are perceived as a reformist force in contemporary world politics, they are in fact a group seeking to increase its influence and define a favorable and stable external environment for their development rather than a revisionist alliance aiming at the transformation of the current correlation of forces.

2. The transition to multi-polarity

The slow but sure transition of the international system to a multi-polar structure is an assumption often present in political assessments by leaders and policy-makers in emerging countries. In academic literature, analyses in this direction are usually part of controversies about the lack of definition in the outlines of the current world order.[2] Despite normative and theoretical objections to its sustainability, uni-polarity has been the mark of the post-Cold War. The argument of transition to multi-polarity has its point of departure in this realization. There is little controversy on this point. What has been the subject of examination by academics in international relations (particularly the neo-realists)

2 IKENBERRY, MASTANDUNO et al., 2009.

is the question of the transient or permanent character of this arrangement as well as its viability for a new ordering. Positions in this debate are well known and do not need to be repeated here.[3] For the objectives of this paper there are two relevant points to be discussed. First, whether the fact that we are going through a transition stage on the way to a new international order is an assumption contingent on the notion of the decline of the United States from its superpower status and the emergence of new systemic poles of power. Second, while defenders of the advent of multi-polarity uphold its positive effects on international relations, the impact of transition (which requires the decline of existing political structures) and the resulting outline of the international order are at best indeterminate.

The 2008 financial crisis strengthened perceptions and arguments about the decline of the United States. With Wall Street at the epicenter of the crisis the foundations of the financial architecture that had pushed forward globalization and the cycle of sustained growth during the past decade seemed to crumble before the surprising fragility of American financial institutions.

The inability of the different instances of macroeconomic management in the United States to prevent the collapse of the big banks and corporations, as well as the difficulties to coordinate measures that could reduce its impact on the global economy, increased the instability and the lack of trust in a quick recovery. Four years after the crisis, the American economy does not show signs of recovery; the measures to stabilize the international financial system and stimulate domestic demand were not effective; reliance on the dollar is declining worldwide – somewhat mitigated by the deep crisis of the euro – and the new instances

3 LAYNE, 2009.

of international coordination, such as the G20, do not seem capable of producing counter-cyclical initiatives or of coordinating actions for the better regulation of financial markets. Moreover, unprecedented political obstacles threaten the capacity of the American Administration to finance its public debt and adopt new stimulating measures. The deficit also exposes the dependence of the United States on external capital and constrains its international political influence, especially with regard to weighty international actors, such as China.[4]

On the other hand, the arguments in defense of the persistence of uni-polarity are based on the still considerable gap between material capabilities (mainly military and economic) of the United States and the rest. The dimension of the 2008 crisis raised serious doubts about the future dynamism of the American economy and consequently about the availability of resources to bear the costs of leadership at a global scale, both in the security and in the *low politics* spheres. In 2011 the United States still detained, according to neo-realist criteria, the primacy in the international system.[5] However, projections about its reproduction in time (considering the rate of growth of its economy, the behavior of the military budget, the cost of engagement in multiple theaters, technological innovation, etc.) changed considerably and affected its capacity to transform material power resources into political influence. In this context, "declinist" theses sprang up again, despite their history of failure in the 1980's. Their appeal increased today because potential competitors, as is the case of the BRICS, maintained sustained growth rates during the crisis – with the exception of Russia and Brazil, which experienced a deceleration of their economies in 2009.

4 RAZIN and ROSEFIELDE, 2011.

5 IKENBERRY, MASTANDUNO et al, 2009.

The combination of these results produced future scenarios in which the reduction of the gap would happen more quickly.[6]

One of the problems with the "declinist" theses is that they share with the neo-realists the analytical approach that supports the perspective of uni-polarity. Both are based on present and future estimates about the distribution of power capacities to foresee either continuity or change. The debate turns around empirical problems or the construction of analytical models that allow better forecast capacity and a more precise interpretation of data. The oscillations between the two positions, which have been frequent since the end of bi-polarity, seem to reflect the contingency of the arguments in the face of variations in the international conjuncture. In this sense, the indicators and the current political moment seem to favor the thesis of change. However, difficulties appear when we turn to the question of transition, which, once again, affects the thesis of uni-polarity (because it lacks a consistent thesis for the formation of the unipolar order that is not some variation of the primacy by default), as well as those who seek to explain how an unipolar world can be transformed without a hegemonic conflict. The defenders of uni-polarity remain skeptic about the possibility that competitor powers will balance American power in the long run. The costs of balancing, just as the costs of the production of public goods – such as security and stability of the international economic and financial systems – seem too high for any candidate to be the new power. Without further incentives to balancing, the relative decline of the United States could be slower or even be reversed in the medium and long run. The power gap, therefore, would exercise a power of inertia confirming the trend to the continuity of a system where a single power does not find rivals. Since the neo-realist theories were never very

6 BRAWLEY, 2007.

useful to explain or foresee change, we may always consider that the arguments in favor of the transition to multi-polarity suffer from an important handicap if they continue to employ the same conceptual framework. The language of bi-polarity and balancing does not serve well the purposes of those who see in the current convulsions of the world the embryo of a new international order.[7]

If we leave aside the conventional approaches that bring different hues to this debate the argument of transitions may find additional room. Elements such as innovation and institutional changes, legitimacy, ideas, rules, norms and values may be introduced as factors of transformation. In fact, mentions to reform of the institutional architecture of the international system and resort to soft power have been constant in the literature and discourse on the transition to multi-polarity. A more decentralized system would produce more participation from actors previously excluded from the main decision-making processes of the post-war order. BRICS, for instance, invested significant political capital in this direction and the progress in its common agenda has been mainly seen in the proposals for the reform of multilateral institutions such as the IMF and the World Bank.[8] We know, however, that institutions are not useful only as constraints to the asymmetric use of power, but also allow big powers to reduce the cost of leadership (or of hegemony) and neutralize revisionist coalitions through the distribution of gains. Reforms may consolidate the position of intermediary powers in new arrangements like the G20 or in established institutions like the IMF. In the same way, reforms may establish the basis for renewed legitimacy and for the permanence and wider range of the post-war multilateralism. This leads to the second point on the change

7 BUZAN, 2011.
8 WADE, 2011.

of the international order, that is, what expectations emerge from the eventual dynamics of transition, and what the place of the BRICS is.

The arguments in defense of the stability of the multi-polar world are loaded with the conservative tones of neo-realism. The problem of order is presented according to a world view that attaches priority to the reproduction of the dominance by the big powers. While this kind of debate lost relevance in the wake of the decline of realism after the end of the Cold War, the problem of uni-polarity comes strangely back to the forefront in the context of the debate on the advent of a multi-polar system. In accordance with the intellectual framework that feeds it, transitions generate instability. The redistribution of power among a wider group of States creates the conditions for more competition and eventually war.[9] The weakening of the multilateral system resulting from instability and the stirring up of the competitive environment would reduce cooperation in areas such as trade, finance, arms control and environment, among others. The declining legitimacy of the institutional post-war architecture will weaken the normative basis of a pluralist international society, of the market economy and of the human rights regimes as well as the consensuses about collective action in humanitarian crises. These more conventional prospects about the question of transition seem to be divided between the acknowledgement that American hegemony is doomed to dissolve and the conclusions stemming from structural analyses that point to the inability of the new power poles to produce an alternative order. As is often the case with structural approaches, there is little to say about how the behavior of the actors can affect the results, especially if the behavior is not explained by variations in the distribution of

9 ROTBERG, RABB et al, 1989.

capacities. For Chinese observers, for instance, the answer seems to be in the middle of the road. The international system should not, in realistic terms, remain uni-polar – given what hard data and soft variables tell us – but neither should we believe that a profound change in the world political constellation comparable to the post-Napoleonic or post-Cold War era will happen. Indeed, we are still experiencing the process of change that started precisely at the end of the Cold War – not only with the end of bi-polarity.[10] This constellation, unlike conventional belief, is historically new and not a revisitation of previous transition periods that could be explained through the analysis of shifts in the balance of power. In the current context new standards of order may rise (post-hegemonic, poli-centric, etc.) in which "new constellations" do not express differences in terms of resources of power, but rather the existence – and the mutual acknowledgement – of a varied number of powers. In this group there would not be a single hegemonic power under which medium size powers would be agglutinated.[11] In this sense, the BRICS would be emerging powers that will be part of the most important global decisions once they are recognized by the other powers (in particular the United States, but not only by it). As can be seen in many declarations by BRICS leaders, a significant part of their action aims at a recognition that they have not yet achieved although they have already reached certain levels of economic performance that altered their international status. If from this point of view they place themselves in a position of parity before other big powers, the ("decadent") institutional frames from the past still persist. Until now the BRICS have not articulated their positions in anti-Western or anti-American terms. On the contrary, they ask for a place at the table. In some

10 TANG, 2004; CLOSNY, 2010.

11 JISI, 2011; ROBERTS, 2010; SINHA & DORSCHNER, 2010.

moments, as in the case of the opposition to the Security Council resolution on Syria, their interests will diverge, as they did. Such differences do not suggest antagonism or revisionist intentions from the emerging powers. In fact, the BRICS will probably have a moderating role in the design of the international order in the near future.

3. The BRICS and the dynamic of the emerging world order

As the crisis of the Euro zone in 2011 deepened, the perception also increased that the European Union lacks appropriate instruments as well as political cohesion in order to produce adjustments to stabilize its currency and revert the risk of the diffusion of uncertainties about the capacity of the other members to roll over their sovereign debts. In September, just before the annual meeting of the IMF and the World Bank, the Ministers of Finance of the BRICS met to discuss possible alternatives to the European crisis. The Brazilian representative, Guido Mantega, circulated a proposal for a contribution by the BRICS for the purchase of debt securities from countries in trouble and the establishment of special credits by the IMF for countries risking default. The proposal was received with skepticism by all other members of the bloc and surprised the markets which, in the previous days, were speculating about the role of the BRICS in the rescue of Europe. The lack of consensus gave rise to comments in the Western press about the "end" of the BRICS. Russia and China, in fact, chose to define their strategies domestically and not in agreement with their partners since their panoply of interests vis-à-vis Europe is very diversified. India considered the notion of coming to the rescue of rich countries absurd. The issue returned to the agenda at the G20 meeting, when Russia and China, besides

Brazil, again discussed the question of aid to Europe through the IMF. Despite the lack of coordination, there was a convergence of positions in the wider sense. The contribution of the BRICS to some form of rescue would give the bloc more bargaining power for a new round of reform of voting rights at the IMF. Russia, on the other hand, linked its participation to better conditions for joining the WTO and China associated its contribution to the relief of pressures by the United States on its exchange rate policy and more access to markets.

The example above illustrates the role that the BRICS may play in international politics in the coming decade. Emergent countries will play a part in a wider range of global questions and will be progressively recognized, individually and collectively, by the United States and Europe as important and eventually indispensable actors. From the perspective of the BRICS, the acknowledgement of their status may be the most important objective in the coming years and should translate into more space and influence in multilateral instances and in the strengthening of their respective regional positions (with reserve to the undefined evolution of the relationship between China and India although both are in fact recognized as regional powers). The cohesion of the group is still fragile, given the geopolitical dynamics and the diversity of interests in complex external agendas. However, the relative influence of the BRICS is linked to the mutual recognition by its members of its relevance and ambition in reforming the governance institutions of the current order. Together they acknowledge that the preponderance of American power will remain for some time but do not accept the postulate that the leadership of the United States will continue to shape the future international system.[12] For the BRICS, the dynamics of

12 HAO, 2011.

international relations in the next decade will produce changes in the standards of world order stemming from different articulations of multilateralism and globalization. Although it is still early to say that we will evolve to a "benign multi-polarity", there are today signs of the dissemination of a pragmatic pluralism that is translated into less intrusive mechanisms of governance and valorization of domestic solutions that are more respectful of the sovereignty and autonomy of developing countries.[13] On the other hand, globalization will take a less liberal shape, conceived as a process of modernization that intensifies interdependences but should be subject to the strategic objectives of creating conditions for development, reducing inequalities, enabling the dissemination of technological innovation, combating poverty, etc. In this sense, associations like the BRICS are important but do not necessarily lead to systemic engagements. The institutions should be reformed in order to facilitate cooperation and harmonize decisions among big powers, both existing and emerging, but should not sanction, limit or constrain the field of action of States. For the majority of the BRICS the institutions do not confer preeminence, by themselves, on States (even when they are important vehicles for the acquisition of status). On the contrary, it is the States and their success in modernizing and establishing bilateral and multilateral relations – based on autonomy and on national interest – that will reinforce the institutions in the multi-polar order that one wishes to build. In this scenario, the only indispensable institution is sovereignty.

During the coming years, therefore, we will see the BRICS continuing to invest in the reform of the multilateral system. Their objectives, however, are geared toward altering in the course of change and institutional innovation that was taken since the

13 CENTER, 2011.

end of the Cold War. Governance must contribute to sustainable development, to the strengthening of regional arrangements of a political and economic nature and for the balance among regions. Liberal reformism – just as neo-conservative revisionism – must be contained in the name of pluralism. In other words, the appropriate multilateralism for a multi-polar world (actual or potential) should reflect the reduction of the concentration of power in the system and contribute to a decentralized restructuring. What would be the main obstacles to this vision of the international order that we have identified here with the BRICS but that reflects an increasingly plural international environment in regard to the existing relations of force? At the domestic level, they would be the increase of inequalities, contradictions linked to accelerated urbanization, new social demands brought about by modernization, fragmentation of the social fabric and identity crises, structural constraints to development (energy, raw materials, technology, labor, demographics), among others. International constraints would include unequal and less open commercial relations, territorial tensions, de-legitimization – through a policy of externalization of norms and values – of the authority of the State and its role in the development project, inter-regional conflicts; resistance from the big powers – particular the United States – to the long-term objectives (balancing).

4. Conclusions

Two kinds of attitude to the BRICS are common in the United States and in Europe: they are seen as a potential threat – a group of anti-Western and revisionist States – or as a loose and not too coherent grouping of developing countries that lacks concrete relevance in international affairs. The perception of the BRICS about themselves is quite different, naturally. The majority do not

see the group as an alliance that should wish to attain a higher level of institutionalization. At best it is a useful mechanism to coordinate actions in areas of convergent interests and an influential tool in certain multilateral forums such as the IMF, the World Bank and the G20 – perhaps the United Nations. As such, the label has served its members well. If we take the joint behavior of the BRICS in the past few years and the common basic notions about the reform of the international order, what we see is a rather conservative ensemble whose main objective is to redistribute the benefits of global capitalism without disturbing the foundations of a system that enabled its emergence (current or future) as regional or world powers. In their view, the bases of the post-war order are solid: territorial sovereignty, autonomy and non-intervention. For them, a good part of the post-Cold War crises is due to liberal ideological excesses and institutional innovations that escaped the limits of common sense and international law. Instead of yearning for the transformation of the Westphalian system into some type of post-sovereign constellation for the global governance of economic and social life of national communities, the transition to a new system requires the adjustment of the old one to the new realities of the distribution of world power and to the legitimacy criteria based on a more equitable representation of the global South. We do not know whether multilateralism will survive multi-polarity – in case it comes by –, maybe not in the shape of liberal global governance. However, multilateralism was not invented as a shortcut to constitute a supra-national authority, but rather to permit more cooperation among States. In this sense the BRICS should play an important role in the affirmation of more participative and plural model, albeit less ambitious and comprehensive.

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Brazil, BRICS and the international agenda

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with the Club of Paris in 1988. Later served at the Permanent Delegation in Geneva, in 1990, and again at the Embassy in Washington in 1991. Chief of Staff at the Ministry of Finance in 1994 and Minister and Spokesperson at the Secretariat for Social Communication of the Presidency of the Republic in the following year. Ambassador to London from 1999 to 2002 and to Paris from 2003 to 2005. Is currently Partner-Director of SSA International Consultants, Partner-Counselor of Felsberg & Associates, Director of the Center for American Studies of FAAP and Counselor at FIESP.

I deem this initiative by Itamaraty very important. During the several decades I spent at that Ministry I have never seen such an opening, an opening to dialogue with society and with academics on very relevant external policy questions and with an impact on current affairs within the country. I am sure that this will be mutually beneficial. A breath of fresh air will blow into Itamaraty and academics will have the opportunity to deepen a very timely debate.

I am really not in a position to draw a conclusion. It is very difficult to summarize 20 high quality texts that deal with very diverse issues related to the BRICS. Thus, the objective of my comments is to highlight some of the points mentioned in this important collection of academic contributions. I can say at the outset that my opinion on the BRICS changed after I read these papers. I recall that when the question was proposed I had some doubt. This is no longer the case. I am sure that this issue elicits many very relevant questions, both practical and in terms of policy.

I start from the pacific issues, which are also from the Pacific, because the most discussed current phenomenon is the progressive shift towards a world that Professor Antonio Barros de Castro used to call *sino-centric*. By the way, Affonso Ouro-Preto had already warned me about the strengthening of this sino-centric world when I visited Beijing with an entrepreneurial mission in 2002. The BRIC acronym came up as a marketing concept, evolved and acquired a political identity that was characterized when South Africa joined the group.

From then on the BRICS assumed a sharper political identity as a group of countries that emerges into the political and economic international scene and rightfully aspires to widen its participation at the table of important negotiations and major international decisions. In the economic area the focus is undoubtedly the G20; in questions of peace and security, the United Nations system and basically the Security Council. Thus, the BRICS are the sign and the agent of a new international reality. These are the signs of the important transformations that happened since the end of the Cold War – transformations driven by globalization and not diverted but rather deepened by the crisis – besides being the agents of the transition to a new order.

It is interesting to point out that new economic or political world orders have come up, in general, following great crises or great wars and have always had a spokesman, a victorious country that put forth its ideas for the reconstruction of the order. The proposals of Wilson after World War I, the proposals of Bretton Woods on the creation of the United Nations after World War II, all were presented by the triumphant country or by its allies on its behalf. This is not what is happening today. Therefore, some observers are led to believe that we are facing a power vacuum or a leadership crisis. However, perhaps this is not exactly so. The building of a new order may be in the making – and this is my impression – by means of a collective construction, a much more democratic process than the ones we were used to.

The BRICS are certainly part of this collective effort to construct a new international order. The group has acquired visibility and gained relevance. Will they be sustainable? Did they come to stay? There is a wide debate stating that, in order to consolidate, the BRICS must increase their cohesion and overcome divergences. However, we should consider an observation by

Carlos Márcio Cozendey: it is possible that the BRICS can never achieve strong cohesion, because each of the members wants to be the pole of the new multi-polar order. Is this true? *Se non è vero*...

Perhaps the BRICS did not come to stay, but to disappear. When the new order emerges, it will not make much sense to have a group of countries that is marked by being the standard bearer of a project of reform, of change, of adjustment to new realities. The bloc will no longer be needed when we have a consolidated order. This is a question that we must consider. If we accept the limitations in the cohesion of the BRICS as natural, if we accept that the very existence of the group is provisional, we should not be too concerned about cohesion or for how long it may last, but rather with the best advantage we can derive from this process.

There are similarities and divergences among the BRICS countries. Among the common elements there are the territorial and economic dimensions, the capacity to contribute to the construction of a new international order, and, beyond the capacity – and I would like to stress this aspect –, the will to contribute to the new order. A country like Japan has all the economic attributes, and even those of power, but never expressed the will to be a big world power or to exercise significant leadership in the world. At a recent talk, here at FAAP, the French professor Dominique Moïsi, whom I consider one of the most original among current thinkers in international politics, developed an argument about the "geopolitics of emotions" that has to do with societies that possess the drive to push forward, to achieve. In some of them, where there was a feeling of discouragement or humiliation, as was the case, for instance in Middle Eastern countries, this may be changing. The BRICS are countries that not only have a vision of change but also the will to provoke change. This is a basic condition for good performance in the role that the country aims to play.

These similarities lead to the defense of similar objectives, such as the consolidation of the G20 as the central instance of the new financial governance and affirm the United Nations system and particularly the Security Council as the center of a multilateral decision-making process.

From the column of the divergences, some of which are significant, I mention but two. The BRICS want new economic-financial governance, but do not agree on the most important point of the international crisis, the central question of the construction of a new international order, namely the correction of the wide imbalances between countries that export and have surpluses and those that import and have deficits. The overcoming of this obstacle is related with the exchange rate issue, a question that the BRICS are not even able to discuss, because China does not accept its inclusion in the agenda. Another divergence is that the BRICS justifiably wish for multilateralism and democratization. However, some want the reform of the Security Council, like Brazil and India, and the others do not, like China, because this does not correspond to its interests. As a regional leader, China does not want to see either India or Japan in the Security Council. In the Joint Communiqué of the latest BRICS meeting the question of the reform of the Security Council was not even mentioned. Elliptic wording simply admits that India and Brazil can have a greater role in the UN system. It is not only lack of support; there is not even a mention of the Indian and Brazilian claim in the text of the Communiqué.

Must cohesion be the objective? Currently, the working method seems to be to keep silence about divergences. The BRICS work on a minimal agenda. To preserve and move forward the BRICS it will certainly be necessary to increase the points of convergence. However, the most important convergence – and at this point I am going to use some concepts that are complex

but necessary in this discussion – revolves around a political action able to contain the power of the powerful and increase the power of the participants in the BRICS. Thus, the BRICS club is an instrument to re-balance world power or to construct a new equilibrium that already starts to make itself strongly felt among the new realities of the 21st century.

It is not that the BRICS have discovered the need for re-balancing. The need results from the end of the Cold War, which froze world power. That power thawed out and permitted the emergence of new actors. In the post-Cold War world, the world of globalization, a new distribution of power is underway through the opening and liberalization of financial flows. The re-balancing also results from the relative decline of the United States. Please notice that I do not say a decline of the United States, but a relative decline, a reality that is obviously linked to the emergence of China and other countries. Not only the BRICS, but also Indonesia, Mexico, Argentina, Nigeria, among others, are in a position to become actors in this new process, although perhaps not with the same following. These are relevant countries in their respective regions.

In response to a question asked at the start of the round table about how to promote more *rapprochement* among the BRICS, several suggestions were made. The BRICS already have a Summit of Heads of State; there are political consultations and exchange of information. Is it possible that they also become an instance of cooperation?

First and foremost, one of the limits to wider cooperation is precisely the limitation of the agenda. If there are bans on what can be brought up, they affect what can be done.

Economic cooperation is certainly an important aspect and here I would like to come back to a question that has often

been mentioned during the event: what is the potential of trade among the BRICS? In her text, Lenina Pomeranz makes it clear that trade among the members of the group is in fact quite small. When we speak of intra-BRICS trade we are speaking almost exclusively of trade with China. The increase in our commerce was with that country. The flow of trade from the BRICS to Brazil represents 17% of our foreign commercial exchanges. Well, our trade with China alone equals 16% of the Brazilian external commercial flow, while Brazilian trade with other BRICS countries represents less than 10% of that flow. This is so because there is an incompatibility in the commercial schedules.

Another observation to be made is that regional commerce is dominant in all other BRICS except Brazil. In India, the participation of developing countries, especially from Asia, in total trade is 36%. China's trade with its region surpasses 50% of the total; next comes Europe, with 19% and the United States with 13%. Russia has over 50% of its trade with Europe. In our case, 50% of trade is with the developed world and not with our own region. On this count Brazil is not in tune with the BRICS; it is an exception.

This suggests some relevant questions. Globalization goes *pari passu* with regionalization. The flow of commerce is mainly within the region where each country is located. However, this does not happen in the case of Brazil. The participation of MERCOSUR in the Brazilian external trade was once 17% and now represents 11% of the total, that is, what happens in Brazil is the opposite of what goes on in the other members of BRICS. Is our process of integration at risk? We must assess this issue very carefully. Our commerce is increasing much more with China than with MERCOSUR and this is also happening to our neighbors, with serious consequences for the

Brazilian productive sector. Not only because we are exporting less to our region, but also because the presence of China in other MERCOSUR countries is also growing, thus reducing our possibilities of investment and contracts. We have also seen Vale and Odebrecht lose mining and construction bids in Africa.

At this juncture, when the world becomes increasingly globalized and in this process the regional base of countries becomes more relevant, what is our regional base? I do not know. MERCOSUR has not shown much energy. Our priority relations are with the United States, Europe and China. It so happens that the process of regionalization of Asia is progressing rapidly and this will make it more difficult for us to export manufactures to Asia since we have the *Brazil cost* and China imposes protectionist measures through tariffs and licensing. The process of regionalization is deepening in Asia. More than regionalization, there is a process of integration of production chains in Asia. How can we pierce the Asian production chains?

This is an issue that calls for deep and urgent reflection. There is a tendency to consider commerce as the result of what a country exports minus what it buys abroad, and if the balance is positive we say that all is well. However, it may not always be so. It is necessary to look at the whole picture, to see whether there are protectionist barriers and to consider the project of integration at a global scale. I believe that the European Union will continue to be integrated. It has privileged links with Africa. The United States, for better or worse, made a FTAA with a large part of Latin America. I am not saying that Brazil should promote a FTAA, but I believe that there is a reality that must be rationally faced.

The conclusion contained in Lenina Pomeranz's text, and with which I agree, is that the increase of intra-BRICS

cooperation can hardly be centered in the field of commerce, at least in the present circumstances. We must then find other fields of cooperation, and what would these be? In my view, the mobilization of the business sector is important not only in what regards trade but above all in the area of investment and entrepreneurial partnerships. The environment is a favorable area for diplomatic understandings and also for business. Vale, a member of the Brazil-China Business Council, of which I am the chairman, has a huge interest in the field of environmental cooperation with China. The area of alternative fuel sources is also promising. This country is today one of the largest producers of equipment for eolian energy. We can cooperate with them. Besides China, there is a whole range of possibilities of cooperation with Russia in the field of space. Another area, to which generally not much attention is paid, is the cultural field. FAAP itself is working in this sector. It is important to reduce the gap in mutual knowledge. China is attentive to this question because it came to the conclusion that it cannot become a great power without having a cultural message for the whole world. For this reason it is establishing Confucian Institutes in many countries. The Chairman of FAAP is travelling to China today in order to sign an agreement on the establishment of the fourth such institution in Brazil. This shows that the cultural field deserves deep study given its potential for cooperation.

As much as we increase cooperation, however, the nucleus of action by the BRICS should continue to be the political sphere. Political institutions and the management instruments of financial architecture no longer correspond to the realities of the world of the 21st century and hence the need for a new and differentiated international insertion. It is not a question of adherence to what already exists but an insertion that questions what exists. As I see the role of the BRICS, their posture toward the world order is not

confrontational. The bloc does not intend to do away with the IMF, the World Bank, WTO. It accepts the principles of the existing order but believes, and rightly so, that it must adjust to the new realities, including to the emergence of a group of countries that turned out to be very important for the smooth functioning of the world order. In the case of China, joining the BRICS showed a remarkable change in posture by eliminating the vision of an international order as a reflection of the class struggle and adopting the Confucian vision of international harmony. China does not intend to contest the order, either; it wishes to play another role, it wants to reign within the new order that is being built.

One point to stress is that the rise of Brazil is more compatible with the existing order than the emergence of the other BRICS. Here there are two important comments to be made. The first is that there is the risk that our emergence is perhaps easier in the global world than in our own region. In this interpretation, the Brazilian emergence is creating a number of problems in our immediate neighborhood, and this question, in my view, may become more serious than one might think. The Fernando Cardoso Institute organized a seminar with former Presidents and other leaders of South American countries and from what they said it can be surmised that an anti-imperialist mentality is being created with regard to Brazil. This question must be carefully analyzed.

My second comment is about a peculiarity that we are detecting in the relation between Brazil and China. China is an important partner for Brazil – a partner with which trade grows at an extremely fast pace. It invested US$ 12 billion here in the past year and now starts to have a cultural presence, or wishes to have one. However, this very important partner does not share with us the legacies of the Greco-Roman world, does not share with us language, ethnicity or customs. In other words, the differences between ourselves and the other BRICS are greater than the size

of the economy alone. We originated in different civilizations and this creates an additional challenge.

Another interpretation of the BRICS, very well presented in Gelson Fonseca's paper, highlights the idea of a *soft rebalancing* of world power and brings to mind the image of the little dwarfs trying to tie up the gigantic Gulliver lying on the ground. The less powerful have to tie up Gulliver. This is a caricature; I am exaggerating a little just to stir up discussion, but if we accept to discuss this image we may ask: who is Gulliver? Are they the blond guys with blue eyes, the empire mentioned by Chávez, the dominant power in the 20th century that will be less dominant in the 21st century, or is China the new Gulliver? Our great challenge today, it seems to me, at least for a country like Brazil, is no longer posed by the United States, with whom the rules are more or less established and are no longer very conflictive, especially when they have a president like Barack Obama. Maybe our great challenge is China, at the same time a great opportunity and a great risk. We must learn to deal with this reality. I see this challenge somewhat like the Sphynx of Thebes: *Solve me, or I shall devour you*!

As Antonio Barros de Castro, whom I miss very much, used to say, "you have to understand China" in order to have an appropriate relationship with it.

Another question is: will the *soft rebalancing* lead to a democratization of the international order or to the rise of China to the top of the pyramid? In the latter case, are we going to be partners or supporting actors? This is one more essential question that the coexistence with China within the BRICS brings up. I also ask whether it is possible to isolate the game of accumulation or of loss of power from the values and interests that this game reflects. It is important to know whether to tie up Gulliver is an objective in

itself and whether we also have to take into account the affirmation or the conflict with what we are or what we want to be.

An illustration of this dilemma, which in my view is fundamental for Brazilian external policy today, has been presented by the Arab Spring. What should prevail: the defense of sovereignty or respect for human rights? This is also valid for our position regarding Syria. To assume the defense of sovereignty may mean a string tying up the might of the big powers; it is important to contain the powerful. However, the protection of defenseless populations who seek something for which we Brazilians have been fighting for decades and continue to value, seems to be as important as the upholding of a diplomatic principle, a principle which, by the way, I am not sure has the same validity in the 20th century.

In conclusion, the debate on the BRICS touches some central points of Brazilian foreign policy. It regards our commercial options: who are we going to trade with, what are the costs and what are the advantages? It regards the priorities of our cooperation policy: since our resources are not unlimited, is it better to wager on the BRICS, on Africa or on Latin America? It touches, finally, on another and even more relevant question, namely the values and interests of society. Above all because, within the BRICS, we are the only ones for whom the Western world has always been our only reference for society.

The BRICS bloc is a reality. It is a group of countries that pursue common objectives. Brazil surely has an interest in supporting the BRICS and taking forward cooperation with all its members, to build stronger alliances based on similarities and convergences, encourage exchange of information and develop consultations and cooperation in specific areas, which are worthy of research in order to determine what they are.

However, the formal game of power cannot do without the options and aspirations of society. Brazilian society does not want to be represented any longer; it wants to participate in all fields, including external policy. The BRICS are very important for external policy and for Brazilian society, for the formulators and for those who think about external policy. The dialogue we are having here is a very important step in this direction.



Brazil, BRICS and the international agenda

Rubens Ricupero

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Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) in Geneva from 1995 to 2004. Special Advisor to the President of the Republic in the José Sarney Administration and Special Deputy Chief of the Civilian Household of the Presidency of the Republic between 1985 and 1986. Minister of Finance during the Itamar Franco Administration, in 1994, being responsible for the launching of Plano Real, as well as Minister for the Environment and the Amazon. Professor of Theory of International Relations at the University of Brasilia from 1979 to 1987 and later in 1994, Professor of History of Brazilian International Relations at the Instituto Rio Branco in the same period, Professor *honoris causa* of the Peruvian Diplomatic Academy and professor at UNITAR of the United Nations (courses taught in Surinam and Gabon). Currently Director of the Faculty of Economics and International relations of the Alvares Penteado Foundation (FAAP) and president of the Board of the Fernand Braudel Institute for World Economy.

It is interesting and even melancholic to note, as a reflection on how easy it is for quite valuable intellectual contributions to be forgotten, that in the debates about the BRICS no one remembers that this conceptual innovation was in fact created by George Kennan, and not by a minor figure from an investment bank. In the book entitled *Around the Cragged Hill:* A Personal and Political Philosophy, from the start of the 1990's, Kennan created the concept of *monster countries*, States that simultaneously combine continental extension and a large population. Only one of these elements is not enough and it is precisely the interaction of an extensive territory with a large population that creates a high degree of heterogeneity resulting from the fact that these countries contain regions that live in different historic times. In Kennan's vision, the concept of *monster countries* applies mainly to the question of the viability of democracy. He takes up again the old Jean-Jacques Rousseau theme that democracy only works in small units; when the units are too large or heterogeneous it is hard to adopt norms that apply to the whole territory. It is interesting to stress that the *monster countries* in Kennan's classification practically coincide with the BRICS, with the exception of the United States. For him, the five monsters were the United States, the then Soviet Union, China, India and Brazil.

Those who read Kennan know that one of his recurrent themes is the difficulty of the United States to develop a coherent foreign policy. In *Around the Cragged Hill*, with his characteristic

Calvinist pessimism, he expounds the reasons for his skepticism also about the future of democracy in the United States.

I bring up this argument because it reveals the irreducible singularity of the components of BRICS, namely the virtual impossibility for them to arrive at a common world vision since they are unable to agree about themselves, which is the essence of the definition of heterogeneity. Being diverse and heterogeneous countries, the BRICS could hardly stand together around one single position. What today unites the BRICS is the wish to hold a more important position in the international system, the fact that all of them want a reform of the international system.

It would be worth at this point to make a slight reflection on the debate of whether the group is conservative or reformist. In his book *The World Restored*, about the Congress of Vienna, Professor Henry Kissinger develops the thesis that the countries with a truly revolutionary external policy are those that pursue objectives not compatible with any reform of the order, since ultimately such objectives require the destruction of the international order. Kissinger shows that it was not Stalin's Soviet Union that had a revolutionary foreign policy but rather Hitler's Germany. The former followed in fact an external policy of accommodation to the extent that it joined the League of Nations in the same year of the latter's withdrawal. Germany was incompatible with the League because its objectives required the destruction of the order; there was no other way to fulfill those objectives.

Having this in mind, we will see that there are pro *status quo* powers that benefit from the order as it exists since World War II and there are those that oppose this order. As people used to say in France in the 19th century, there is always a Resistance Party and a Movement Party.

These two concepts are not absolute; even the *status quo* powers admit the reforms needed for the permanence of the system.

I disagree with those who say that the order is being rebuilt. The international order was destroyed at World Wars I and II and not now. It even resisted the end of the Cold War, the Communist regime and the disintegration of the Soviet Union and for this reason there was no formal reconstruction of the order. The basic structures that we inherited from the last great reconstruction of the order in 1944 at Bretton Woods and in 1945 at San Francisco remain intact; they have existed for over 60 years. Since 1945 there was no war that would encompass all participants in the system and that had destroyed the international order. Not even the financial crisis destroyed the foundations of the economic and financial order built at Bretton Woods.

We must recall that despite having been much criticized, this system has proven much more capable of accommodating changes that the previous system, in the period between the two wars. So much so that it accommodated two gigantic changes: the emergence of the Popular Republic of China as the heir to Nationalist China at the Security Council and the end of Communism. When Beijing's China became, in 1971, the official representative of China, with veto power, a destabilizing effect was feared, but this did not happen. China has been at the Security Council for over forty years and has been behaving with exemplary moderation. It does not want to destroy the order. The end of Communism and the disintegration of the Soviet Union were absorbed with minimum violence, despite the fact that the proportions of the impact were similar to the disintegration of the great multinational empires at World War I. Therefore, the current international system should not be underestimated in its capacity to absorb and accommodate change.

This does not mean that it should not be altered: it is obvious that in order to subsist, the system must reflect the new correlations of forces. Here the question of the nature of the BRICS comes to the fore. What are the BRICS, in truth? The group has an unprecedented nature. At bottom it is an expression, like others that have come and gone in the last few years, in the search for better global governance.

Today there are global problems, problems of a planetary character, but the institutions do not have truly universal scope. The search for better global governance within existing institutions, basically at the United Nations and the International Monetary Fund, has proven unfeasible up to now because the attempts at reform were blocked. For example, it was not possible to reform the Security Council, and for a long time it was not possible to change anything at the International Monetary Fund or at the World Trade Organization. The institutions have shown a certain inertia and resistance to the search for new global governance mechanisms. For this reason the effort was transferred to *ad hoc* organisms and in this context the most impressive example is the G20, which represents the clearest expression of the search for a new structure of global governance. In a way, the G20 is a microcosm, a miniature of the world as it is now. There are 19 sovereignties there, besides the European Union, which are theoretically representing the 193 that exist in the world.

As a group the BRICS is part of this movement in search of governance institutions. It is not the only example and it seems important to me that it does not want to be everything. If we want the bloc to be everything it will end up by being nothing. It is essential that the BRICS have an objective that adds value and as I see it they can try to be a force among others to try to push forward the reform of the international order.

Thus, in this exercise we are engaged in about the BRICS it seems important to me not to dilute the agenda, not to overburden these countries with tasks that they cannot shoulder. It would be more advisable to have a serene and sober approach trying to put on the BRICS agenda only those items in which they can really represent an additional contribution to what has already been achieved.

I do not believe that there are many themes like that. Above all I believe it is inappropriate to try to transform the BRICS into a platform of common positions in matters that regard values. We do not share the same values as China or Russia and perhaps not even India. Our values are different. So, the BRICS agenda should not be overburdened with questions that imply values, moral or ethical aspirations, because it is not the appropriate *locus* for them.

On the other hand, the BRICS seem to be the appropriate group to deal with questions relating to productive economic and financial capacity, since they constitute the new international force in this area. Accordingly, it is at the G20 that the BRICS can have a bigger impact. It is not by chance that until now its greatest, perhaps the only concrete contribution has been the expansion of the resources of the International Monetary Fund with the injection of capital by China, India, Brazil and Russia of more than US$ 90 billion, representing 15% of the voting power of the so-called New Arrangements to Borrow (NAB) and giving the group taken together the power of veto, or as it is said at the IMF, a "blocking minority" in NAB. This is a concrete and undeniable case in which the new reality, that is, the abundance of financial resources, allowed these countries to play a differentiated role in the reform of the International Monetary Fund. The same may happen in the case of the quotas, and I fully agree with the argument developed by Maria Regina Soares de Lima in her text to

the effect that the BRICS should continue to work jointly in order not to accept a regression in financial and monetary questions so that the liberal orthodoxy that ruled before the crisis does not prevail again.

Amid the crisis that we are experiencing we have witnessed considerable evolution in organizations like the International Monetary Fund and the World Bank, which had to admit, grudgingly, that capital controls are not the monster that they always said they are. However, they are now trying to limit and qualify that concession. In the document that accepted the idea of controls the International Monetary Fund made a point to record that they can only be used *ultima ratio*, when everything else is exhausted. Well, this is conceptually incorrect. In fact, the current crisis is the result of the lack of capital controls and thus such controls cannot be understood only as an exceptional measure but must be seen instead as instruments normally available in the regular arsenal of policy measures of any country in order to prevent and avoid crisis situations. I leave here the suggestion that Brazil should try to convince the other members of the BRICS to exert pressure, both in the G20 and especially in the International Monetary Fund – as the Americans always do – to establish the understanding that measures of capital control can be highly beneficial not only in times of crisis, but also to prevent crisis.

Such questions are appropriate for the BRICS. Others are not so much so. Besides not sharing values, the strategic differences among the members of the group lead to conflicting interests, as in the case of China and India in many items of the Asian agenda. Moreover, it must be kept in mind that the contribution of the BRICS to peace may even be doubtful. If we take a moment to reflect, the five biggest problems of the world agenda over 50 years old are located in Israel, Taiwan, Tibet Kashmir and the periphery of Russia. After the final thaw of Communism, after the end of

apartheid, these are the chronic hotbeds of tension that could bring about a new world conflict. Well, with the exception of Israel, in all others some of the BRICS are part of the problem and not of the solution. It is not easy to see what role the group can play collectively and for this reason we must be very careful in defining what is expected from the BRICS.

I am going to conclude by making two provisos. The first is that the BRICS should not be considered as an instrument of the individual external policy of each one of the members of the group. It is legitimate, natural and desirable that a country like Brazil congratulates itself for the increase of prestige that results from its membership in the group. However, to think of utilizing the BRICS for limited objectives of external policy may be a great illusion.

An issue that was not discussed here but that would be worth examining in a paper was our attempt to mediate, together with Turkey, an agreement on Iran's enriched uranium. Whatever it was that happened behind the scenes about this initiative has not yet become clear, but the outcome was that at a crucial moment Brazil did not find the solidarity of any of the other three members of BRICS. If there was ever an initiative by Brazilian diplomacy to help solve a critical problem in today's world it was the attempt – commendable, in my view – to find a negotiated way out for the Iranian question. However, at the moment of truth, we did not have the support of China, Russia or India. Despite the fact that three months before a meeting of the BRICS was held in Brasilia, when the discussion came to the Security Council we were deprived of the vote of these countries. It is an interesting episode, and I know that some people like Matias Spektor and Carlo Patti, an Italian researcher that is concluding a doctorate at FGV, have conducted interviews in search of explanations – but a factual element of information is still missing. It would be convenient to

have the whole story because to know the reasons for the lack of support by the BRICS in this episode is a question of the highest relevance in the issue under consideration.

My second proviso has to do with the tensions that our participation in the group may generate in Latin America. What is most worrisome is not the fact that we are members and the other Latin Americans are not; this is a valid concern but what worries me are certain reflections of the BRICS in our regional space. This does not regard the ensemble of the BRICS, but rather China, which is the troubling element in this particular.

The underlying assumption for Latin American integration has always been industrialization. When integration emerged as an idea, in the 1950's, and when it blossomed in the Treaty of Montevideo, of 1960, its inspiration was the work of Raúl Prebisch at CECLA. The approach was based on the need for Latin American countries to become industrialized and as they lacked internal markets with the required dimensions, integration would fulfill that need, expanding the market and allowing countries to specialize in some industrial sectors. I recall that when I was asked to head the trade promotion section at the Embassy in Buenos Aires in the 1960's our exports to Argentina – with the exception of products that Brazil exported since the 19th century, that is, pinewood, mate tea, banana and coffee – were the consequence of industrial agreements within ALALC made, in fact, by the multinationals, the large corporations that organize the chains of integration of production. At that time there were no genuine Latin American companies operating in several countries. The corporations with universal scope were IBM, Olivetti and Burroughs. These companies agreed internally that the Mexican branch would manufacture certain items, the Brazilian branch would produce others and the one in Argentina still some others.

The products were then interchanged among these countries under the Treaty of Montevideo.

As the years went by, this space became increasingly reduced. We are losing industries and industrial markets outside Brazil. I am just back from Buenos Aires, where I participated in a discussion on bilateral commercial relations and there I discovered with great surprise that the automobile industry represents almost 50% of the trade in manufactures between Brazil and Argentina. Well, today the great market for Brazilian manufactures is Argentina and the great market for Argentine manufactures is Brazil. For each of them the other country is the destination of 40% to 50% of exports of manufactures. However, such manufactures are increasingly less diversified, increasingly dominated by automobiles, because trade on this kind of product is managed according to quotas, like those sectors that before the Uruguay Round were subjected to what was called "Voluntary Export Restriction Agreements". That was the euphemism used at the time.

We are experiencing a situation accepted by the assembling companies because it is still a way to maintain both markets. However, beyond that, we are no longer present in the other production chains. In electronic products, we do not have a Brazilian chip. We lost presence in the pharmaceutical, basic chemicals and telecommunications chains. We kept the automobile industry, which is doomed to become increasingly anachronistic in the 21st century.

What remains of integration if we eliminate the premise of industrialization? Are we going to integrate with the Argentine by selling beef? Obviously this would be absurd. We are not going to integrate with Latin America on the basis of commodities or services because our own services market is to a large extent dominated by

foreign investors. This is a critical question. I agree with Marcelo Pochman: the problem of the corporations is important. You can see that even China is adjusting to corporations. Maybe the Chinese project is to replace the corporation later on. However, if today China manufactures the iPhone, the iPad and the iPod it is because the American corporations that own the rights to products were not invented by the Chinese; they chose to manufacture them in China. Among them is Fosconn, that we want to bring to Brazil. Therefore, China is an ally, maybe a tactical one, but it is an ally of the corporations in these assemblages.

I have no doubt that the BRICS concept is an important one, but if I may be permitted to introduce a different tone: it is not the concept that should support Brazilian external policy. This is a group with limited usefulness. If I had to choose between the BRICS and Latin American integration I would choose the latter.

Part II

Texts from the third round table

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BRICS: CHANGING THE FOCUS OF THE DEBATE*

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In this text the BRICS are discussed as a platform for the insertion of Brazil in the international scene. It is suggested that the alleged dysfunctional features and the irrelevance of the bloc, mentioned in many analyses, do not help its understanding as a political phenomenon and neither as an instrument of diplomatic action. The creation and continuity of the BRICS are not accidental. What is really important is to investigate the expectations of its members as they present themselves in their capacity as members. The focus here is on the case of Brazil.

I. BRICS: THE IMPROBABLE REALITY

The BRICs (still without South Africa and therefore with a small "s") acquired political existence at the Summit meeting held in June 2009 at Yekaterinburg, Russia. It is known that Jim O'Neill, creator of the acronym and of the concept, never foresaw the BRICS as a group endowed with its own identity. It was simply a group of countries whose dimensions and growth rates projected business opportunities. Politically, O'Neill believed that they could be co-opted by the G7.

A process of cooptation was effectively underway since the G7/G8 had started to invite, individually, Brazil, China, India and one or another country for the last segment of their annual meetings. It was nothing more than a condescending acknowledgement, on the part of the developed countries, that

the emerging economies had something to say and that the developed ones were willing to listen. This process, however, was superseded by the 2008 crisis, and the incorporation of those three countries (Russia was already participating in the economic segment of the G7/G8) to the deciding circle of world economy was not the result of co-optation but rather of unavoidable necessity.

It is interesting to observe that if today on the one hand few people question the importance of the G20 (even if they doubt its effectiveness) on the other the decision of the BRICS to unite in a specific group has generated not only interest and speculation but also strong skepticism, both in political and academic circles. In the more critical analyses the disbelief about what the BRICS can achieve together is clear, in view of the apparent absence of affinities among its members.

The inventory of such differences is quite large. There are no common points about their models of social organization or in their paths to development or the profiles of their economies. Their exports also differ greatly, with Brazil standing out for agro-business, China for manufactures, Russia for fuels and, increasingly, India for services. And although this difference may suggest a pattern of commercial complementarity, in fact this is not so (or it is not yet so). Another dissonant aspect is the combination of rate of growth and dimension, making the Chinese economy seem detached from the others. At the other extreme, South Africa, newly accepted in the group, presents an economic scale incompatible with the "BRICSian" characterization. The abyss between the population masses in China and India, on the one hand, and those of Brazil and Russia (not to mention South Africa) is also pointed out, besides asymmetries in their territorial dimensions that should not be disregarded.

As if these dissimilarities were not enough, a fundamental political component divides the group between those with a permanent seat at the United Nations Security Council and those that only aspire at obtaining one. Little or nothing would exist, therefore, to justify or explain the existence of the group and much less the fact that their meetings are held at the highest political level of Heads of State and/or Government.

The BRICS had all that was needed for not existing. Political reality, however, did not follow the same logic. First, because despite their differences, all of them had some common objectives and their union would increase the chances to attain them. Second, because the 2008 crisis provided ideal political conditions for the realization of such objectives in the short run, by highlighting, to an unprecedented scale in the post-war period, the weaknesses of the international financial system. It would not be possible to contain the harm to the system without the cooperation of the emerging economies. This opened the opportunity for them to affirm their interests.

In this sense, the Declaration that the four Heads of State and Government issued at the end of their first meeting, at Yekaterinburg, is a very good illustration. There is no doctrine in it, but rather something that would look like a set of ideals based on a critical interpretation of the distribution of power in the systems of global governance. Emerging and developing countries should have an increased representation in the organs of financial governance, according to the Declaration, setting forth a component of affinities among the four that should not be neglected. In that Declaration not only the financial aspects should be noted but there is also a political aspect, although the latter touches the limits imposed by the difference of stature among the members of the group at the institutional level, as already pointed out above (Security Council).

There are some features in this union of the four countries that do not seem to have attracted the attention of analysts. It was obvious that by deciding to meet separately from the G7 (fulfilling the other way around O'Neill's prophecy that saw them as future members of that other group) the BRICS were working under the premise that there were potentialities to be explored in their union. Less obvious, however, but with greater analytical interest, are the assumptions behind that union, the image that each one had of itself and next the acceptance of this image by their peers, with reciprocal perceptions that were certainly different but did not nullify the criterion of compatibility and coherence of the group.

What happened, therefore, was something that might be called "cross recognition of self-evaluations" through which each of the members of the group saw itself as holder of a differentiated status and was recognized as such by the others. In the Declaration of Yekaterinburg the mentions to "emergent and developing countries" stand out, showing that at that time the BRICS assumed a difference between themselves and the rest, even if the term "emergent" might include, besides the BRICS themselves, other non-specified countries. There was, in any case, a consensus around a singular status that the group awarded itself.

Therefore, despite all that it denied, the BRICS decided to affirm its political existence and did it at a time when capitalism in crisis offered the emergent economies "optimum conditions" to push through a reformist agenda.

II. Internal and external action

The short time span does not afford much room for an assessment of the action of the group, but it is worth listing some facts of higher interest. Focus will be placed here only on what

could be called an "economic agenda" by contrast with a "political agenda".

It is important to distinguish, in the brief panorama, the actions outside of the bloc from those that have the objective of promoting the relations of the members among themselves.

When we consider the "outside" action of the BRICS, that is, in the global scenery, we must acknowledge that the group plays a relevant role in the macroeconomic coordination carried out by the G20 since 2008. In a way, the BRICS took the G20 agenda as its own agenda, cooperating with the others in the set of monetary and fiscal stimuli that made it possible to contain the first phase of the crisis (2008-2009). In the "BRICSian" optics, however, conjuncture measures to combat the crisis should require structural counterparts. In a nutshell, the latter regarded, on the one hand and predominantly, changes in the global financial governance and on the other in the model of international trade that should prevail at the conclusion of the Doha Round at the WTO. In essence, these two sets of changes meant (1) greater power of voice and vote at the IMF and the World Bank and (2) the end of protectionism and of the agricultural policy subsidies by the advanced economies and the preservation of "policy space" for the protection of domestic industries in developing countries, including Brazil, India and China (Russia only joined the WTO in 2012).

Out of this agenda the BRICS obtained progress (still considered insufficient by the group) in the reform of the governance of the financial institutions. Upon entering into force the reform achieved in 2010 for the redistribution of quotas at the IMF will place the four original members of the group among the ten main quota holders (Brazil will occupy the 10th position).

In its most recent action the group successfully coordinated the injection of additional resources in the amount of US$ 75 billion to the IMF (US$ 43 from China, US$30 billion shared in equal parts by Brazil, India and Russia, and US$ 2 billion from South Africa). At the occasion, the BRICS made clear that it understood this contribution as a bridge for the next quota reform, when it expected to see its representation increased again.

In both cases there was cohesive action based on a perfect coincidence of objectives and on a correct choice of the political timing. There is no doubt that the joint movement of the group within the G20 was what permitted not only to ensure the rise of each of the members of the BRICS in the hierarchy of the IMF but also their presence in several regulatory international organizations[1]. In another forum other than the G20 and in a different conjuncture from that of crisis the reform could not have been achieved so quickly.

But the BRICS cohesion in the financial area is still insufficient as can be seen from its inability to present and support single candidates to the positions of Managing Director of the IMF and President of the World Bank, despite public declarations of principle issued in this sense.

Neither was it possible to achieve a solution at the commercial level and the impasse that paralyzed the Doha Round at the WTO still persists.[2]

1 This is the case of the FSB (Financial Stability Board) and the BCBS (Basel Committee for Banking Supervision) that bring together the largest Central Banks, as well as IOSCO (International Organization of Securities Commissions), whose members are the main securities commissions. As is well known, it is within the scope of these organisms that the great regulatory reform of the international financial system is being conducted, with more strict discipline for different types of operations and products.

2 Russia only adhered to the WTO in 2012. Thus any reference to the action of the BRICS in that organism before that date means only South Africa, Brazil, China and India.

In sum, the "external" actions of the BRICS followed the agenda of the G20, trying to give it a differentiated interpretation with partial success.

In parallel, there have been efforts by the group to define an autonomous, intra-bloc agenda. Until 2012, entrepreneurial meetings that were held on the margins of the Summits were the most visible initiatives. In the first half of this year, however, three significant projects started to grow: bilateral swap agreements among the Central Banks of the group, the creation of a pool of currencies formed by individual contributions from the members (in the model of the Chiang Mai agreements) and the start of studies for the creation of a development bank.

Although it does not depend from the action of governments, trade among the BRICS themselves deserves to be mentioned, especially because it reveals almost structural changes in the commercial flows among its members.

It is evident from the data that while the aggregated figures seem to show an extraordinary dynamism in commercial relations intra-BRICS and between the BRICS and the rest of the world, China is the truly dynamic pole, either within or without the bloc. The Chinese figures bring special brilliance to the bloc.

In 2011, exports within the BRICS amounted to approximately[3] US$ 300 billion; out of this total, however, US$ 134.6 billion corresponded to exports from China to the other members. In the same year, BRICS exports to the rest of the world were of US$ 3 trillion, of which US$ 1.9 trillion (63.3% of the total) originated in China.

In 2011 only China and Russia appeared on the list of the ten largest exporters in the world, with the difference that China

3 Data from India are not yet tabulated. Therefore estimates are used.

was listed as the largest world exporter, responsible for nothing less than 10.8% of the total, with an extremely diversified range of products, while Russia's exports corresponded to 2.7% (with sales concentrated on petroleum and gas). Among the ten largest importers not only is China the only one to appear but it only occupies the second place, with 9.5% of the world total.

The Asian country is also the only member of the BRICS to figure prominently on the list of suppliers to and importers from all the other BRICS in 2011: it appears among the 10 main importers from each member (first importer from Brazil and South Africa and third from Russia and India) as well as among the 10 main suppliers to each of its peers (chief exporter to India, Russia and South Africa and second to Brazil. In a very distant position from China, India appears in second place in the ranking of intra-bloc exporters/importers.

The sparkling rise of China in the map of world trade placed the country in the status of a new commercial pole, which was earlier a scenario dominated by the United States, Europe and Japan. In fact, 1/3 of the Chinese exports is destined to these three other poles.

In this realm, Brazil, Russia and India also expanded considerably their commercial relations with China. However, in the current configuration, these three BRICS show a much greater dependence from that country as a market for their products than the opposite situation. Nevertheless, given the dizzying rate of growth of Chinese exports to the other BRICS, this picture may be experiencing a slow process of change. This is what the figures for 2011 show. In that year, South Africa, Brazil, India and Russia taken together absorbed Chinese products valued at about US$ 135 billion, which corresponds to 40% of total sales from China to the United States, its chief market.

From a strictly commercial perspective the BRICS look today like a radial system, in which China is the nucleus from where the spokes irradiate toward the other members of the group and toward which the flows originating from them converge. There is no web of commercial relations encompassing all of them. It is possible to argue that the vigor of the relationship between China and its peers would not exist if the latter were not experiencing an accelerated growth capable of feeding the flows of trade in such volumes. But the difference of scale between China and the rest of them does not leave any doubt about its central role as a driving force. This radial configuration is spontaneous, that is, it has no direct relation to the existence of the BRICS as a group. On the contrary, the industrial competitiveness of China made commerce quite a sensitive issue for some of its peers.

It can be deduced that when pursuing governance objectives the external action of the BRICS has been more fruitful than within the bloc, where only now initiatives with some visibility begin to be sketched (swap agreements, reserve pools and development bank). Moreover, the inability of the BRICS to exert greater influence on the election of the new Managing Director of the IMF and the President of the World Bank revealed the limits of its action, even in questions of global economic governance. The effectiveness of the BRICS, therefore, still seems to depend from a virtually absolute coincidence of positions among its members, a requirement not fulfilled in the case of the choice of the highest officials of the two big financial institutions.

In sum, to question the BRICS under the argument of lack of political affinity among its members and operational dysfunction does not contribute to the better understanding of its purpose and its *modus operandi*. A more provocative approach would be to try to understand what supports the group as a political phenomenon. In this connection, the off the cuff answer is that the members

find a "value" in the preservation of the group, a value obviously different for each of them. Its identification at the individual level would certainly be interesting from the analytical point of view.

Without prejudice to this differentiation among the five countries, the value generated by the group presents two components common to all its members, even if the benefits are not reaped in the same proportion by all of them. The first of such components is the gain in power, understood in terms of increased political weight and capacity of action and therefore greater than those of each of its members taken individually. In spite of seeming obvious, this explains why China, whose specific weight is much larger than the rest, believes that it is useful, in certain cases, to act under the BRICS label rather than by itself. Besides the legitimacy added by the political weight of the others, cohesive action by the group may make possible what none of its members would be able to achieve by acting in isolation. The other component is a gain in image that stems from what could be called the BRICS "brand", whose benefits are visible but hard to measure due to is characteristic as *soft power*.

III. The case of Brazil

The two dimensions of value in the Brazilian participation in the group will be considered in this section.

The 2008 crisis found Brazil in a stage of rapid growth. Its GDP was approaching US$ 1.6 trillion, placing the country in the 9th position in the world ranking (behind Russia but already before Spain). There was then talk about a virtuous cycle.

This assessment was translated in political gain, as evidenced by the repeated invitations by the G7/G8 to the Brazilian government to participate as a "guest" in the final segment of their annual summit meetings. A process of slow cooptation was

therefore underway, as O'Neill had suggested. In that same year, President Lula was again invited to attend the G8 Summit in Toyako, Japan, in July, when the signs of a crisis in the subprime segment of the American mortgage market were already becoming clear. That was the last time this happened. Soon afterwards the bankruptcy of Lehman Brothers and the feeling of panic that seized the markets made sure that all members of the G20 would be seated at the same table, with no need for invitation or co-optation. Seven months later, in June 2009, the BRICS made their first appearance on the stage at the Yekaterinburg Summit.

From this chain of events it can be surmised that the 2008 crisis hastened the recognition of Brazil as a global actor and that this took place in more favorable conditions than would have been the case in the co-optation model. Brazil did not attend the G20 as a result of courtesy by the rich countries but rather as a full partner.

Almost simultaneously Brazil, Russia, India and China started to play a relevant role in efforts to shore up the world economy which was considered at the time to be on the brink of strong decline or collapse. At their inaugural meeting in Yekaterinburg the four countries issued their first press communiqué in which there is a clear evaluation of the new specific weight that they had come to enjoy in the economic scene (the cross self-evaluation acknowledgement process mentioned above). From then on their action acquired visibility within the G20, particularly in the discussions on the reform of the IMF, where the group was successful.

The unavoidable conclusion is that if the "formal" recognition of the new status of Brazil came at the emergence of the G20, it was the creation of the BRICS that allowed the translation of this new status into a measurable increase in influence. Without

coordinated action by the BRICS it would not have been possible to generate the necessary political pressure within the G20 in order to achieve the new distribution of quotas at the Fund. It must be noted, on the other hand, that this reform – considered unsatisfactory – could only be quickly achieved because the G20 provided the BRICS with the perfect scenario to assert its interest and add strength to its action. Whatever the result, the gain in power achieved by Brazil by acting together with the other BRICS seems perfectly reflected in this case.

Seen through the perspective of its image, the BRICS constitute for Brazil, at the time and circumstances of its creation, an opportunity within an opportunity: a double recognition of its status. The G20 acknowledged in Brazil the condition of an emerging economy relevant in the world economic scenario and the BRICS raised the country to a special category among the relevant economies (there are other emerging countries within the G20 that are not members of BRICS). It is possible that the BRICS would see the light quite independently from the 2008 crisis or from the creation of the G20, but it was the rapid chain reaction between the two events, the G20 and the BRICS, that made participation in the latter to become a real plus, a positive difference for the image of the country.

Although less tangible, this image gain is unquestionable. BRICS is a "prestigious brand". Not only a perception of economic dynamism but also one of large territorial and demographic scale is associated with it. Together, dynamism and scale project the group as an ensemble of rising forces. It is the future, so to speak.

It is finally worth to inquire how the BRICS can serve the development interests of the country as a platform for international insertion.

Up to now, the answer does not seem to lie in advantages or gains that may derive from greater interaction among the members of the group. Intra-bloc achievements are not significant and the most recent initiatives do not yet offer elements for evaluation. The remarkably vigorous growth of commerce within the BRICS did not result from any liberalization process implemented by the group nor from acts of will of its members. The growth has been spontaneous and not satisfactory for everyone, as it were. Investment has also grown spontaneously but in a much more modest scale. No major initiative is underway in the area of scientific and technological cooperation, notwithstanding the declarations of intention already made. The answer, therefore, seems to be precisely on those gains in power and image mentioned above and in the indirect benefits that may derive therefrom.

In terms of power, up to now the greatest concrete gain, as already pointed out, consisted of the redistribution of votes at the IMF (and the World Bank) through which Brazil rose to the position of tenth quota holder at the Fund.[4] In the multilateral commercial field there were no measurable gains, but within the WTO, the "almost BRICSian" front formed by Brazil, China, India and more recently also South Africa (Russia only fully adhered to the WTO in July 2012) has been resisting the attempts of developed countries to change the course of the Doha Round in order to gain wider access to the markets of emerging economies.[5] In what regards image, the benefits result from the greater visibility of the country and its economy in the world economic scenery. For the investor, the BRICS represents markets that it is necessary to target because their unmatched potential demands growth and the expectation

4 It is worth noting that the reform, when implemented, will give the BRICS veto power at the Fund.

5 It should be recorded that at the formal or informal meetings of the Trade Ministers of the BRICS, the question dealt with was always the Doha Round. Russia, in its capacity as interested observer, always expressed itself in the same wavelength as the others.

of good return margins. At private financial institutions "BRICS indexes" have been set up and investment funds turned exclusively toward these markets have been launched. The specialized media stresses facts and data about the economic performance of the BRICS and the behavior of the stock exchanges in the members of the group have become part of worldwide economic and financial newscasts.

For Brazil, to be attached to this brand means greater appeal to foreign investment and in a still incipient but perceptible way it also means better credentials for Brazilian capitals expanding abroad, either by themselves or in joint ventures. Even when the identity, objectives or operational performance of the group are questioned there is a gain in visibility with positive developments. It is possible to argue that the growth of the country and its progress in the social area might end up generating greater international exposure and a perception of Brazil as an emerging power on the part of the international community, as it was already the case. But the emergence of the BRICS accelerated this perception and added something else.

It would be interesting to explore the other side of this contribution, namely what Brazil brings to the BRICS. This is, however, an analysis that would involve other variables. Equally or even more interesting would be to explore, as indicated above, the "value" that the other BRICS derive from their own participation.

Conclusion

The decision by the Heads of State and Government to create BRICS and their reiterated desire to keep holding annual meetings exhausted the debate on the usefulness of the group, the affinity among its members or its dysfunction. BRICS is a political reality. Since its emergence was not spontaneous but rather a

result of the will of its members, it represents, by itself alone, an implicit validation. But the sense of opportunity of its creation, by differentiating the BRICS from the other members of the G20 and by using the neighborhood and the power of the G20 itself to achieve certain objectives confirms its relevance as a political instrument.

The continuity of the Summit meetings suggests the existence of a "value" that each of its members identifies in the existence of the group. This value will be different or differentiated in each case and variable in its intensity. Jointly, however, it consists of a gain in power (for the achievement of objectives that none of its members would be able to attain in isolation in the same delays and conditions) and in gains of image, of "brand" with the resulting benefits, mainly in the economic field.

In the case of Brazil, the BRICS increased the capacity of action of the country in the economic scenario and added a positive difference to its image as an emerging economy within the G20 (a double recognition of its new status). The benefits derive from this greater exposure. They are difficult to quantify but not less real.

BRICS shall exist for as long as the value obtained by their members – or the majority among them – warrants. There will be risks that divergent interests may end up jeopardizing their capacity to act both externally and within the bloc (the latter still to be effectively demonstrated). There is also the possibility of an exhaustion of its agenda, or else that the "brand" ceases to generate the benefits stemming from its exclusive character. Until now, however, no unequivocal signs point to any of these directions.

The debate on the functionality of the BRICS has little or no relevance for the external action of Brazil. Its creation generated value and its continuity suggests that this source has not run out. It is up to the diplomatic agent to multiply this value by identifying

interests that may be embraced by the group having in mind the limits within which the latter can affirm its weight and its capacity of action.



The BRICS in the IMF and the G20

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in Rio de Janeiro (1986-1989) and professor and researcher of the Economic Department of the Getulio Vargas Foundation in São Paulo (1989-2006).

The real meaning and the practical importance of BRICS (Brazil, Russia, India, China and South Africa) are a matter of controversy. Critics and doubters hold that the group is artificial, an emblem or brand rather than a political reality. They point to the huge differences – historic, cultural, political and economic – among the members. They doubt that the five countries can really act in coordination.

It is undeniable that the BRICS have considerable difficulties to coordinate. But it is equally undeniable that the BRICS presence in the international scene is being felt.

Since 2008 I have personally experienced this process of coordination, with its progress and setbacks, from within the Board of Directors of the IMF and the meetings of the G20. When I arrived in Washington, in April 2007, the BRICS did not exist as an alliance and as a political reality. At that time it was merely an acronym invented, as is well known, by an economist from the investment bank Goldman Sachs, Jim O'Neill.

At the IMF Board and at the G20, the joint action of the four countries (South Africa only joined the group in 2011) started in 2008, on Russian initiative. The first Summit of the leaders of the BRICS was held at Yekaterinburg, Russia, in 2009.

The BRICS have ups and downs, moments of greater proximity and of more distancing, but one thing is sure: this has been the main alliance for Brazil since 2008, at least in what regards the G20 and the IMF. I stress: much more than the other Latin

American countries, even the largest ones. For reasons that vary from country to country, the Latin Americans have not played an equally relevant role as allies of Brazil in international financial affairs.

Articulation among the BRICS

The Russian Executive Director at the IMF, Aleksei Mozhin, who has been in the Fund for the past 20 years, said in a recent seminar at the Brookings Institution, in Washington, that the emergence of the BRICS was the greatest change in the governance of the IMF since he came to the Board. I am in a position to confirm that in the last five years our joint action has been an important tool in several strategic issues. The affinity of views is particularly sharp among the Brazilian, Russian and Indian seats.

The five Executive Directors of the BRICS at the IMF meet very often in order to coordinate positions on issues on the Board's agenda or on our own initiatives. Each step by the group requires much preparation and articulation. In the case of some countries, particularly China, the decision-making process is slow and complex, including consultations to several instances in Beijing. The effort of articulation is laborious, sometimes painstaking, but it yields results. On quota reform and governance, for instance, the BRICS often act in coordination, including by preparing joint statements for Board meetings.

The main difficulty for the internal coordination of the BRICS is the disproportional weight of China as compared with the other members. The Chinese have the dimensions and the resources to see, in certain cases, the advantage of negotiating separately with the United States and the Europeans. For this reason, understandings between Brazil, Russia and India serve sometimes as a counterweight to the tendency of China to act in its own track.

The difficulties of coordination among the BRICS are natural and inevitable. They reflect the differences in interests and economic dimension or are of a political or cultural nature. In spite of this diversity, the fact remains that the five countries have demonstrated consistent interest in acting coordinately on several questions of the international agenda.

The meaning of such difficulties in coordination should not be overblown. After all, even more homogeneous and older groups, like the European bloc, struggle with sharp differences.

At the IMF, the alliance among the BRICS is already recognized as part of the panorama. As an articulation mechanism the BRICS became much more relevant than the G11, the traditional group of eleven seats at the Executive Board under the command of developed countries.[1] Only the European seats have a closer coordination. The administration of the institution and the Executive Directors of the more advanced countries do whatever they can to detect and exploit differences in positions among the BRICS.

Among the capitals, coordination is hampered by the geographic distance. Even so, the Finance Ministers and Presidents of the Central Banks of the BRICS meet fairly often – twice or three times per year, in average, in recent years. And they talk frequently to each other despite the time differences.

The Heads of State and Government meet at annual Summits – there have been four, the last one in India, in March 2012. The next one will be held in South Africa in March 2013. In 2014 it will be Brazil's turn. The leaders of the BRICS also meet on the occasion of G20 Summits, for instance at Cannes, in November 2011 and at Los Cabos in June 2012. In a span of

1 The G11 includes the seats held by Saudi Arabia, Argentina, Brazil, China, Egypt, Mexico/Venezuela, India, Iran, the two Sub-Saharian Africa seats and the Southeast Asia seat.

eight months the leaders of the BRICS met no less than three times.

Common features

What do the BRICS have in common? Beyond all differences, they essentially have the following: they are countries of large economic, geographic and demographic dimensions. Brazil, Russia and China are among the ten largest countries in the world in terms of GDP, extension and population. For this very reason all of them have the capacity to act autonomously with regard to the Western powers – the United States and Europe. This is mainly true for the four original members but I believe it is also increasingly valid for South Africa.

This is the crucial aspect: the ability to take independent decisions. The wide majority of emerging and developing countries, even those with a certain dimension, does not enjoy that capacity, at least not to the same extent. In many cases, what we see is a relationship of close dependence and more or less automatic alignment with the United States or the most important European countries.

This independent action also reflects, evidently, the economic-financial position of the BRICS. None of them depends on European or American external capital or on financial assistance from the IMF or other organizations still controlled by the traditional powers. This reflects *inter alia* the solidity of their fiscal, balance of payments and international reserves situation. In recent years, the BRICS even became creditors of the INF by participating with large outlays of the loans taken by the institution to confront the crisis that started in the advanced countries in 2008.

IMF reform and BRICS Reserves Fund

One of the most significant developments of the June G20 Summit at Los Cabos, Mexico, was the prior meeting of the BRICS leaders. The meeting was preceded by much discussion among the five countries and dealt mainly with two issues, one of them entirely new.

The first issue was the decision to confirm the announcement of new contributions to IMF financing. China announced an additional US$ 43 billion, Brazil, Russia and India US$ 10 billion each and South Africa will bring in US$ 2 billion. At the previous round of pledges to raise loans for the IMF in 2009 the BRIC had contributed the equivalent of US$ 92 billion – China US$ 50 billion and Brazil, Russia and India US$ 14 billion each.

The total of US$ 75 billion announced at Los Cabos was conditioned to the understanding that the IMF will only use these new resources after the existing funds in the organization have been fully utilized. This point is important to ensure adequate distribution of the onus among the different creditors of the IMF as mentioned in the communiqué issued after the meeting of the BRICS.

The communiqué also observed that the contributions were announced on the understanding that the reforms at the IMF will be fully implemented in accordance with the agreement achieved at the G20 in 2010. This includes, as is well known, a comprehensive revision of the voting power and the quotas.

This observation reflects the dissatisfaction of the BRICS with the pace of the implementation of the reforms of the IMF, as they expressed in more than one occasion. There is much institutional inertia and attachment to the *status quo* at the Fund. For this reason the willingness of the BRICS to consider initiatives in

the international monetary outside of the scope of the IMF has increased.

The great novelty at Los Cabos was precisely the launching of a fund, or pool, of reserves held by the BRICS. This initiative was patiently put together in conversations during the whole of May and June. At the BRICS June meeting the decision to start discussions on a common reserves fund was formalized. The leaders of the BRICS requested their Ministers of Finance and Presidents of Central Banks to work jointly on this issue and bring the results to the forthcoming Summit of Leaders of the BRICS, in South Africa, in March 2013. Afterwards, a working group in which all five countries are represented was created, under Brazilian coordination.

A BRICS reserves fund would have a preventive nature and represent the creation of a mechanism of financial solidarity among the five countries to be put in motion in moments of difficulty. The aggregate reserves of the five countries reach approximately US$ 4.3 trillion – a more than sufficient basis to support the initiative.

The common reserves fund could be resorted to by any country that eventually need help, according to rules and procedures under negotiation. The fund can be "virtual", that is, the reserves would continue to be in the central banks of each of the BRICS and disbursements would only occur if one of the five countries needs access to the resources of the fund.

Even if it is not often used, since the BRICS are in a solid position, the existence of the fund provides an important additional boost of confidence. The willingness to formalize the start of a joint discussion shows the closeness of the ties among the BRICS and their desire to face together the challenges of the international panorama.

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In my view, Minister Patriota was right when he compared the coordination among the BRICS to our rapprochement with the United States at the start of the 20th century, in the era of Baron of Rio Branco.[2] A great legacy of the Baron, said Patriota, is the ability to understand change: at the time when economic dynamism and the axis of power shifted from Europe to the United States, he had the capacity to establish a good relationship with the USA. In terms of today, the equivalent movement is the coordination among the BRICS.

2 Interview to *F. de São Paulo* published on February 10, 2012.



The BRICS and the construction of a new international financial architecture

Fernando Pimentel

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climate change" (2009) and on "elimination of subsidies to fossil fuels" (2009). Head of delegation at the G20 working group on a framework for strong sustainable and balanced growth (2010), president of the G20 sub-working group on commodities markets (2012) and president of the working group on contingent reserves fund of the BRICS (2012). Assistant Secretary of the International Secretariat of the Finance Ministry since 2010.

Since the creation of the BRIC acronym to attract clients to the Goldman Sachs[1] investment portfolio in emerging countries, in 2001, but especially after the BRICS became an instance of politico-economic coordination, in 2009, analysts from several countries have been trying to understand the meaning of the new group and its relevance for a new world order in the making.

During the last decade the debate among analysts evolved with the very consolidation of the BRICS. A lot has been said, for instance, about which countries would be entitled to the prestigious "brand" and specialists elected "natural candidates" that often corresponded to preferences in investment portfolios. The constitution of the BRICS as a politico-diplomatic entity and the decision to bring South Africa into the group made such speculations void. The members of the BRICS took ownership of the acronym and gave it its very own identity that is no longer strictly related to the size or the rate of growth of their economies. There is no doubt that the BRICS gather around the notion of countries with emerging economies, but there are other criteria for participation. A new essential requirement seems to be the willingness and the ability to articulate for the presentation of alternative visions – not necessarily antagonistic – to the current global order.[2]

1 The acronym BRIC, launched by Jim O'Neill, included only Brazil, India, Russia and China.

2 On this question, Carlos Cozendey emphasizes the "construction of new consensuses, in opposition to a strategy of insertion through adaptation and recognition, in which the developed countries remain as judges"; in: COZENDEY, Carlos Márcio. "BRIC a BRICS em um mundo em transição" in: "O Brasil, os BRICS e a agenda internacional". Brasilia: FUNAG, 2012, p. 114.

If the debate of "which are the BRICS countries" is over, the focus seems now to be directed to its potential to act in an effective and coherent way to shape international reality. This debate offers a wide range of opinions that was well summarized by Ambassador Gelson Fonseca Jr.:

> *[The answers about the future role of the BRICS] may vary from denial (the countries are individually important, but not as a group) to the acknowledgement that the new multi-polar order may in part be identified with the rise of the bloc. The negative answers tend to stress the internal differences among its members; and the positive ones, the similarities.*[3]

Especially among the most skeptical analysts with regard to the role of the BRICS, not only the emphasis on the internal differences of its members seems to predominate but also a trend to consider nothing less than the full political and economic alignment of the group as definitive evidence of its international relevance. According to this view, BRICS can only be seen as a relevant bloc in the international scenario if it is able to agree on common positions about all the main issues on the international agenda, from the reform of the United Nations Security Council and of the Bretton Woods institutions to the negotiations on climate change and including the different political crisis in the Middle East, the best strategy to confront the international economic crisis, the question of nuclear disarmament and trade negotiations at the WTO. This is an impossible test that not even the European Union could pass.

There would be no point in ignoring here the many questions and difficulties that the significant differences among

3 Cf. FONSECA Junior, Gelson. *BRICS: notas e questões,* in: "O Brasil, os BRICS e a agenda internacional". Brasilia: FUNAG, 2012, p. 18.

the members of the BRICS may bring to the effectiveness and good performance of the bloc. It is necessary, however, to look for more objective parameters to assess not only the potential of action of the BRICS but especially its usefulness for Brazil as a (certainly non-exclusive) platform for international action.

The aim of the present text is to contribute to the study of these questions, not by taking as a point of departure a projection of how the BRICS may come to work in the future or what the maximum scope of its action would be but rather from an analysis of the performance of the group in the fields of competence of the Ministers of Finance and Presidents of Central Banks of the BRICS. Such action in the area of international financial diplomacy includes, besides negotiations within the scope of the G20[4], the IMF and the World Bank[5], the new initiatives toward the creation of an investment bank under the direction of the BRICS and the constitution of a virtual pool of reserves among its members.

The economic-financial diplomacy of the BRICS

The coordination and implementation of initiatives in the economic-financial field is among the main callings of the BRICS. The first Summit at Yekaterinburg, in 2009, was preceded by two meetings of Ministers of External Relations of the group[6] and almost half of the main operative paragraphs of the Communiqué by the leaders of the (then) BRIC made reference to the global economic crisis that was going through its most acute phase at the time.

4 Electronic copies of all G20 communiqués mentioned in this text can be accessed at: <http://www.g20.utoronto.ca/>.

5 In Brazil, the three areas are primarily under the responsibility of the Ministry of Finance.

6 The first one was held on November 7, 2008 in São Paulo and the second on March 15 at Horsham, United Kingdom.

In what regards the agenda of the Finance Ministries, the leaders of the BRICS made a concise defense of (i) the consolidation and the strengthening of the G20 in order to combat the crisis and achieve the timely implementation of the decisions of the member countries and "relevant international organizations"; (ii) the reform of the Bretton Woods institutions (IMF and BIRD) including with regard to the choice of their authorities, in order to widen the representation of developing countries and emerging economies; (iii) the reform of the international financial architecture in order to reinforce financial regulation and increase the transparency of decision-making processes in international financial organizations; (iv) combatting protectionism and taking up the Doha Round again at the WTO; (v) the increase of the financial resources devoted to the poorest countries affected by the crisis.

In its economic aspects, the Yekaterinburg Communiqué reflected ideas that had been previously debated in the meetings of Finance Ministers at São Paulo and Horsham and put forth the priorities and objectives that would guide future action in this field. It should be noted that with few exceptions these proposals by the BRICS were accepted, either in full or partially, during the following three years.

The intense articulation among the BRICS countries was crucial for the attainment of the objectives agreed by their leaders at Yekaterinburg and later at Brasilia, Sanya and New Delhi. Besides the coordination on the BRICS Summits themselves, two meetings at presidential level were held between December 2008 and June 2012 on the margins of the G20 Summits at Cannes and Los Cabos and no less than eleven meetings of Ministers of Finance and Presidents of Central Banks of the BRICS. A total of eighteen meetings at the highest level were thus held and were preceded by several negotiations and coordination meetings of different technical levels.

The BRICS at the G20

To borrow the words of Ambassador Rubens Ricupero, the G20 "represents the clearest expression of the search for a new structure of global governance"[7]. It is also the forum *par excellence* for the coordinated action of the Finance Ministries of the BRICS.[8] Besides its great relevance as the new *locus* for the discussion of the great global economic-financial questions, in which emerging countries work on an equal footing with the large advanced economies, the wide scope of the G20 agenda allows the BRICS countries to influence the work of other forums and international organisms with unequal governance structures, such as the International Monetary Fund (IMF) and the World Bank (IBRD).

In the last few years, two[9] questions have predominated among the G20 members in the field of the coordination of macroeconomic policies: the correction of "global economic imbalances" and the debate on the maintenance or withdrawal of fiscal stimuli as the best strategy to confront the current stage of the world economic crisis.

As could be expected in dealing with such wide and controversial questions, there are divergences among the BRICS countries in important points of the macroeconomic agenda of the G20. The Brazilian defense of the adoption of floating foreign exchange rates by all G20 countries has not had a positive echo in all BRICS, in particular China. However, despite these differences,

7 Cf. RICUPERO, Rubens. *O Brasil, os BRICS e a agenda internacional*, in: "O Brasil, os BRICS e a agenda internacional". Brasilia: FUNAG, 2012, p. 306.

8 It is symptomatic that the large majority of meetings of Ministers of Finance and Presidents of Central Banks of the BRICS happen on the margins of the ministerial meetings of the G20.

9 Since the Cannes Summit great relevance was also ascribed to the question of the stability of the financial system due to the crisis of the European sovereign debt and, in this context, to additional resources for the IMF. This issue will be dealt with below in the section devoted to the IMF. Moreover, both the question of global imbalances and that of economic stimuli are the matter of a specialized G20 group, the "framework for strong, sustainable and balanced growth".

the BRICS share widely convergent diagnoses and strategies to combat the global economic crisis, a significant contribution to the negotiation and defense of common positions within the G20.

In general, the BRICS argue for the consistent adoption of balanced growth policies as the best strategy to overcome the global economic crisis[10]. This strategy should imply the adoption of an appropriate set of fiscal and monetary stimuli by all G20 countries, the maintenance and deepening of the regulatory effort on financial activities and an effort of catalysis of the growth potential of developing countries through specific policies of stimulation and financing.

As a corollary of this vision, the BRICS rejects the thesis that it would be incumbent mainly on the emerging countries to drive the global economy while the advanced economies, especially in Europe, would speed up strict fiscal consolidation policies.[11] This proposal contains the expectation by the advanced countries that the adoption of strong recessive measures linked to expansionist monetary policies would allow them to adjust their domestic economies and simultaneously to grow "toward the outside" based on exports to emerging countries.

Following the same logic, the BRICS criticize the exaggerated emphasis on the heterodox, accommodating monetary policies adopted by the main advanced countries (USA, Euro Zone, United Kingdom and Japan). In the absence of fiscal stimuli able to help absorbing the resources injected into the economy, this practice tends to produce an excess of global liquidity that "overflows"

10 In 2010 The BRICS acted together with the USA to prevent the G20 from endorsing the coordinated withdrawal of the economic stimuli adopted in 2008 and 2009, preserving the margin of maneuver that would become crucial with the subsequent revival of the crisis focused on Europe.

11 Also for this reason the BRICS aligned themselves, in 2010, against the American proposal for the creation of arbitrary limits for trade deficits and surpluses among the G20 countries.

to the emerging markets and to commodity prices, generating inflation and imbalances that may jeopardize growth, especially in the most dynamic economies.

As can be seen, despite topical divergences or differences of emphasis regarding one or another specific point, the BRICS have defended a reasonably consistent view about the challenges of the global economic-financial agenda. What is even more important, this coincidence on the diagnosis and the willingness to coordinate positions has permitted the BRICS, and particularly Brazil, to successfully include many of its views, concerns and priorities in the macroeconomic agenda of the G20. This capacity to influence the international economic agenda can be seen in the ministerial communiqués and in those issued by the leaders of the BRICS as well as in the specific results of their different working group.[12]

It is interesting to note, in this regard, how closer interaction among the BRICS contributes to the *ad hoc* formation of effective partnerships in order to influence, in other forums, via G20, decision-making processes contrary to its interests. The controversy around the inclusion of capital controls in the mainstream of economic policy tools, in 2011, provides a good example of this phenomenon. At the end of 2010 and beginning of 2011 the developed countries exerted pressure on emerging ones within the IMF for the creation of a set of rules on the use of capital controls and macro-prudential measures. This had to do, in essence, with the idea that capital controls should only be used *in*

12 For example, the references to the collateral effects of the monetary policies of developed countries since the Seoul Summit: "Advanced economies, including those with reserve currencies, will be vigilant against excess volatility and disorderly movements in exchange rates. Together these actions will help mitigate the risk of excess volatility in capital flows (…)". Also references to the prioritization of growth in the short run that appear since the Pittsburgh Summit: "In the short run we must continue to implement our stimulus program to support economic activity until recovery has clearly taken hold", and again at Los Cabos: "To address near-term risks, promote confidence, ensure economic and financial stability and bolster the economic recovery, we have agreed on the following actions (…)".

extremis, after all the other economic policy alternatives had been exhausted.

Brazil, supported especially by India,[13] led a negotiating group within the G20 that ensured flexibility and the margin of maneuver needed for the utilization of capital controls and consolidated an alternative vision to the IMF's view on capital controls.[14] The document affirms, *inter alia*, that

> *Capital flow management measures may constitute part of a broader approach to protect economies from shocks. In circumstances of high and volatile capital flows, capital flow management measures can complement and be employed alongside, rather than substitute for, appropriate monetary, exchange rate, foreign reserve management and prudential policies.*

Moreover, it said:

> *There is no one-size-fits-all approach or rigid definition of conditions for the use of capital flow management measures. Country-specific circumstances have to be taken into account when choosing the overall policy approach to deal with capital flows.*[15]

As can be seen, the document perfectly preserves the margin of maneuver of Brazil for whom those kinds of management are important instruments on economic policy. At the time, Brazil was making extensive use of capital flow management and

13 During the year, South Africa, Russia, Indonesia, Argentina and Turkey gradually joined the "coalition". China, which already has much more restrictive policies of capital control, prioritized the defense of its policies, but its delegation, although not vocal, was solidary with the position of the others.

14 The Sub-Working Group on capital controls, co-chaired by Brazil and Germany, negotiated the "Coherent Conclusions on Capital Management Policies", which were endorsed by the Leaders of the G20 at the Cannes Summit.

15 G20 Coherent Conclusions on Capital Management Policies (annex to the Cannes communiqué).

macro-prudential measures with the objective of preventing over-appreciation of the *real*.

By expanding the influence of its members in the G20 BRICS acts as an important platform not only to block undesirable initiatives in other international organisms but also to increase the power of influence of its members in the same organisms and economic forums. The joint action of BRIC[16] during the whole process of the reform of quotas and voice at the IMF between 2009 and 2010 is certainly the most emblematic example of that dynamic.

The BRIC(S)[17] and the reform of the Bretton Woods institutions

Although the BRIC countries acted together during the reform of quotas and voice at the World Bank, agreed in 2009, that interaction was still carried out on an informal and *ad hoc* basis, among other reasons in view of the recent constitution of the group. For this reason this article will focus on the process of reform of quotas and voice at the IMF, carried out between 2009 and 2010, in which the action of the BRICS was a fundamental element in the negotiating process.

Since its inception the BRIC raised the banner of the renewal of the Bretton Woods financial institutions in order to correct and eventually eliminate the large deficit of legitimacy that undermines the effectiveness of those institutions and that *in extremis* may threaten their very viability. Through its coordinated action both at the IMF and the G20, the BRIC as a bloc came to be recognized as one of the main interlocutors for the reform.

16 South Africa was not yet a member of this group.
17 With regard to periods prior to 2011, this section will use the term "BRIC".

In September 2009, twenty days before the G20 Summit in Pittsburgh, a communiqué issued at the close of the meeting of the Finance Ministers of BRIC[18] reaffirmed the claim for a significant reform of the IMF. It is symptomatic that the American Secretary of the Treasury, Tim Geithner, requested to be able to participate in this same ministerial meeting, in which the issue of the reform was prominent. From then on the BRIC consolidated its position as a solid negotiating bloc and the whole process of reform started to be increasingly influenced by the G20. At the Pittsburgh Summit there was a pause in the elaboration of the communiqué of the leaders while the delegations of the European Union and the BRICS, meeting in separate rooms and with the mediation of the United States, negotiated the paragraphs that would guide the reform of the IMF until its conclusion in 2010, at the G20 Summit in Seoul. The essence of the discussion was captured in the preamble of the Declaration by the leaders:

> *We are committed to a shift in International Monetary Fund (IMF) quota share to dynamic emerging markets and developing countries of at least 5% from over-represented countries to under-represented countries using the current quota formula as the basis to work from. Today we have delivered on our promise to contribute with over $500 billion to a renewed and expanded IMF New Arrangements to Borrow (NAB).*

Still in 2009 the BRIC adhered to the *New Arrangements to Borrow* (NAB) of the IMF. The strengthening of this mechanism to supplement credit lines for the Fund was decided in the context of the anti-crisis measures taken during that year. At the occasion,

18 The above mentioned BRIC meeting was held on September 4 and was chaired by Minister Guido Mantega. The Pittsburgh Summit was held between September 24 and 25.

there was coordination within BRIC to ensure the joint power of veto in all decisions subject to weighted majority (requiring 85% of votes)[19] at NAB, including the one that sets the agreement in motion and makes the whole amount of the arrangement[20] available to the IMF.

The reform of quotas and voice was at the center of the negotiating efforts of the BRIC during 2010. The final result, agreed in November of that year at the G20 Summit in Seoul, can be considered an important step in the "right direction", through which all BRIC countries increased their quotas (Brazil was the second most benefitted after China) and there was some progress regarding the representation of developing countries.[21] It did not, however, fully achieve the wider objective of ensuring the legitimacy of the IMF and re-balancing its governance structure so that developing countries could have a voting power compatible with their growing weight in the global economy.

19 Initially, Brazil, Russia and India committed to contribute US$ 10 billion each to NAB, but in order to ensure a voting power of 15%, which would give the BRIC the power of veto, Brazil, India and Russia agreed to increase their contributions to close to US$ 14 billion. China contributed US$ 50 billion.

20 Currently about US$ 565 billion.

21 In the final stage of the process, BRIC started to organize coordination meetings with all developing countries members of the G20 in order to seek common strategies and increase the pressure for a significant reform. The liquid gain in terms of voting power for developing countries as a whole was of about 2.6 percentage points. Besides, there is a commitment to give Mexico and Turkey their own seats at the Fund Directorate.

IMF – Comparison of results of reforms (in %)

	Pre-Reform Situation			2008 Reform				2010 Reform			
	Quotas	Voting power	Rank	Quotas	Change in quotas (by country)	Voting power	Rank	Quotas	Change in quotas (by country)	Voting power	Rank
South Africa	0.859	0.854	25	0.784	-0.075	0.770	27	0.640	-0.144	0.634	34
Brazil	1.395	1.375	18	1.783	0.388	1.714	14	2.316	0.533	2.218	10
China	3.718	3.650	6	3.996	0.278	3.806	6	6.394	2.398	6.071	3
India	1.911	1.886	13	2.442	0.531	2.337	11	2.751	0.309	2.629	8
Russia	2.732	2.690	10	2.494	-0.238	2.386	10	2.706	0.212	2.587	9
BRICS	10.615	10.455		11.499	0.884	11.013		14.807	3.308	14.139	
Developing countries	-	-	-	0.0	1.768	2.7	-	2.8	2.7	2.6	-

In order to provide continuity to the process of renewal of the IMF it was agreed, on pressure from the BRIC, to hold a new round of quota and voice reform by 2014. Negotiations started in 2012 and the BRICS have been confirming their capacity of articulation. It is symptomatic, for instance, that the BRICS have announced simultaneously and in coordination their decision to inject additional resources into the IMF[22] or to produce joint documents for the discussion at the Board of the Fund. The maintenance of a common position until the end of the

22 The issue of new resources for the IMF acquired prominence in the global economic agenda with the crisis of the European sovereign debts and in the context of the worsening of the situation of instability in the financial system. During 2012, the debate turned to the amount of contributions that would allow the IMF to play its anti-cyclical role. On the one hand, the responsibility of the Euro Zone countries to provide resources for the Fund became clear. On the other, emerging countries willing to contribute with additional resources for the IMF emphasized the need for the institution to follow a dynamic process of reforms in order to reduce its representativeness deficit. At the Los Cabos Summit the BRICS announced an injection of US$ 75 billion. China contributed US$ 43 billion, Brazil, India and Russia US$ 10 billion each and South Africa US$ 2 billion.

process cannot, however, be taken for granted and will require continuing efforts of rapprochement of positions and articulation of strategies, especially in view of different expectations of "gains" in quotas and different "levels of satisfaction" among the members of the BRICS.

The successful experience of organization of joint positions during the process of reform of the IMF and within the G20 in the last few years has been allowing new efforts at coordination of the BRICS that permit to envisage a point beyond the current configuration of the bloc as a platform for negotiation. In 2011, the leaders of the BRICS decided to start two negotiating process that, if successful, will represent the evolution of the bloc to a higher level of political and economic integration.

The BRICS development bank and the virtual pool of reserves

At the latest BRICS Summit, in New Delhi, the idea of creation of a new development bank was launched in the following terms:

> *We have considered the possibility of setting up a new Development Bank for mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, to supplement the existing efforts of multilateral and regional financial institutions for global growth and development. We direct our Finance Ministers to examine the feasibility and viability of such an initiative (...) and report back to us by the next Summit.*

A few months later, on June 18, at a meeting on the margins of the G20 Summit at Los Cabos, another initiative was launched:

> *The Leaders discussed swap arrangements among national currencies as well as reserve pooling. They agreed to ask their Finance Ministers and Central Bank Governors to work on this important issue, in a manner compatible with internal legal frameworks, and report back to the Leaders at the 2013 BRICS Summit.*

These initiatives are still at initial stage to assess their feasibility. However, it is already possible to make some preliminary considerations on the matter. They show, from the start, common traits in their structure and presentation. They were conceived as gradual processes, facilitating the formation of consensuses and the development of ideas. They permit the deepening of knowledge about the partners and their political and economic priorities and constraints. Since their inception they were presented as mechanisms that do not intend to threaten the *status quo* and would complement those already existing at the regional and international levels.

In what specifically regards the creation of the development bank, the idea emerged on the basis of the perception that the existing regional and multilateral banks (World Bank, Inter-American Development Bank, African development Bank, Asian Development Bank, etc.) do not have a financing capacity compatible with the needs of developing countries. Besides, there are signs that the advanced economies, today at the center of the global crisis, may not be willing to contribute significantly with new resources and that any additional contributions would tend to be channeled to trust funds with specific and strict conditions or to countries of lesser relative development, to the detriment of engagement with medium income countries.[23]

23 It is symptomatic that Brazil, India and China are already close to their indebtedness "ceiling" with IBRD and that there is no expectation that this limit will be substantially increased.

Besides projects in the BRICS themselves the new development bank could also finance projects in other countries, possibly by helping efforts for greater participation in international markets by corporations from the financing countries. There would also be niches to be potentially explored in projects where existing investment banks have hesitated to invest, such as large hydroelectric plants or the development of ethanol from sugar cane, to mention two examples relative to the Brazilian development experience.

The constitution of a contingent arrangement of reserves among the BRICS is also in an initial stage of negotiation, with the creation of a specific working group.[24] In this case the original motivation stems from the premise that the creation of a virtual pool of reserves among the BRICS could have a precautionary positive effect and assist the members to avoid pressures of short term liquidity, besides contributing to the stability of the international financial architecture and constituting an additional safety net against shocks similar to the Chiang Mai initiative that brings together the ASEAN countries besides China, Japan and South Korea.

More specifically, what is understood by a "contingent reserves arrangement" would be the constitution of a multilateral agreement by which each country would commit resources up to a pre-established amount. Such resources, however, would make up a "virtual" fund in the sense that the reserves would continue to be under the control and management of the respective central banks until the time of an eventual "withdrawal" requested by one of the partners to face a liquidity crisis.

24 This Working Group is chaired by Brazil.

As was said above, both initiatives are at a exploratory stage of their feasibility. Save for the considerations of a more general character, almost everything is still to be done, negotiated or thought out. There is still the predominance of unknown aspects essential to its functioning, including, for instance, in the case of the reserves pool, its size (total volume of resources and contributions by each country), governance structure (voting power, margins for adoption of specific decisions, need of a secretariat or not), working currency or currencies, besides procedures and conditions for withdrawals (delays, interest rates), among others. In the case of the development bank, the same doubts about size, governance, working currencies and financing conditions are added to other undefined questions about its nature (exclusive for the BRICS or open to other countries), mandate (infrastructure financing, sustainable development, others), strategies for mitigating credit risks, scope of financing (governmental loans or also for private initiative?), among others.

The mandate given to the negotiating groups put together for each of the initiatives is that the feasibility studies should be ready by the next BRICS Summit in Pretoria, in 2013. It is expected that at this occasion the leaders take a final decision on whether to go forward with the respective projects or not.

The second initiative mentioned in the Los Cabos communiqué is of a more immediate scope and is already partially underway. It regards the creation of bilateral swaps agreements among BRICS. These agreements would also ensure short-term liquidity in a context of crisis and would be set in motion only on agreement by both parties according to pre-arranged criteria (delays, interest rates, etc.). On June 21, 2012 Brazil and China announced the preparation of the first agreement of this kind, in its final phase of negotiation. Since these are exclusively bilateral agreements, other ones under negotiation will follow their own paths and priorities.

Conclusions

In just over three years since its formal creation at Yekaterinburg, BRICS has already established itself as one of the main blocs in the field of international financial diplomacy, with effective action chiefly at the G20 and the IMF but also the World Bank and other economic-financial forums.[25] The speed and vigor with which the BRICS started to coordinate initiatives in the area of financial diplomacy are explained, to a large extent, by the very convergence of positions and objectives of the BRICS in this specific field. It is undoubtedly one of the areas in which the BRICS have shown a natural vocation.

The mere coincidence of objectives would not be enough, however, to explain the success of the BRICS in consolidating as a negotiating platform. Part of the explanations must be ascribed to the willingness and even the insistence of the high officials in the economic area of the five countries to look for each other and to meet in order to coordinate positions during this three-year period of continuing economic turbulence. This practice follows, for its part, the example and determination of the leaders of the BRICS themselves, who formally instructed their ministers, during the latest Summit at New Delhi, to meet on the margins of all G20 ministerial meetings and of the half-yearly meetings of the IMF and IBRD.

Finally, another contribution to the trajectory of the BRICS is undoubtedly the shared perception that at least in economic forums the group considerably reinforces the individual position of each of its members. The value and weight of the bloc as

25 Such as the Financial Stability Board, which supervises efforts for greater financial regulation, and the Global Forum to combat the action of fiscal paradises.

a negotiating platform are periodically demonstrated on the international financial negotiating tables.

By taking Brazil as an example, it is possible to verify the important positive results obtained by the country in the field of financial diplomacy in the past few years and that may be linked, wholly or in part, to a common BRICS agenda. A brief and certainly incomplete list could include the consolidation of the G20 itself, the inclusion of the criticism to excess global liquidity in the international macroeconomic debate, the sustained emphasis on growth strategies as the appropriate response to the crisis,[26] the conquest of (joint) veto power by the BRICS in NAB; the generalization of the acknowledgement of capital flows management as legitimate and effective economic policy tools, as well as concrete gains in the process of reform of quota and voice at the World Bank and especially the IMF, where Brazil climbed from the 18th to the 10th position in the ranking of countries between 2008 and 2010.

Thus, recalling the questions asked at the beginning of this article, at least in the realm of economic financial diplomacy, the value of the BRICS as a negotiating platform and the benefits that Brazil can derive within the group seem clear. In order to ensure the expansion and consolidation of its agenda, however, the group will need to overcome at least one important obstacle.

Up to now, despite the recognized weight of positions articulated within BRICS, the scope of action of the group has

26 In many cases, in the context of the G20, the very inclusion of an issue in the debate can and should be considered a progress. The capacity of interference in the formulation of policies and global initiatives that, in G8 times, would come to the BRICS in the form of "finished concepts", has an intrinsic value difficult to quantify but that goes well beyond a mere exercise in rhetoric. No one joins the debate expecting a complete "capitulation" of the interlocutor. Often the objective is only to provide nuances or to contextualize ideas that are difficult to assimilate in their "pure" state or else to ensure a margin of maneuver for national economic policy decisions.

been limited, essentially, to the areas or issues in which "natural convergences" are perceived. This dynamic is clearly seen in the political agenda of the BRICS but also occurs in the economic field.

In the words of Ambassador Valdemar Carneiro Leão,

> *(...) one does not yet perceive a trend toward* intra muros *negotiation of positions, that is, an exercise that entails significant individual concessions with a view to unified positioning is not underway. Thus, the agenda still does not encompass themes that involve an effort of rapprochement*.[27]

This situation not only makes the widening of the scope of action of the group quite hard but may also undermine its internal cohesion even in areas where the bloc has been successful as a negotiating platform, such as financial diplomacy. If cohesion is sustained only through the existence of "natural convergences" it will be potentially fragile and vulnerable to centrifugal forces and internal divisions, especially if there are different degrees of ambition regarding the negotiating process or, in a formulation particularly relevant to the case of the BRICS, if there are different degrees of satisfaction with regard to the status quo.[28]

However, in order to succeed, new initiatives on the creation of a development bank and a virtual reserves pool of the BRICS will require that this inability to negotiate divergent positions within the group is overcome. There has been a clear political decision to deepen and consolidate the economic-financial relationship of the BRICS that will require unprecedented negotiating efforts within the bloc. It seems obvious that while there is agreement in the

27 Cf. LEÃO, Valdemar Carneiro. *BRICS: identidade e agenda econômica,* in: "O Brasil, os BRICS e a agenda internacional". Brasilia: FUNAG, 2012, p. 54.

28 These differences in the degrees of ambition may also be put to the test in the forthcoming stages of negotiation of the reforms of international financial institutions.

more abstract level each country has its own views on how and with what aim these institutions should function.

It is still too early to know whether these new initiatives set in motion by the leaders of the BRICS will be successful or whether the group will be able to find common bases for the development and operation of complex financial mechanisms such as a development bank or even a contingent reserves pool. It is clear, however, that its eventual success will represent an important qualitative change for the group and will signal the achievement of a higher level of internal cohesion.

The analysis of the trajectory of the BRICS economic diplomacy seems to offer a promising way for the assessment of its impact in the international context. The results achieved by the group in the economic-financial field would already be enough to fully justify its relevance as a negotiating platform. The privileged insertion in the economic field, however, seems to have encouraged the members of the BRICS to look for more complex forms of agreement that will require overcoming significant obstacles in order to be put into practice. Either for its concrete achievements in the financial field or for the "demonstrating effect" regarding the possibilities of the BRICS, the realization of those initiatives would perhaps represent the most emblematic translation of how the *hacia adentro* dynamic of the BRICS could feed its drive *hacia afuera*[29] permitting to glimpse at a potential of transformation of the international reality that is still far from reaching its limits.

29 To use the CEPAL concepts transported to the analysis of the BRICS by JUNIOR, Gelson Fonseca in: *BRICS: notas e questões,* in: "O Brasil, Os BRICS e a agenda internacional". Brasilia: FUNAG, 2012, p. 17.



Brazil, BRICS and the international agenda*

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* This text is entirely the author's responsibility. It does not involve the Ministry of External Relations.

linked to Project SIPAM/SIVAM, research for communications security, Project Brazil 2020 and Calha Norte Program (PCN). Minister for Science, Technology (MCT) and Innovation (July 1999 to 2002). President of the National Conference on Science, Technology and Innovation. Responsible for the launching and institutionalization of the Sectoral Scientific Development Funds, creation of the Strategic Management and Studies Center (CGEE), National Programs of Information Society, Basic Industrial Technology, Technological Services for Innovation and Competitiveness, and Science and Technology for Social Development. Also responsible for structuring international cooperation at the MCT and nuclear and space policies. President of the Inter-ministerial Committee on Global Climate Change.

The tribulations of contemporary international politics have given rise to speculation about the future of the BRICS and the Brazilian participation in this group. The political emergence of BRICS, symbolized by four Summit meetings since 2009, must be examined in the context of diplomatic institutions, especially those linked to international peace and security and the current strategic structure. The already great importance of the economic aspects in the activities of the group should grow in the coming years. The reflection about the group, therefore, goes beyond what can be done in the present contribution which is an exercise in the making with a dedicated focus on the strategic and diplomatic issues raised by such questions.

Although perverse, the world economic crisis created conditions for an increase in the prominence of the Brazilian external policy; the BRICS group became an excellent space for the advancement of the process of transformation of this policy. The next undertakings will be especially delicate in view of the different historic experiences and the diversity of the external policies among the members of the BRICS, which have their own ways. This whole agenda will be progressively accommodated, despite the predictable "shelling" by the international media. In the international order, the BRICS are today indispensable as an agent of peaceful change.

In the last section of this text the reader can find some preliminary information under the title "BRICS, Academy and the Media" in the hope that it may contribute to the advancement of the debate on the interaction of these institutions.

Recent international developments

Crisis

International politics is going through a critical moment that is completely different from what was predicted in previous years. In their thinking about current times, analysts often came to assume that the recovery of the crisis in the United States and Europe would be time consuming, taking at least one decade. Countries until now considered as "central" are experiencing an unusual period of economic abnormality whose evolution and outcome will probably affect the world economy, including the so far successful BRICS, as well as the South American region, of special interest to Brazil.

In view of this situation some indications that confirm pessimistic expectations should be highlighted, such as the increase in international competition with the unbeatable commercial protectionism and the so-called "foreign exchange tsunami" of the last few years. The crisis persists without clear signs of abatement. The depression does not only affect the world of the economy, finance and trade, but also the political field, both at the internal level in the developed countries that were most affected but also in their international or regional action.

United States

The United States, a power that for decades has defined the international scene, lost the ability to act unilaterally that they seemed to have acquired at the start of the 1990's. This country – specialized in maintaining international order by force – experiences now an economic crisis that can be in part ascribed to the huge amount of its military expenses abroad. The American military establishment is overstretched, with a network of

dozens of aero-naval bases outside of its territory. Its forces have not yet withdrawn from Iraq and Afghanistan. Neither have they left Western Europe, Japan and Korea. In any case, the prospect of their gradual scaling back from the current conflict areas indicates the impact of the crisis on "defense spending". It would not be possible, however, given such financial implications, to imagine the maintenance of global hegemony only by means of the military option.

In the last few months, the American government and public opinion increasingly concentrate on its internal policy.

The electoral process does not seem fully defined. A kind of political pause, an "attentive interval" of expectation for the setting of the course for the next years has been created. Within this prospect, there is growing intensity in the debate about a possible "decline" of the country and about the possibility that extent that its authority, until recently indisputable, loses its automatic and global effectiveness.[11] For the time being, Washington limits its efforts abroad and reduces its involvement in areas that until recently were deemed critical. The process may evolve toward determining a new American attitude with regard to regions that – even in the "golden years" – received little or no attention.

Western Europe

The European continent is going through an unexpected moment of international backtracking from a hardly won economic position since the 1950's. The drastic interruption of prosperity leads Western Europe to defensive positions wholly opposite to recent expectations. Uncertainty and apprehension

1 This trend was predicted by KENNEDY, Paul in *The Rise and Fall of the Great Powers,* 1988.

about the internal arrangements of the European Union and the unpredictable future of the Euro Zone are now commonplace. The model of economic integration which, since the end of that decade inspired a large segment of the world, is now shaken and will require re-evaluation efforts in different regions of the world.

The future of Iran

From a geopolitical point of view, there is no questioning about the relevance of Iran in its region, in the Islamic world and in the world economy and politics. No progress, however, has been seen in recent years in the tensions between Iran and the central Western countries. According to the current assessment the international interests of Iran are such that they may strongly influence the outcome of the Syrian crisis and have a central role in the definition of the future of Israel. The current nuclear questions, together with their still to be proven strategic consequences, may jeopardize the right of peaceful exploitation of this type of energy.

Arab Spring

The political process in the Arab world is one of the great uncertainties of our time. The nature of its results is not clear yet. Some will be bitter, but not all. The Western euphoria when the insurrection processes in Egypt and Libya came to an end was followed by a moment of some perplexity about the future of these countries, aggravated by the persistence of extreme violence in Syria.

BRICS

Among the members of the group there are currently different situations: despite electoral difficulties, Russia managed to overcome one more stage of its political process, without losing – as it seems – the operational capacity of its external policy; the

economic mishaps in China have not yet made it unable to act in the international scene. China is taking forward its process of political strengthening while its economic performance continues to be substantially stronger than in the Western world. It is not to be expected that the Chinese economy will reach in the current year the same rates as in previous years and decades. There are no indications, however, that this situation may be reversed.

BRICS and the international moment

While its detailed interpretation may be uncertain, it can be said that these developments influence the prospects of evolution for the BRICS, whose relevant role in international questions, as well as in the construction of the immediate and long-term future of the current international order is already beginning to become visible.

The absurd predictions that the BRICS will seek world hegemony in the near future or, on the contrary, will become merely irrelevant, can be put aside straight away. However, the international presence of the BRICS group and of its members is clearly being strengthened, increasing the probability of the advent of a world order turned toward multilateralization (and even multi-polarity). In this sense, it is noted that more than in the times of the Cold War and of non-critical globalization, what is openly at stake in the current stage is the sovereign destiny of countries, since political, economic and military dependence from one or another big power is not the only existing international option.

Depending on the relationship that each of the BRICS and their group may establish with the United States – still the hegemonic power –, the years of that hegemony may be shortened or new forms of international coexistence may be found through

negotiation. Here are a few examples of changes in prospects: during pre-crisis times, it was estimated that China would catch up with the American GDP already in the next 50 years. This estimate has been substantially reduced and maybe it is now accepted that two or three decades should be enough. Another example is that there was not any speculation about the possibility that the Brazilian GDP could surpass the United Kingdom in a short span and might reach that of France in the coming years. Such momentous changes will certainly have an impact in the politico-strategic field.

The case of Brazil is different. The pioneer prospective effort toward the formulation of a "national project" was born with President Fernando Henrique Cardoso's inaugural speech in his first term of office. In that speech, the President said: "(...) it is time to think of the future. Time to design, with the rule and compass of democracy, the kind of country we want to build for our children and grandchildren, and to start working in order to travel the distance from dream to reality." In terms of 1997 dollars, the first scenario of this project[2] (called *Abatiapé*) estimated with optimism that by 2020 Brazil would attain a GDP of US$ 3,360 billion, that is, 1.5 times the GDP of Germany (US$ 2,230 billion); a less optimistic scenario (*Baboré*) foresaw for 2020 a Brazilian GDP similar to Germany's in 1997. The elaboration of the "Brazil 2020" project had a marked democratic spirit, as FHC wished, with the participation of political academic and entrepreneurial leaders and the holding of seminars in all regions of the country. It even projected an economically catastrophic scenario (*Caeté*).[3]

2 The formulation of this project was attributed to the Secretariat of Strategic Affairs of the Presidency of the Republic (SAE), then headed by the author. See also SAE leaflet – Brazil 2020 – Cenários Exploratórios, 1997.

3 See article "O Brasil que queremos: rumo à quinta economia do mundo", by OSWALD, Vivian and BATISTA, Henrique Gomes, in *O Globo* July 29, 2012, which does not mention the Project Brazil 2020.

Assessing all factors, it can be said that the Brazilian capacity of diplomatic maneuver has increased; new horizons are opening, not only in several areas but also in new themes. The persistence of this favorable prospect will depend on several factors in the economic (and social) field and in that of Brazilian action in the diplomatic and strategic areas. Brazil has exemplary access to the process of economic-commercial resurgence of Africa. In 2011, Brazilian exports to African markets reached more than US$ 4.5 billion. On another dimension, the deterioration of international security in several parts of the world provides, in particular within the context of the United Nations, opportunities for joint military and diplomatic action as seen in the presence of MINUSTAH in Haiti.

Between 2009 and 2012, while the BRICS group gathers strength and changes in quality, the external profile of Brazil within the group and in the international order becomes sharper, as could be observed. On the one hand, yearly Summit meetings begin to be held, strengthening the international presence of the group and its members as they make clear the redoubled importance of the BRICS as an instrument of international action; on the other, the impact of the crisis provoked Brazil's rise in the ranking of world economies (resulting in a positive reassessment of its diplomatic capacity) and the recognition of its international role grew, thereby creating an unprecedented political and strategic situation for the country.

In short, it can be remarked that in the current stage, Brazil:

a. starts to be recognized, in different parts of the world, as a relevant actor, but analysts agree that the international profile of Brazil can be even higher – (international recognition);

b. in the international order, more effective positions and postures than that of the past are adopted – (greater effectiveness);

c. neither as a result of courtesy nor to "complete" its roster, Brazil becomes a full member of the BRICS group. It is a full member because it is convenient to and in the interest of the other BRICS and the international community – (representativeness);

d. Brazilian presence "softens" the external face of the group since the country has no significant military, space, nuclear or conventional presence – (peaceful policy);

e. the "democratic ingredient" of the State and society is today easily recognizable by the West – (democratic participation);

f. successful heterodox economic and social policies (*Bolsa Escola, Bolsa Família*, etc.) to a certain extent – (internal factors);

g. surprises have come up at the external level in the face of the dynamism of the internal market which, among other factors, protects the country until now from the worse effects of the world crisis. In the social sphere, important gains are observed with a significant reduction of poverty and the emergence of a new affluent middle class – (anti-cyclical policies).

BRICS, fantasy and utopia

Many consider BRICS as a new paradigm or even as a plausible utopia. The renowned historian of the classic world, M.I. Finley, in a seminal article "Utopianism Ancient and Modern", discusses the complexity of the meanings of utopia and asserts that "all utopian thinking has an element of fantasy (...) or at least the "wish" for better life and a better world". According to Finley, the normal, utopian discourse usually also has another connotation – negative, pejorative, impracticable – and therefore useless and even dangerous because it deflects

to dreams the attention and the efforts for what is achievable".[4] These categories apply to the debate on the BRICS.

Cooperation is a good in itself. BRICS seems to be a favorable environment for closer cooperation among its members. Ultimately, cooperation is sanctioned by the Charter of the United Nations, which expresses, in item 4 of Article 1, the need to harmonize the actions of nations, a process in which the UN would be the "center".

It is believed that the creative possibilities for the strengthening of the BRICS are located in three different levels, namely:

- bilateral relations: each of the BRICS has an interest in strengthening relations with the other members of the group. An example of what Brazil can do by itself with India and Russia is to cooperate for the peaceful utilization of outer space, such as the successful construction of the satellites of the CBERS series with China, which at a certain point was the greatest operation in the framework of South-South relations. The important field of cooperation in S, T & I will have to go through a process of bilateral intensification, also facilitating the organization of trilateral efforts;
- Trilateral relations among its members, with the objective of mutual assistance in cooperation activities with countries of the South, as already happens at IBSA;
- Relations of the BRICS with other international entities; generically, for the restructuring of the international order and in the specific treatment of questions of the maintenance of international peace and security. External politics

4 See article "Utopianism, old and new" included in the collection "The Critical Spirit" – Essays in honor of Herbert Marcuse – edited by Kurt Wolff and Barrington Moore Jr., 1967.

– diplomacy and strategy – has already been influenced by the presence of the BRICS in the international order.

It should be stressed that the relations of Brazil with the Asian members of the group are less advanced than those that exist among them and require Brazilian initiatives in order to achieve concrete progress. There is much to be done toward relations of the "win-win" kind to the benefit of all partners.

Originality of the BRICS

Originality is one added feature to characterize BRICS. Straight away, the diplomatic and strategic dimension of the BRICS is original. It is surprising to see in its composition the fusion of two Asian countries, one simultaneously European and Asian, one Latin American and now an African. It is also "somewhat" surprising to see a process of quick formalization of the high-level mechanism that guides its political action. Yearly Summits, since 2009, despite the considerable geographic distances (and the undeniable political distance that separates Brazil from the three Asian BRICS) are the magic wand symbolizing the political commitment of the members of the group. There are, of course, preparatory meetings at the level of their Chanceries, but it is well known that only the highest level shows real importance. This is a reality in contemporary diplomacy.

The political originality of the BRICS is very clear, as can be seen in its imprecise relationship with the system of collective security, especially the United Nations Security Council (UNSC). The BRICS group neither places itself under its umbrella nor disregards it. The BRICS reinforces the legitimacy of the international action of its members, including Russia and China

who are members of the P-5[5] and possess the right of veto. Even the elected members, that is, the non-permanent ones (India, Brazil, South Africa) enjoy better conditions to adjust their votes at the UNSC.

The level of originality of the BRICS is lower, however, in the field of trade and development, except for the fact that Russia has now better political conditions to join (or be closer to doing it) developing countries, something that did not happen in other times and other forums. There have always been differences between developing countries and the USSR, later Russia. In order to avoid uncomfortable instances of rapprochement with these countries, Soviet diplomacy excelled in hiding behind sheer ideological veils. The creation of the group introduced in this sphere an interesting variable in world diplomacy, to the extent that Russia comes closer to the other BRICS in its commercial relations.

In the course of the several decades since World War II, the multilateral efforts by underdeveloped countries (developing countries have adopted in sequence the labels of lesser relative development, emerging markets and others) assumed many configurations. These labeling efforts are not new. In the immediate post-war period – at the Havana Conference and in the constitution of the General Agreement on Tariffs and Trade, or GATT – the few underdeveloped countries recognized until then started to articulate in order to occupy ample space in several configurations among the current activities of the United Nations (at the 2nd Commission of the General Assembly, UNCTAD, UNIDO, FAO and other specialized agencies), as well as in different regional spheres. The Group of 77, later renamed 77 plus China, asserted itself in international discussions and negotiations on trade and

5 That is, the five permanent members of the UNSC, among which the USA, the United Kingdom and France are also included.

development which, due to their ample scope, have implications even for the formulation of the budgets of the United Nations and its family of organizations.

BRICS competes for space in the international order with other countries that started to articulate when they noticed that the former was promoting a new international reality. In different sources, including Goldman Sachs, other interest groups are mentioned, such as CIVETS, MIST, VISTA – the latter is nothing but a "reformed" MIST – and the N-11 (Next Eleven). These groups are only semi-known and do not exist in reality except in debates in the media.

Brazil and BRICS, today and yesterday

This is in brief the scenario that Brazil, as a member of the BRICS, will have to face in a short while. The recent economic performance of the country has declined, with negative effects on the economy, the society and the commerce of Brazil. It also tends to restrict the international action of the country. It would be ideal for Brazil to energize itself in intra-regional relations and impart new impetus to its global external policy with redoubled strength. If this target is not met, there will be external difficulties, including with regard to its action within the BRICS.

For Brazil, action within BRICS corresponds to the utilization of a new and original vehicle to assist in the carrying out of many aspects of the external policy, including the way to deal with the Brazilian claim to have a permanent seat at the United Nations Security Council. In a recent interview in Addis Ababa, Foreign Minister Antonio Patriota explained with precision that this aspiration is strongly linked to the objective of making the Council more transparent and accountable, less prone to adopting coercive

measures and more willing to exhaust the possibilities offered by diplomacy, negotiation and dialogue.

In the current stage there is an "interval" in which the developed world seeks to reorganize its economic system. In this unexpected interval the BRICS will have the unprecedented opportunity to progress politically and economically. This progress, which is one of the probable trends of the international order, would bring great benefits for Brazil, among other countries. In the last analysis, the constitution of the BRICS embodies concrete yearnings and aspirations. So far, at least, the group has not envisaged any objectives that could be identified as being directed against other existing arrangements in the international order.

BRICS can even be seen as a group that favors peaceful change in the world order and this is compatible, to a large extent, with Brazilian external policy. Its characterization as "conservative" or "progressive" seems premature, having in mind that the "political" paragraphs of the Declarations issues by its Summits are still laconic and imprecise, although some progress in their language has been noticeable in the last four years.

From the point of view of the characterization of its personality, as well as from many other perspectives, the BRICS group maintains ambiguities. It presents two main angles or fields, namely diplomacy and strategy, and investments and international trade and, generically, social and economic development. In practice, the majority of the comprehensive studies and documents, as well as the activities related to BRICS issues, are focused on economic questions.

One must recognize that the idea of the BRICS is a child of imagination that only became possible because it originated at a point outside the curve. This point was occupied by the economist Jim O'Neill, who at the time was the leader of the think tank of

the financial agency Goldman Sachs, in the remote year of 2001, before the terrorist attacks in New York and Washington. Working in the economic area and wishing to motivate clients of his firm to direct their investments to markets considered as "emerging", O'Neill concentrated on the possible economic foundations and advantages of his idea. Its repercussion was greater than what could have been expected. Western criticism, so frequent today, was mitigated due to the impeccable capitalistic motivation of his initial and heterodox idea.

Goldman Sachs was not just one more company acting in the financial market. For many decades it remained the most successful Wall Street firm. During the last decade, however, GS has shown that it is a better prophet with regard to the BRIC(S) that its own performance in the market. The international press reported significant losses for GS in the first semester of the current year; in the last quarter its revenues fell about US$ 6.6 billion dollars, or 9% with regard to the same period of last year. In June, Moody's Investors Service lowered the credit rating of GS and other 14 large companies. On the occasion of the 2008 crash this company had already needed deep reform and governmental assistance. Goldman Sachs was called "a great vampire octopus" by *Rolling Stone*, due to its hard tactics, extraordinary profits and frauds.[6]

It should be noted that until recently, in the beginning of 2011, the group was known as "BRIC" (Brazil, Russia, India and China). With the adherence of South Africa in the end of 2010, however, the acronym became "BRICS". The letter "S" added to it means "South Africa" and does not denote plural. South African adherence resulted from two necessities: one political and another economic, that is, the African "representation" in the group and

6 See *The New York Times*, July 18, 2012.

its objective of calling attention to the surge of economic growth in that continent, especially in Angola, Mozambique, Ghana, Equatorial Guinea and Kenya.

The entrance of South Africa brought about a wave of criticism from Western analysts, including Jim O'Neill himself. They considered that that country did not have – as it certainly does not – enough dimension to be a part of the group. However, Ian Bremmer, who is possibly an interested party as president of the Eurasia Group, took the opposing position in a well-known article. Although he accepts the argument that South Africa's dimension is relatively small (Nigeria's economy, it should be noted, is bigger than South Africa's) Bremmer stresses that African countries already play the role of pivot (support and balance) in potential partnerships.

Bremmer presents interesting data as the basis for his proposal, such as:

- the population of Africa surpasses one billion people;
- although the populations of Africa and India are of a similar size, Africans spent 35% more than Indians on goods and services in 2008;
- the percentage of urbanized Africans is comparable to China's;
- it is expected that by the end of the current year the number of cell phones in the African continent will reach 735 million;
- total foreign direct investment in Africa grew from US$ 9.4 billion in 2000 to more than US$ 60 billion in 2011.

As important as these data may be, the absorption of South Africa by BRICS is above all a confirmation of the political foundations of the group. It must be seen in the context of current presence of the other members of the BRICS in the African continent and of the convenience to avoid exploration by the former colonial powers of the absence of an African representative

as proof of contempt from the members of the group. South Africa is a *sui generis* case that could hardly be repeated without changing the character of the group.

In the four or five past years the BRICS increasingly became, in practice, an "official" group. It became ostensibly politicized due to the Summit meetings. BRICS has no clear precedent. Its origin comes from the academic and economic world. Its composition is radically heterogeneous. With some exaggeration it could be said that were it not for the peculiarity of its origin the BRICS group would have never come to be effectively constituted and become operational. At least through the peace and security angle it was quite improbable that there would be a political climate favorable to the launching of the BRICS. There is still much space for the gradual formation of consensuses within the group and for its institutional blossoming.

Brazilian interests and priority BRICS policies

How will the intra-BRICS relationship evolve? A central problem for its operation is the coordination of its actions. Besides such coordination, "realism in the projections" is necessary, as well as an imaginative vision regarding the future of the group. According to all indications, one challenge is selectivity in the focus of its action.

For its part, Brazil should maintain a permanent assessment of its diplomatic relations with the main countries and regions of the world, starting from the members of the BRICS and the nations of South and Latin America, areas where there are the most innovative tests to be confronted by the country's diplomacy.

It would be useless to take a position in the age-old debate on whether economy drives politics or vice-versa. For the practical effects of this study it is simply better to see that these two fields are interpenetrating. In any case, in a comparison, although shallow,

between two comprehensive collections of texts published in Brazil – "The Global Crisis and the new international role of BRICS", coordinated by João Paulo dos Reis Velloso, in the context of the National 2009 Forum, and "Brazil, BRICS and the international agenda",[77] published by Funag in 2012 – it can be remarked, in the former, the almost exclusively economic-commercial bias, as it should be expected until 2009, while the latter contains, in a balanced form, besides those questions also contributions with a political, diplomatic and strategic focus.

These novelties advise the adoption of new styles of external policy, with the development of thematic approaches, having in mind:

- that the correct conduction of the Brazilian foreign policy should be ensured, including with regard to social communication and transparency;
- the challenge of the BRICS group should be confronted: its global role, the delimitation of its substantive action, the "organic" relationship among the parties, which depends on greater acquaintance among them, from their respective orbits of action and from the gradual realization of projects of common interest. It is necessary to prepare the diplomatic terrain for the predictable increase of the reciprocal influence among the parties;
- one must also be aware of the BRICS in the multilateral/multi-polar evolution of the international order. The group will facilitate the Brazilian transition from multilateralism (*soft power*) to the incorporation of some aspects of multi-polarity (closer to *hard power*).[8] This will not be a simple task because

7 See "O Brasil, os BRICS e a agenda internacional", Funag 2012, henceforth mentioned as BBAI.

8 It is admitted that *soft power* is typical of countries that do not possess power (or which want to disguise their power) and of multilateral diplomacy, while *hard power has affinities with the concept of multi-polarity, that is, "many power poles"*.

there is still much to be done to develop the very concept of multi-polarity that in the past was promoted mainly by Yugoslavia;

- the creation of several instruments compatible with the complexity and worsening of international problems will condition the increase of visibility in the external field. This path opens the opportunity for the development of new strategic links with the BRICS themselves and for Brazil to revise its diplomatic and strategic role, in the face of the new realities;
- these also require intensification and mobilization (both national and international) in S & T, as was done by Japan and South Korea as well as by China and India. It is assumed that it will be possible to give new relevance to cooperation in several areas of research, including the development of nuclear and space technologies for peaceful purposes;
- added attention must be given to the question of petroleum and the economic international consequences of the "Arab Spring" and the pre-salt; BRICS, including Brazil, will necessarily participate in the cycle of world energy negotiation which will be played out at the ministerial and presidential levels;
- new political lines of sustainable development based on Rio+20, still to be identified, will have to be formulated;
- it will be necessary to make all possible progress in the human rights policy of the world, a theme in which Brazilian diplomacy experienced variations *versus* the perception of abusive utilization of human rights conceptions and mechanisms as tools for pressure, such as perceived by non-Western countries;
- efforts against organized crime deserve more concentrated attention from diplomacy: traffic of persons and human

organs, traffic of drugs and arms, whose problems should be treated in a thematic, comprehensive and not only individual manner in relations with producing, refining, transit and consumer countries;

- at least with regard to Brazil, participate in the BRICS opens space for the speeding up of the reform of the whole bureaucracy turned toward external issues. The BRICS group brings new opportunities and challenges to be dealt with in an innovative way.

The new international conditions should stimulate the country, in accordance with its long-term view, to take forward its policy of democratization of international relations. The BRICS are not articulated "against" the West or in the opposite direction, to hollow out the Non-Aligned Movement or the 77.

It is not enough to think only in geographic or geopolitical terms; it is no longer sufficient to develop external policies on a country by country or even on a region by region basis. It is time to study and eventually set up thematic priorities of a global scope which, to a large extent, will make up the external identity of the country.

BRICS, academia and the media

The inclination to promote a downgrading of the BRICS is much more pronounced at the external level, where it certainly predominates. In Brazil the media reacted with skepticism, albeit with different hues, to the creation of the BRICS. The large majority of national and foreign analysts, as can be observed in the Internet and in the available literature, limits its assessment to the current and future economic performance of the group and of its members. Almost all denounce the bad performance of the BRICS economies or predict its deceleration.

In the mainstream international press, the strong opposition to the BRICS group takes as one of its main arguments its artificial origin, an issue already commented above. It should be a matter for later reflection that the name of the group is written in low case, "Brics". This form was adopted by the Manchester Guardian and its importance is only apparently minor, as, by the way, has been widely discussed by the readers of this British newspaper.

One of the dominant ways of dealing with this issue has been to take to absurd limits its objectives and scope, which have even been simply described as "a possible alternative to the international political and economic system led by the West". For this end there are references to statements from high Indian, Russian and Chinese officials that in guarded terms only suggest at most that the group will play a more important role in world matters and that it has the potential to transform global governance.

An indication of the wrong external trend is the ensemble of pieces published by the *New York Times* (NYT) as "op-ed" on March 26 and May 11 past, by professors of several nationalities: probably one British, two Americans, one Indian, one Chinese, one Russian and one Brazilian. On March 26, a few days before the New Delhi Summit, the *International Herald Tribune*, linked to the NYT, published a doctrinal article signed by Walter Ladwig (WL)[9] under the title "*An Artificial Bloc Built of a Catchphrase*", that is abridged and commented below.

The central theses of WL are all negative and even alarming with regard to the BRICS. Some are simply infantile and others repeat well-known information and data. On the strategic level the author says that the BRICS countries are incompatible and incoherent among themselves and have strategic rivalries or

9 Royal United Services Institute – a research center on defense and security with headquarters in London.

disputes. China wishes for the bi-polar G2 world and resists the accommodation of other powers in the UNSC. India and Russia are potential obstacles to the presumed regional predominance of China in the Asian area. Russia, India and Brazil want to play a wider role in multilateral diplomacy; the last two aspire to permanent seats at the UNSC. He also recalls the current bilateral tensions between India and China, namely those deriving from Chinese support to Pakistan. Russia, for its part, is worried with the Chinese policy of petroleum exports and search for influence in Siberia (In my own view, therefore, nothing new or unexpected).

WL affirms that on the political level the interests that the members of the BRICS try to take forward are national rather than those of the "bloc" and that this prevents it from playing a relevant role in the international scene. While three members of the BRICS are democracies, China and Russia do not fit in that category. Three countries, China India and Brazil, are considered globally emerging powers, while Russia is losing the status of great power and South Africa is stagnated in terms of power.

On the economic sphere, the dimensions of the five countries are very much different: China is the dominant actor while Russia and South Africa should not even be mentioned among emerging markets. The respective GDPs are not comparable, except in the cases of Brazil and South Africa (*sic*); the Russian GDP is double that of China and the latter is double that of India. Brazil and Russia are exporters of primary goods; China and India concentrate on manufactures and services. Brazil worries about Chinese penetration in South America (let us note that these arguments do not relate to one another, among their political, strategic and economic values). Finally, Ladwig decrees that in the future the individual members of the BRICS will acquire international importance, something that will not happen to their group.

The several NYT articles published on May 11 are in their majority what used to be known in artillery parlance as "drumfire" against the BRICS in order to undermine its viability.

Mark Thoma[10] observes that the rate of growth in the BRICS countries has declined and predicts that this trend will persist and may even become permanent (!). He comments that a continuation of the BRICS situation would have negative effects on the world economy since it would slow down American economic recovery. Its impact would be negative for Africa and other regions. According to the current trend he has a favorable view on the possible growth of the African economy. He makes a direct correlation between the prospects for African success or failure with the future performance of the BRICS. As for the United States, he notes that in case of a drawback on the part of the BRICS the expectation that an increase in American exports to developing countries could shorten the recession in the US would fail, and not as otherwise would happen.

Scott Sumner,[11] another American professor, believes that Wall Street exaggerates in the evaluation of the difficulties of the BRICS, toward whose markets the United States exports only about 1% of its GDP and less than that to the European countries in crisis. His opinion is that the Fed and the European Central Banks have the means to prevent that the reflections of what happens in the BRICS expand to the United States and Europe. He doubts, however, if there is political will for that much.

Jayati Gosh[12] insists that the economies of the BRICS represent only one fifth of the world GDP, in which the participation of India is just 2%. Its impact is therefore small. He worries about an expansion of the BRICS driven by a speculative bubble.

10 University of Oregon and blog "Economist's View".
11 Bentley University, Chicago.
12 University Jawaharlal Nehru.

Ann Lee's[13] text does not refer to the BRICS. It speculates on internal developments in China, including extreme hypotheses, not very credible, such as civil war and an interruption in the growth of the Chinese GDP.

Sergei Guriev[14] maintains that the possibility of a crisis in Europe similar to the one provoked by Lehman Brothers' in the US in 2008 is more disquieting than a decline in China's growth and in the other countries of the BRICS group. But he affirms that the effects of this decline on the BRICS and on Russia would be "trivial" (!). In his view, the absence of growth in emerging markets would bring about worldwide recession. He mentions an IMF report from last April to the effect that almost half of the world growth will come from Brazil, Russia, India and China, while Europe's contribution will be negative.

Carlos Pio[15] presents a more balanced contribution, whose main thesis is that in order to have a deep impact on "global" levels of growth Brazil would have to be an importer and/or exporter of similar dimensions to the United States, China, Germany and Japan. He makes an exception, however, for the roles of Russia and other exporters of oil and gas and that of India, thanks to the potential dimension of its internal market, despite discounting the importance of the last two. Another exception is the sixth place attained by Brazil last year in the ranking of the world economy. Contrary to some analysts, he is sensitive to the political aspects of the BRICS group constitution by ascribing merit to Brazilian diplomats in the construction of an external position that propels the country to participation in the great world forums. On the other hand, he stresses

13 According to Wikipedia, born in China and defining herself as an American author and commentator on global economy and financial issues.

14 Director of the Moscow New Economic School.

15 University of Brasilia (Institute of International Relations) and National University of Australia.

the modest participation of Brazilian world trade and asserts that the growth of the BRICS tends to be irregular but that its interruption would not harm excessively the economy of the world. He observes, finally, that the influence of the BRICS will depend on China.

Brazilian press

The following sample of articles by renowned Brazilian journalists such as Miriam Leitão, Merval Pereira and Clovis Rossi is interesting. They are perhaps less aggressive than their foreign colleagues but still show a certain skepticism and are marked specifically by Brazilian nuances. One feature of the Brazilian approach seems to be to refer the discussion on the BRICS to national political or economic themes. Brazilian columnists seem to be more creative than foreigners and have wide-ranging visions and fertile ideas. Although critical, they try to find solutions for what they identify as shortcomings of the BRICS. Their utilization of interviews with persons they consider as experts in this field is very fruitful; many of their questions are as revealing as the answers.

Miriam Leitão (ML)[16]: in her article, economist João Pontes Nogueira (JPN)[17] and the Indian economist Rakesh Vaidyanathan (RV)[18] were interviewed.

JPN affirms that after the concept of BRICS was created trade among the countries grew by 150% in a decade, while RV is of the opinion that the idea became consolidated because there was truth in it. RV adds that the novelty of the BRICS

16 Brics em estudo, LEITÃO, Miriam. *O Globo*, February 24, 2012.

17 Director of the Institute of International Relations of PUC-Rio and member of the Brics Studies Center of the same University.

18 Brics Institute and partner of the The Jai Group consultants.

is that for the first time a bloc is formed without geographic contiguity and that Brazil, Russia, India and China maintain great coherence among themselves: large territorial extension, two of them (India and China) have large markets and two possess extensive natural resources (Russia and Brazil). (My comment is that he forgets the rapid growth of the Brazilian internal market in the last decade).

ML goes on saying that today one speaks of South Africa as a member of this group of countries with great growth potential and strategic power (my comment: the presence of South Africa in the BRICS is of great interest to Brazil, who has an organized African policy and the vocation to become increasingly more relevant). ML adds that in conversation the two economists expressed doubts about the inclusion of other countries in the BRICS.

According to ML, the economic commitments of Mexico in the context of economic relations with the United States are so strong that they would harm its action within the BRICS and Korea is today a developed country but with a small territory and divided into two parts. There are other possibilities in terms of subgroups and new country arrangements, depending on the issue and the occasion.

The central point of the interview, however, was probably the common perception that the new concept represents the change in the structure of world power.

JPN asserts that these countries' mark is to be dynamic poles with above average growth and a common vision that the international order must be more equitable.

The World Bank has just finished a study about China in 2030 (my comment: with the participation and patronage of Chinese economic authorities) in which there is a warning about the need

for the country to make important structural changes in order to introduce more economic freedom to increase competitiveness. JPN says that the Chinese economy is becoming more flexible with more power to the private sector.

RV recalls that the lack of political freedom is a limiting factor for China, whose businesses are watched more carefully than their Indian or Brazilian counterparts.

Asked about the old problem of Brazilian de-industrialization provoked in part by Chinese competition, JPN stresses that Brazil should take care of other factors that reduce the competitiveness of the economy: a study from the Economist Intelligence Unit says that labor productivity in Brazil is the lowest among the BRICS.

RV suggests that the Brazilian private sector could be more aggressive in other countries and that it should aim at competing with the big countries of the world, as India and China do: "Brazilian entrepreneurs tell me what the government could do to improve the climate for business. Of course the government can do a lot, but companies could also do something... there is lack of competition in Brazil. Two or three companies control each sector".

RV believes that Brazilian companies may be losing a good opportunity to participate in the urbanization in China and India. Brazil has 90% (my comment: this percentage seems exaggerated) of urbanization, India 30% and China 50%. There are opportunities for Brazil in this process. JPN agrees and informs that there are several meetings and studies scheduled for the near future about large cities and urbanization, such as the Forum on Large Cities of the BRICS.

ML asks the Indian economist about two Indian weaknesses: women education and regional conflicts. In India, almost half of the women are illiterate (300 million). RV defends the government's position and says that the figure has fallen in the younger strata

of the population. Among rich women there is already a high level of education and many hold prominent positions in business.

About India's neighbors, ML recalls that trade with Pakistan is only US$ 3 billion, because of regional conflict, and they import only 0.5% of their needs from South Asia countries.

Merval Pereira (MP)[19] asks a significant number of experts what the comparative advantage of Brazil within the BRICS would be. Respondents are journalist Paulo Sotero (PS),[20] sociologists and political scientists Amaury de Souza (AS)[21] and Cândido Mendes (CM),[22] sociologist Simon Schwartzman (SS)[23] and economist Paulo Vieira da Costa (PVC).[24]

PS replies that the main advantage is perhaps that, unlike China, India and Russia, the Brazilian international rise does not represent a threat to anyone: "... the expansion of Brazilian international space has not been a factor for the increase of tension. On the contrary, Brazilian international actions, even when they misstep, have had the opposite effect and strengthened the stabilizing role of the country in South America and the Caribbean, as verified by the experience in Haiti. *Ceteris Paribus*, PS believes that the asymmetries between Brazil and its neighbors "may become a source of future problems". At the same time, he points out, it must be taken into account that "a democratic, stable and prosperous Brazil is beneficial to the region and the international community".

19 (Des)Vantagens comparativas, in: *O Globo,* May 17, 2009.
20 Director of the Brazil Institute, Woodrow Wilson International Center for Scholars in Washington D.C.
21 MCM Consultants.
22 Rector of Candido Mendes University.
23 Institute of Labor and Society Studies (ITS).
24 Former Director of the Central Bank.

For AS it would be better to indicate straight away "our relative disadvantages vis-à-vis the other emerging countries, stressing the minimal participation in international trade and mediocre rates of economic growth". According to his analysis, our similarity with the other BRICS "lies on possessing large territories and populations, ensuring ample domestic markets". It is also a plus for Brazil the fact that we are, in his opinion, "socially and culturally the most Western within the emerging countries. And the good relationship of Brazil with its neighbors provokes a strong contrast with the other BRICS, which are surrounded by threats in their respective regions".

CM highlights the BRICS characteristic that they did not originate in a common policy "but rather to escape the logic of globalization as foreseen before the crisis of the capitalistic economic model".

CM believes that "the awareness of this new international prominence detaches us once and for all from Latin America. This is what the American government has just recognized". (My comment: it is worth to recall that since Nixon, Washington has been seeking to dissociate Brazil from its neighbors. The benefits that could derive from this policy are very doubtful).

CM asserts that our main comparative advantage with the other emerging countries "comes from the absolute democratic comparison of our development. To this should be added the play of the counterweights among the three powers, respect to human rights and above all to the rule of law, besides obedience to the rules of the game beyond interventionist temptations…". Among the BRICS, the "we share the emphasis on democracy only informally with India".

Even if the BRICS do not make up a group, CM believes that they may together oppose hegemonic globalization. Above all, he

stresses, "in terms of the total control of this process that China does not abandon and Brazil presents the richest examples of understanding change".

SS, who has a critical view about the Lula government, believes that the international importance of Brazil "has less to do with political articulations (...) than with the facts regarding the size of the economy and its stability, very different, in general terms, from the voluntarism and spirit of adventure of governments in neighboring countries".

For SS, besides the economic importance, Brazil can do much by "participating in a serious and responsible way" in different international institutions and organizations and by strengthening the exchange and cooperation programs and activities with other countries". He sees good examples, "among which the action of the military in Haiti", but considers that "Brazil still has much to do in order to make its presence and international prestige may correspond to the dimensions of its economy (...)".

PVC believes that one of the problems of Brazil is that Latin America is still seen as "the backyard of the United States". He makes the distinction that "China is a power in its area; India continues its covert war with Pakistan and the Asian region is so full of problems that its strategic presence is recognized as fundamental for everyone; Russia is still playing its "nuclear power card" but is clearly the most decadent among the BRICS". Brazil is strategically important due to its relations with Venezuela, Bolivia, Ecuador and now Paraguay, which of course is relevant for the State Department of the United States but not much more than that. For PVC, "MERCOSUR failed".

Clóvis Rossi (CR)[25] discusses mainly the proposal of creation of a kind of BNDES for the group. He makes a point to clarify that the BRICS is not a group that coordinates its actions and policies (my comment: that is, he treats the group as if it were fully mature).

He ventures to say that "its leaders would never communicate directly in case of an immediate decision", He mentions that among his sources there are some experienced Brazilian diplomats. He criticizes the "lack of coordination". CR gives the following examples: on the Syrian crisis, India and South Africa supported the resolution condemning dictator Bashar al-Assad which was vetoed by the other two members of the UNSC (Russia and China). Brazil was not a member of the Council at that time, but supported India and South Africa.

CR mentions an article by Oliver Stuenkel[26] that explains the lack of coordination: "While Brazil, India and South Africa press for a significant redistribution of institutional power, China and Russia are *status quo* powers that hesitate to change a system that served them well during the last few decades".

Besides these points, CR is sensitive to the use of national currencies, "the beginning of a gradual change for a more diversified international monetary system, in which the international status of the *yuan* would reflect more appropriately the underlying economic power of China",[27] as well as to the creation of a development bank by the group, an issue still under discussion. In sum, for CR the BRICS are indeed gaining ground in the world, but each one by itself. Coordination among them is only crawling.

25 ROSSI, Clóvis – BRICS: gigantes de passos miúdos.

26 Professor of International Relations at the Getulio Vargas Foundation.

27 As Daniel McDowell, from the University of Virginia, has written.

In another story written during the New Delhi Summit, CR[28] comes to the conclusion that "although individually powerful, the five countries, as a group, have not yet left the conceptual stage", and affirms that BRICS is a strong brand but risks wearing out if it does not add content. As the source of the last evaluation he mentions one of the most experienced and competent Brazilian diplomats involved in the negotiations, who does not want to have his name published.

CR comes back to the theme of the creation of the BRICS development bank. He shows impatience with the usual process of putting together a new international financial organism: the creation of a working group to study the new bank (my comment: this, however, is part of the treatment of such a serious question) which will again bring the question to the forthcoming 2013 Summit in South Africa. In this connection he mentions Jacob Zuma, President of South Africa, who said to Dilma Rousseff: "It will be a vital financing instrument, especially for Africa".

CR informs that Jagannath Panda[29] believes that "little action was collectively adopted by the BRICS due to lack of consensus". For CR, the BRICS "are still at the conceptual stage". Still on the economic terrain, he mentions a concept that is around since 2008 (my comment: that is, before the first Summit, when the BRICS were not yet politically aware): the idea of stimulating trade in local currency has not yet become a reality. "Everyone speaks of trade in local currency, but all continue to use the dollar", as a Brazilian official is said to have observed to him (my comment: it would not be realist to expect that the idea of a BRICS development bank could materialize in such a short span).

28 ROSSI, Clóvis – BRICS: marca à procura de conteúdo.

29 Researcher at the Institute of Defense and Security Affairs of India.

CR notes that BRICS is nevertheless a strong brand: in 2011 its members represented 25% of global economy (according to the parity purchasing power of national currencies), 30% of the land area of the planet, 45% of global population and grew 4.2 times in the last ten years, while the rich world grew only 61%.

In any case, he goes on, these figures must be seen in perspective. A large part of the strength of the BRICS comes from China. For example, the IMF figures that in the current year the BRICS will contribute with 56% of the growth of the global economy. However, 50% of said amount will come from China and India. Another example is that trade among the five countries surpassed US$ 250 billion in 2011, but US$ 200 billion are generated by China alone in its exchanges with the partners.

CR concludes that even discarding the pros and cons, the five countries are still attached to the BRICS brand, which may not yield concrete actions but is not harmful to the image of any of them. The bottom line, as another Brazilian diplomat said, is that "The five are already individually indispensable in the discussion of any global issue but become essential if they coordinate". The current question is whether the five can in fact coordinate their actions or whether the priorities of each one prevent relevant joint action.

Mauro Santayana (MS), a Brazilian journalist, expressed himself about the action of the press with stronger words, criticizing the effort of the Western media to deconstruct the image of a geopolitical alliance that brings together four of the largest countries on the planet in terms of territory, natural resources and population, and that will change the balance of power in the world in the 21st century.

Such a journalistic strategy – with the relative exception of the media specialized in economics – will simply ignore the

meeting in order to reduce its importance or spread doubts about the unity of the chief emerging countries, attempting to highlight their differences instead of acknowledging what is really relevant: the common policy of the BRICS in opposition to the neo-colonial posture of Europe and the United States, increasingly unstable and in the throes of a clear process of economic, diplomatic and social decadence.

The author rejects all arguments of "distancing" among Brazil, South Africa, Russia, India and China: the fact that South Africa, Brazil and India are full democracies and China and Russia are not, "according to the elastic Western criteria", the competition of Russia, China and India in the Asian space.

He also rejects the labels of "commodity-exporting countries" (Russia and Brazil), "services providers" (India) and "factories of the world" (China) because if such situations were true, these countries would not be able to serve as the base for an inter-complementary alliance. This would ignore the fact that Brazil and India are already producers of manufactures, including advanced industrial products such as airplanes.

A possible alliance of the BRICS, which possess one third of the territory and one fourth of the world GDP, as well as almost half of human population, will not be politically and militarily consolidated overnight. It is also clear that the question is not whether the BRICS will form a heterogeneous quintet of nations with no relationship with one another. Brazil, Russia, India and China are countries that value their sovereignty.

In MS's opinion, the future of mankind in the 21st century depends increasingly on the emergence of a multipolar world. And this is what is at stake at each new Summit such as the one in New Delhi, whether the European and American commentators like it or not.

Indian journalist Prem Shankar Jha[30]

Prem Shankar Jha brings interesting ideas and stresses the political progress obtained at the IV Summit meeting of the BRICS, held precisely in the Indian capital. For the author, the challenge of the BRICS to American power was built along a period of time. In his article he directly opposes Walter Ladiga, mentioned above, who denied the existence of a regional or commercial justification for the BRICS, since all of its members keep a priority relationship with the West.

Due to the conceptual shortcomings of Western foreign policy, the task of elaborating a Plan B was dropped on the lap of the BRICS. Both the 2008 financial crisis and the worldwide recession that started in 2009 were the result of the bad capitalist government which was dominant while one country after another made efforts to deregulate national and international markets in the name of economic freedom and productivity.

The first demands of the BRICS, still in June 2009, were related to the reform of the international financial institutions, the re-structuring of the financial system, energy security, climate change and commerce. The tone was cooperative: the objective was "to expand the strategic consensus, consolidate mutual confidence, coordinate to confront the crisis" and draw a plan for the future development of the international economic system.

However, as the financial chaos became dominant and spread to international politics, the BRICS were compelled to expand their agenda and improve their declarations. During the III Summit, in April 2011, their action became more explicitly political, when they expressed "deep concern with the turbulence in the Middle East" and promised "to continue cooperation on Libya at the Security Council". At the same time it became clear in the Libyan episode that the forcible removal of an authoritarian regime is not

a painless way toward freedom, democracy and peace, and may lead to a power vacuum.

The Delhi Declaration expresses the political challenge in several paragraphs, namely:

1. It criticizes the monetary management in Europe – and in the United States – which created unredeemable national debts and excess international liquidity besides aggravating the global recession;
2. It criticizes the West's political ineptitude with regard to the Middle East. It reminded the United States and the European Union that peace will not be reached without "a comprehensive and lasting solution of the Arab-Israeli conflict";
3. It unequivocally reaffirms the respect to sovereignty, independence and territorial integrity of all States. With regard to Syria, the BRICS specifically expressed "deep concern of the attack on sovereignty", called for "an immediate cease-fire" and supported the six-point plan then put forth by former UN Secretary General Kofi Annan: end of the hostilities and establishment of "a political process led by Syrians" in order to create "a new environment for peace";
4. "The situation in Iran", the text goes on saying, "should not degenerate into conflict. The right of Iran to the peaceful use of nuclear energy is in accordance with its international commitments and support is given to the solution of divergences through political and diplomatic means and to dialogue among the parties, including between the IAEA and Iran, and in conformity with the decisions of the Security Council".

The Indian journalist interprets the paragraphs on Syria and Iran as constituting an unequivocal rejection of the doctrine of "peace through preemptive attack" adopted by the George W,

Bush Administration following September 11. Since then, its reiterated application has been justified not only by the fight against terrorism but also by the defense of human rights, the promotion of democracy and the exercise of the "responsibility to protect". There has been systematic violation of the fundamental principles of Article 2 of the Charter of the United Nations. The Delhi Declaration is a reaffirmation of the continuing validity of the principles enshrined in the Charter of the United Nations.

The two concrete economic initiatives sketched by the BRICS in New Delhi (that is, the development of a system of international payments without the use of the dollar and the creation of an alternative international bank) also have, in his opinion, the political objective of liberating countries from the international banking system dominated by the West.

Until now, he observes, there has been practically no Western response to the Delhi Declaration. However, renowned economists such as Nobel Prize Laureate Joseph Stiglitz commended the idea of a BRICS bank with the sarcastic observation that this institution "could play a strong role to re-balance the world economy by channeling the money painstakingly saved by emerging markets and developing countries for more productive aims than the financing of bubbles in the real estate markets of the rich countries".



Russia on BRICS:
expectations and reality

Fyodor Lukyanov

Academic and chief editor of the magazine *Russia in Global Affairs* since 2002. Graduated in International Relations in 1991 from the State University in Moscow. Also graduated in Germanic languages. Columnist on international affairs at several communication media, such as *The Moscow Times* and the Russian edition of *Forbes Magazine*. Member of the Executive Committee of the Council on External Policy and Defense, an independent organization that provides expertise on foreign policy issues. Member of the Presidential Council on Human Rights and member of the council of experts of the news agency *RIA Novosti*.

The history of world politics provides various examples of how international institutions emerged and developed, but BRIC/BRICS has no analogues. The witty acronym coined by a Goldman Sachs employee, Jim O'Neill, for commercial interests – namely, to draw clients' attention to emerging markets – took on life of its own. As Russian political analyst Vyacheslav Nikonov put it, BRICS has become a "self-fulfilling prophecy". "The BRICs emerged as a virtual reality – as a list of fast-developing economies, little related to each other. However, as the saying goes, all which is named exists. As time went by, the BRICs began to transform into a political reality."[1]

Vladimir Putin's keynote article on foreign policy, published on the eve of the March 2012 presidential election, made special mention of BRICS:

> *We will continue to prioritize our cooperation with our BRICS partners. That unique structure, created in 2006, is a striking symbol of the transition from a unipolar world to a more just world order. BRICS brings together five countries with a population of almost three billion people, the largest emerging economies, colossal labor and natural resources and huge domestic markets. With the addition of South Africa, BRICS acquired a truly global format, and it now accounts for more than 25% of world GDP. We*

11 NIKONOV, Vyacheslav. "The BRICs: A Self-Fulfilling Prophecy". <http://www.izvestia.ru/comment/article3123407> (in Russian).

> *are still getting used to working together in this format. In particular, we have to coordinate better on foreign policy matters and work together more closely at the UN. But when BRICS is really up and running, its impact on the world economy and politics will be considerable.*[22]

Since the acronym was coined (it was first mentioned in 2001 and became a part of the international lexicon in 2003 after the publication of the Goldman Sachs report "Dreaming with BRICs: The Path to 2050"), much has been said to the effect that this format is an artificial fiction, which by definition has no future. After the global financial crisis, which demonstrated gaps in economic development among the BRIC countries, this view has gained more supporters. In addition, the argument in support of BRIC stating that this association complements or is even an alternative to G8 has ceased to exist with the emergence of G20.

Most of the criticism was directed at Russia. "What on Earth is Russia doing on the list of top emerging economies?" economist Anders Åslund asked in an article with an expressive title, "Take the R out of BRIC". The author says:

> *The country's economic performance has plummeted to such a dismal level that one must ask whether it is entitled to have any say at all on the global economy, compared with the other, more functional members of its cohort. [...] If Russia is indeed falling out of BRIC, it is because that country's crisis is not financial but systemic.*[33]

Joseph S. Nye acknowledged that BRIC makes sense only "as an indicator of economic opportunity... though it would make

2 PUTIN, Vladimir, *Russia and changing world,* <http://en.rian.ru/analysis/20120227/171547818.html>.

3 ÅSLUND, Anders. "Take the R Out of BRIC". *Foreign Policy,* December 2, 2009, <http://www.foreignpolicy.com/articles/2009/12/02/kick_russia_out_of_bric?page=full>.

more sense if Indonesia replaced Russia."[4] After the term BRIC was coined, many other acronyms emerged, which, in the opinion of their authors, more adequately reflected the configuration of the fast-growing world. Besides Indonesia, various countries were named candidates for leadership in the future world, ranging from South Africa and South Korea to Mexico, Turkey and Iran. However, none of these acronyms, except BRICS, have become ingrained in the political vocabulary.

Nouriel Roubini believed that BRICS is an economically senseless association and that it only still exists because of Russia's anti-American ambitions:

> *"Catchy ideas die hard, and Russia has moved to cement the current concept of the BRIC into an irreversible reality… The first 'BRIC Summit' (in Russia, of course)… produced a notable broadside against the United States, as each member declared its desire to unseat the dollar as the global reserve currency."*[5]

Vyacheslav Nikonov points out that "the rise of the BRICs worries Western capitals, no matter what they may say otherwise".[6] Indeed, the number of publications in the West seeking to prove that the very idea of BRICS is untenable markedly increased when interaction among the BRICS countries began to take shape. In 2006, the BRIC foreign ministers held their first meeting on the margins of a UN General Assembly meeting, and since then the BRIC/BRICS began to meet regularly at different levels, including two summits in Yekaterinburg (2009), Brasilia (2010), Sanya (2011) and New Delhi (2012).

4 NYE, Joseph S. . "What's in a BRIC?". <http://www.project-syndicate.org/commentary/nye82/English>.
5 ROUBINI, Nouriel. "BRICkbats for the Russian Bear". <http://www.theglobeandmail.com/news/opinions/brickbats-for-the-russian-bear/article1327226>.
6 NIKONOV, op. cit.

There is truth in many skeptical statements. The initial principle of "growing markets," according to which Goldman Sachs invented the term BRIC a decade ago, is no longer applicable. Russia is obviously lagging behind other members of the group. It is no surprise that the media often refer to "post-BRIC Russia," a term coined by experts of the European Council on International Affairs to capture Russia's stagnation and decline.

However, while finding numerous divergences between the five countries' views, interests and plans, the critics overlook the main thing – the BRICS countries themselves are obviously interested in developing this format, because they see a potential in it that no other association or forum has. There are objective reasons why BRICS evokes growing interest.

First of all, there is no sense now in viewing BRICS in the economic context.

> *If we view BRICS from an economic angle, as this was done in Goldman Sachs' original concept, then Russia would be the first candidate for dropping out of BRICS. However, geopolitical benefits of institutionalizing BRICS may bring considerable political dividends for Russia… The Russian leadership apparently hopes to convert its presence in BRICS into more weight for itself both in the G8 and the G20. Taking a position of 'mediator' between the G8 and BRICS may let Russia remain in both informal clubs and, possibly, use this position in the dialogue with developed countries with a view to transforming international financial institutions to its greatest benefit.* [7]

7 SERGEEV, V., ALEKSEENKOVA, Ye. Perspektivy institunalizatsii BRIC (Perspectives of BRIC's institutionalization), <http://www.mid.ru/brics.nsf/WEBforumBric/C45997ED5B7E4CC4C3257859005A829B>.

BRICS is held together and pushed forward not so much by the requirements of its member-countries as by the general situation in the world. Changes are rapid and unpredictable, and the recipes for resolving international issues offered by the usual leaders (the West) either don't work or produce the opposite effect. There is a demand for alternative solutions, although for the time being not a single state playing a major regional role (and the BRICS countries fall into this category) has the opportunity (or desire) to offer a comprehensive global vision.

All of them, taken together, prefer to keep a low profile because their importance is recognized anyway and they are not willing to shoulder the burden of responsibility (in a way, Russia is an exception because of the global inertia that is winding down). However, the world is becoming increasingly multi-compositional, and non-Western great powers are unwilling to miss a chance to display their common views despite all doubts and differences.

First, there is a widespread feeling that the global institutional architecture does not meet the real processes taking place in the 21st century and that the reform of institutions does not go beyond words. One can find many differences in the positions of these five very different countries, but all of them – for their own and usually different reasons – are not satisfied with the current state of affairs in the world and with their position in it. A multi-polar world order requires different formats than those that served the bipolar world in the Cold War years or during the short period of U.S. dominance at the end of the 20th century. It is not accidental that declarations express doubts about the legitimacy of the existing system.[8]

Second, there is an obvious need for truly new approaches to solving global problems. All the five countries believe that the global

8 See, for example: The 2nd BRIC Summit of Heads of State and Government - Joint Statement - Brasilia, April 15, 2010, <http://eng.news.kremlin.ru/ref_notes/5>.

discourse has been actually monopolized by the West. This factor not only does not meet the economic or even political alignment of forces, but it also impedes the search for fresh solutions, which can be found only in broad discussions. This is not about confrontation with the West and not even always about competition with it, but about creating an alternative discourse that could enrich the Western one or bypass it without directly conflicting with it.

Third, all the five countries feel the limitations of their efforts to increase their own weight and influence in international affairs, while acting solely within the framework of existing institutions. One can say that Brazil, Russia, India, China and South Africa are looking for ways to consolidate their negotiating positions in building the future world order. Politicians, diplomats and experts all emphasize the non-confrontational nature of the association. Moreover, experts underscore the danger of hoping that Russia can rely on BRIC in its confrontation with the West. For example, Russian political analyst Nikolai Zagladin recalls that China, India and Brazil attach great importance to their economic ties with Western countries, particularly the U.S. So there are no grounds for Moscow to count on the BRICs' support in the near future if serious friction develops between Russia and the West.[9]

Multipolarity as a World Order

Russian Foreign Minister, Sergei Lavrov, wrote in 2007, that stability in a multipolar world can be achieved through collective "leadership amongst the world's leading states – in addition to international institutions, most importantly, the United Nations,"

9 Transcript, op. cit.

which "offers ways for solving the governability problem in the contemporary world."[10]

In word, Moscow has supported the concept of a "multipolar world" since the mid-1990's. However, whereas it had largely been an abstract notion before, now it began to obtain practical economic and political contours – but only because there had emerged ambitious countries seeking to become a leader. The global environment, ungovernable and chaotic as one whole entity, began to be structured around centers of economic growth and development, each being a "pole" of economic and, therefore, political attraction. Interaction between these poles, linked by a common tissue of the world economy, is becoming a form of the world system's existence.

The classical understanding of multipolarity is inseparably linked with the idea of the need for a balance of power. The revival of this concept in the mid-1990's was the reaction of the rest of the world, especially major powers, to Washington's attempts to consolidate American leadership/hegemony. Today, this understanding is changing, as the environment itself has changed. The balance of power is a very complex phenomenon, since the definition of "power" has become less certain. Power may be hard, economic, or "soft"; and various states have it in different proportions. While lacking in one form of power, a state may possess other types of power; as a result, the balance of power becomes complex and nonlinear, if it is achievable at all. In addition, the globalizing economy dictates the ever-increasing interdependence of countries, which still further distorts the principles of a possible balance of power. Adding to that, the increasingly integral nature of the world economy is coming

10 LAVROV, Sergei. "The Present and the Future of Global Politics". *Russia in Global Affairs,* no. 2, April-June 2007.

into conflict with the still fragmentary state of world politics, and this fragmentation is only deepening.

Multipolarity is now transformed into a way of structuring the global international system, where the basic constituent parts are no longer individual states as it used to be since the 17th century, but instead conglomerations of mainly economic interests, united around the most powerful centers of attraction and economic growth.

The BRICS format differs from all other acronyms coined according to the same principle (BASIC, BRICET, BRICKETS, BRIMC, etc.) in that all the countries that form BRICS potentially are not just fast-developing countries but the main "poles" of a multipolar world order. And this is why reducing criteria for the existence of this association of states to economic indicators would mean being guided by an erroneous method for analyzing it.

As Dmitry Medvedev wrote on the eve of the 2nd BRIC summit,

> *By strengthening the economic foundation of the multipolar world, the BRIC countries are objectively contributing to creating conditions for strengthening international security… In our view, it is necessary to strengthen collectivist principles in international relations and to establish a just and democratic world order.*[11]

Doubts as to whether Russia, which has never modernized its economy, could be described as a "pole" along with the other BRICS nations would be justified if it were a matter of financial and economic prospects, what the American bankers wrote about. However, BRICS is acquiring a political content, and the reason for that is not only and not so much the desire of the participating

11 MEDVEDEV, Dmitry. "BRIC Countries: Common Goals – Common Actions", <http://eng.kremlin.ru/news/78>.

countries, as the emergence of an objective need for formats that would reflect a more diversified and less Western-centric world order.

> *The global financial-economic architecture was largely created by the West to suit its own needs. And now that we are watching the generally recognized shift of financial-economic power and influence towards new fast-growing economies, such as China, India, Russia and Brazil, the inadequacy of this system to the new realities becomes obvious. In reality, a financial-economic basis is needed that would conform to the polycentricism of the contemporary world. Otherwise, the governability of global development cannot be restored.*[12]

At the same time, BRICS is one of the brightest manifestations of the so-called network diplomacy, which, from Russia's point of view, is a form of international relations of the future.

> *With globalization increasing, there is less demand for sole leadership, and old alliance commitments are being devalued. The present time requires not cumbersome alliances with fixed commitments but flexible interest-based alliances with variable geometry. 'Network diplomacy' is now essential as never before, as it provides flexible forms of participation in multilateral structures," Sergei Lavrov said in an interview in 2006.*[13]

This is also the subject of an article written by the former head of the Foreign Policy Planning Department of the Russian

12 LAVROV, Sergei. "Russia and the World in the 21st Century", *Russia in Global Affairs*, July-September 2008, <http://eng.globalaffairs.ru/number/n_11291>.

13 LAVROV, Sergei. "Network Diplomacy Now in Demand as Never Before", <http://www.izvestia.ru/politic/article3099901/>. (in Russian)

Foreign Ministry, Alexander Kramarenko, in the 2000's – one of the most thoughtful ideologists of Russian foreign policy: "Grounds for bloc policies are gone. The multivariance of states' behavior in the international arena has increased. A polycentric international system is objectively taking shape, in which the state would be guided by national interests free of ideology and by a common understanding of collective interests. This is the basis of a new, self-regulating world order, based on collective efforts of all states and on the supremacy of international law. I would like to emphasize that legality is not a legalistic matter but morality, justice and democracy of international relations".[14] However, no one has ever specified how to combine in practice "national interests free of ideology" and "a common understanding of collective interests" – especially as legality should be interpreted not as "a legalistic matter but morality", which obviously implies different interpretations.

Yet, whatever officials in the BRICS capitals say, the world is a closed international system, so growth of their influence "will obviously cut down the influence of the West, even though relatively."[15] Hence constant fears in the U.S. and the European Union that BRICS may become a prototype of an anti-Western association. However, the discussions about BRIC, now held in Russia, are not anti-Western. Moreover, commentators and analysts emphasize that "such a feature of BRIC's 'philosophical approach' as the inherent non-directedness of this association against other countries is also important to our state."[16]

14 KRAMARENKO, Alexander. "Demand for Collective Leadership", <http://sr.fondedin.ru/new/fullnews.php?subaction=showfull&id=1232713908&archive=1232714081&cnshow=news&start_from=&>.

15 NIKONOV, op. cit.

16 Transcript of a round-table meeting organized by the Moscow State Institute of International Relations of the Russian Foreign Ministry, <http://www.perspektivy.info/oykumena/politika/brik_kak_novaja_koncepcija_mnogovektornoj_diplomatii_2010-03-13.htm>. (in Russian)

In his program article on foreign policy, published a week before the presidential election, Vladimir Putin had positive things to say about cooperation within BRICS, laying emphasis on one particular aspect. The future Russian president sees the unifying factor in the fact that all BRICS countries not only have similar views on the need for a new, multipolar world order, but, most important, share one and the same basic value – national sovereignty as a fundamental structural element of the world system. This concept is an alternative to the Western approach that is based on the premise that today sovereignty is no longer as sacred and immutable as it was in the past.

This view is well-grounded. All BRICS countries enjoy practically full sovereignty. They have broad latitude in their actions, rooted in their material capabilities, and they are not restricted by formal alliances. There are not so many states in this category. European countries, for one, do have an economic foundation but are often much more tied up politically. The question is whether this conceptual community is enough to create a framework that can be filled with economic, geopolitical and ideological content. This process is obviously slow and has no guarantees of success, but the ability of BRICS to develop in the face of universal skepticism gives cause to hope that it will continue to evolve.

By the way, the same pre-election article by Putin on foreign policy emphasizes an interesting feature shared by Russia and the other BRICS countries. Criticizing the West for its interference in Russia's internal affairs by funding various non-governmental organizations, Putin wrote:

> *However, Russia does not use or fund national NGOs based in other countries or any foreign political organizations in the pursuit of its own interests. China, India and Brazil do not do this either. We believe that*

> *any influence on domestic policy and public attitude in other countries must be exerted in the open; in this way, those who wish to be of influence will do so responsibly.*[17]

Each BRICS summit sets off a new round of debates on the essence and the future of this unusual international format. Most Western commentators are skeptical about what they consider an accidental and artificial association. Interest in this five-member group is accompanied by numerous doubts about its future even among its member-countries, particularly India and Brazil. Indeed, it is difficult to find a group of states that are so different in so many different ways. Their cultures, as well as geopolitical and demographic features, are poles apart.

Troubles in getting united

The most common reason for skepticism regarding BRICS is that the countries making up this association are quite different from each other. Therefore, skeptics say, the creation of an alliance based on common values and interests, patterned after NATO or the European Union, is impossible. "China, India, and Russia are competitors for power in Asia, and Brazil and India have been hurt by China's undervalued currency. Thus, BRIC is not likely to become a serious political organization of like-minded states,"[18] Joseph Nye says, for example. It is well-known that there are strained relations between New Delhi and Beijing. Although these relations have somewhat improved over the last two decades, the level of confidence between the two countries remains low, while processes taking place in South Asia and related to the future of Pakistan may increase tensions still further. Relations between Russia and

17 PUTIN, Vladimir. Russia and changing world, <http://en.rian.ru/analysis/20120227/171547818.html>.
18 NYE, Joseph S. , op. cit.

China also have a potential for complications – primarily due to the growing economic imbalance between the two countries.

Russia's recently published "Strategy 2020" says straightforwardly that the rise of China poses the most significant risk for Russia.[19] No statement from Moscow, at least no high-status document, had ever contained such explicit wording. This hardly means a turnaround in policy, but the new tone will not pass unnoticed by China.

Clearly, the five states have a different geography of foreign-policy priorities: these are the Commonwealth of Independent States and Europe for Russia; the Asia-Pacific region for China; South Asia for India; the Western Hemisphere for Brazil, Africa for South Africa. "The need for quadripartite cooperation is not obvious to all, even to the establishment of these countries," Vyacheslav Nikonov admits.[20]

So, the more global and more general issues are put on the BRICS agenda, the higher the chance of coming to agreement, whereas the closer the parties get to specifics, the more friction appears between them. BRICS has not yet realized its potential as an influential international entity. For example, BRICS demonstrated unity on the Libyan issue when it was voted in the UN Security Council in March 2011 but their positions diverged on Syria early this year.

The BRICS countries are divided by even deeper differences that are a source of permanent grievances in some cases. Thus, Brazil, India and South Africa insist on increasing the number of permanent members in the UN Security Council. Its current status has long come into conflict with the alignment of forces in the world arena, and the need for change is universally recognized.

19 <http://2020strategy.ru/documents/32710234.html>.
20 NIKONOV, op. cit.

These three countries consider themselves the best candidates for new permanent members, and few countries oppose this idea. However, whenever this issue moves to the practical plane, the current permanent members of the Security Council start to pretend that this is not their concern and that the issue is very complicated. This is no surprise – there are no precedents in history of countries with exclusive privileges sharing them with others of their own volition. But this attitude impedes the consolidation of BRICS.

The developments in 2011 have repeatedly drawn attention to the problem of global governance, and each time it turned out that neither the traditional institutions, nor new ones, which are just emerging, can cope with the challenges of today. BRICS is one of these new institutions. At a summit in China, the leaders of the member states declared that they are the backbone of global economic and political stability and will strengthen their interaction in this field. However, when the scandal over IMF Managing Director Strauss-Kahn offered them an opportunity to demonstrate this interaction, BRICS fell apart.

Russia, which at the level of rhetoric has always been the main herald of the importance and necessity of BRICS, made an exhibition of itself. At first, Moscow, together with other members of the Commonwealth of Independent States and without consultation with the other BRICS countries, supported a candidate from Kazakhstan. Shortly afterwards, together with its BRICS partners, it spoke out against the tradition of appointing a European as IMF managing director. Finally, at a G8 summit, it found that there was no better candidate than Frenchwoman Christine Lagarde. All that happened within one week. The other BRICS countries showed no solidarity, either. South Africa came up with a candidate of its own, former Finance Minister Trevor Manuel, but the others did not bother to take note of that.

Brazil quietly entered into negotiations with the front-runner candidate about its needs, while India and China hid behind statements about the imperfection of the world order.

In the meantime, it was Russia that had the key to a hypothetical common position of the BRICS. If Moscow had expressed a dissenting opinion at the G8 summit, the other BRICS partners would have had grounds for consolidation, and the pushing through of Lagarde's candidacy by Europe, which in view of its desperate economic situation could not afford missing this key position, would have looked like an outright imposition of its will. But Moscow preferred not to do so in order to not disrupt its European friends' game. As the Hong Kong-based *Asia Times* pointed out, "BRICS will remain a shelter for Russia so long as it stands excluded from a common European home," whatever passionate words Russia may say about the organization[21].

Speaking objectively, BRICS had no chance to prevent the election of Christine Lagarde as IMF managing director; this would have been possible only if the United States had turned its back on the EU. But that would have been a real blow to the foundations of the transatlantic relationship; Washington is not ready for that yet. However, BRICS missed a wonderful chance to assert itself as an independent and influential force (by the way, Moscow's concession is strange, because five years ago, when Strauss-Kahn was nominated for IMF managing director, Russia took a principled position and proposed a different candidate. And, as it has turned out now, it was right).

21 BHADRAKUMAR, M. K., France BRICS up emerging economies. <http://www.atimes.com/atimes/Global_Economy/MF01Dj07.html>.

Ideology and Potentialities

Skeptics overlook one important detail. Reasoning is true if we view BRICS as a traditional alliance. However, considering that the main characteristic feature of the current state of the international system is its transitional nature, the diversity of BRICS should also be viewed from another angle. The main trait of the 21st century is a rapid complication of the world, which requires new and creative approaches. These approaches can only be found if one takes into account the different horizons of the participants in international relations. Paradoxically, the meaning of BRICS is that the components of this acronym are in no way alike. It is like a miniature model of the world. Major cultural and religious communities are represented in it – Christianity (both main branches), Buddhism, Islam (India has the second largest Moslem population in the world) and Confucianism. It represents a palette of various types of social and political systems, ranging from several variants of democracy to a rigid centralized system. The economic orientation of the five countries is diverse – they include exporters of raw materials, goods and services, and their consumers. Finally, each of these countries has been strongly affected by some or all of the most painful challenges of our time – terrorism, separatism, religious extremism, climate change, drug trafficking, etc.

In other words, there is no other such a representative format in the world that could serve as a platform for working out truly global approaches to international problems.

The world where usual international structures are undergoing a deep crisis, because they cannot adapt to changing circumstances, requires a creative approach to institutions and forms of coordinating interests. BRICS is an interesting attempt to move beyond traditional barriers and look at the world's development

through another prism, which corresponds more to the reality of the 21st century. But, of course, it is difficult to imagine that this dialogue format will evolve into a rigid organization – the interests and horizons of its member countries differ too much for that.

As regards regional problems, BRICS certainly cannot be a platform for their solution; however, their presence will not impede the development of cooperation in this format – strangely enough, it is in this organization that problems are of no crucial importance. Even though the BRICS nations may have disagreements, sometimes very sharp ones, over regional issues, their approaches to global issues actually coincide. This concerns, above all, the principles of the world order.

> *We must forge a more representative and transparent system of global governance that can both inspire unity of purpose and revitalize the collective will to seek consensual solutions. In this journey towards a new world, the BRIC countries are committed to working together to fulfill our responsibilities.*[22]

Russian scholar Nikolai Kosolapov points out an interesting factor that unites the BRICS in their attitude towards the West. According to Kosolapov, apart from their hypothetical future power, another common feature of the BRICS countries is their present vulnerability, as each of them is facing serious development problems of their own. The fact that all the five countries have seized on their collective designation, which is technical in essence but alien to them in origin, is indicative of two things, at least: first, a serious and deep crisis of the socio-historical and, largely, politico-ideological identity in each country; and second, the reality

22 SILVA, Luiz Inácio Lula da . "The BRIC Countries Come Into Their Own as Global Players", <http://www.huffingtonpost.com/luiz-inacio-lula-da-silva/the-bric-countries-come-i_b_539541.html>.

of a temptation for the political and social elites of the five nations to be carried away by sweet yet uncertain economic prospects.

Kosolapov also discusses a possible ideological paradigm of BRICS. The period from 1979-2009 saw a global crisis of socialist ideas and a left alternative, and a global offensive of political reaction and clericalism. However, the task of ensuring the countries' growth and sustainable development in the world is social-reformist in content, if not social-democratic, Kosolapov believes. It cannot be accomplished in the context of orthodoxy and fundamentalism, ideological or religious. Its solution, however possible, will require constructive political interaction between left thought and conservatism (not reaction!). An expansion of this aggregate part of the global political spectrum would limit the field for and risks of ultra-right and ultra-left extremism. Initiatives for the revival and strengthening of the appropriate ideological and political environment in the world could be one of the BRICS goals.[23] It should be said, though, that today's Russia at least fits into the framework of the revival of international left-socialist discourse, as it is, perhaps, the most capitalistic and individualist-minded country in the world. However, trends in Russia's internal development may change as the neo-liberal and state-monopoly models exhaust their resources.

The Russian expert community's views on BRICS are well summarized in a 2011 review of several reports. "It is clear to everyone studying BRICS in one way or another that this global structure is now facing a difficult choice: either to become firmly established in the system of power now, or to stake on *delayed influence*. The first option may help BRICS partially adapt the existing rules to their interests. After that, it is to be supposed, the historical mission of this structure will be fulfilled and there

23 Transcript, op. cit.

will be no more need for it. The other option should not be dismissed, either, 'if the U.S. does not agree to a more pluralistic and multipolar world and if it continues losing its leadership, or if isolationist tendencies prevail in the U.S. and if a power vacuum emerges in the world after this country withdraws from global politics'. This wording reveals Russia's dual attitude towards BRICS, based on its status of a nuclear power and a permanent member of the UN Security Council, a kind of *non-West* and *non-East*, which is most graphically manifest against the background of hopes, still alive among part of the Russian ruling elite, for a full-fledged alliance with the United States and integration into *the collective West* (and then goodbye to the unloved BRICS!). This is an illustration of 'dissonance between political ambitions and economic possibilities' in Russia.

> *No one knows what prospects await BRICS under the second, delayed scenario, but it is already clear that this option is more desirable for the expert community, which almost unanimously warns the association's leaders against its further bureaucratization, politicization and formalization and against its turning into just another organization like all the rest. The majority of experts also oppose an unjustified enlargement of the existing format through admitting new rising countries (but not civilizations countries!). This would certainly erode the civilizational message with which many people today associate the possibility of radical (not palliative) changes in the global economy and politics. But let's be realists. If the dawn of a new era in world affairs ever breaks, this will happen only after Goldman Sachs' forecast concerning BRICS finally comes true, that is, after BRICS makes it to the top of the world rankings, sidelining the traditional*

heavyweights. In the meantime, let's arm ourselves with patience.[24]

Specific Interests of Russia

According to the Foreign-Policy Concept of the Russian Federation, adopted on July 12, 2008, Russia strives towards the establishment of "a self-regulating international system, an effort that requires collective leadership by the leading States" of the world. It "should be representative in geographical and civilizational terms and fully respect the central and coordinating role of the UN." To this end, Russia "will make itself more fully engaged in such formats as the Group of Eight and its dialogue with its traditional partners, the Troika (Russia, India and China) and the BRIC Four (Brazil, Russia, India and China), as well as by more actively using other informal structures and venues for dialogue."[25] A similar wording, in a more concise form and with a reference to the Group of Twenty, is contained in the National Security Strategy of the Russian Federation for the Period until 2020, adopted on May 12, 2009.[26]

However, apart from the common views on the world order that unite Russia and the other BRICS countries, Moscow has specific interests that can be achieved precisely owing to its participation in the BRICS format. This concerns, above all, the development of a new approach to foreign policy to replace what can be described as a post-Soviet approach, or rather a continuation of the Soviet one.

24 MARTYNOV, Boris, "BRICS: Dawn of a New Era, or Business as Usual?", <http://www.mid.ru/brics.nsf/WEBforumBric/D86C86CD1267BCA744257936001EA789>. (in Russian)

25 The Foreign Policy Concept of the Russian Federation, <http://archive.kremlin.ru/text/docs/2008/07/204108.shtml>. (in Russian)

26 The National Security Strategy of the Russian Federation for the Period until 2020, <http://www.scrf.gov.ru/documents/99.html>. (in Russian)

Soviet foreign policy, global in form, was always Western-centric in essence. Moscow viewed the other parts of the world, including those that were very important to it – the Middle East, the Far East, Africa and Latin America – through the prism of its relations with Western countries, primarily the United States. In the post-Soviet period, Russian politics lost much of its global dimension but retained its Western-centrism. Whereas in the era of ideological confrontation the West was the center of repulsion, the confrontation with which served as a system-forming factor of the entire foreign policy, after the Soviet Union's break-up the West became a center of attraction. Russia's desire to join the ranks of "civilized nations" was behind its high foreign-policy activity from the early 1990's to the mid-2000's, that is, from the early Yeltsin to the late Putin years. Of course, Russia's views on the terms on which it was ready to become part of the "Western world" changed during this period, but the goal itself never changed. This factor had an impact on Moscow's relations with the rest of the world.

As Russian scholar Alexander Lukin pointed out,

> *Even though the concept of multipolarity was specified in the official documents... the practical foreign policy steps did not go beyond the traditional Russian-Western post-Soviet paradigm, while relations with other partners (China, Iran, the Middle East) would often be viewed as a lever for putting pressure on the West or as a mechanism for influencing it. These regions were not viewed as actors having significance per se.*[27]

In the second half of the 2000's, the situation began to change. On the one hand, it became clear what stood in the way of

27 LUKIN, Alexander . "From a Post-Soviet to a Russian Foreign Policy", *Russia in Global Affairs*, no. 4, October-December 2008, <http://eng.globalaffairs.ru/number/n_11886>.

rapprochement between Russia and the West. Even in the period of its maximum weakness – the mid- and late 1990's – Moscow was not ready for integration into Western structures on the same terms as everyone else and as a subordinate party. Russia's mentality, history and objective parameters (size, geographical location, huge nuclear arsenal and vast reserves of mineral resources) did not allow this country to give up its great power status. On the other hand, the shifting of the center of global development to the non-Western world, above all to Asia, made Russia's orientation towards the West alone inadequate both economically and politically.

As Russian analyst Alexei Bogaturov wrote, "Another concept has ripened in Moscow: the national interests of Russia in the sphere of foreign policy are not reduced only to rapprochement with the West. Russia has an international program of its own, and it will be implemented – in cooperation with the West or, otherwise, completely independently."[28]

The BRIC idea turned up just in time. It was difficult to find a more convenient format for, first, adjusting the general vector of Russia's foreign policy in favor of non-Western orientation; second, for reminding the world that this country has a global horizon, which was reduced to a regional scale after the Soviet Union's break-up; and, third, for emphasizing Russia's commonality with states that are leaders in the rates and quality of economic growth. "The advancement by Russia of the BRIC format in recent years, where the parties discuss the agendas of the UN Security Council and the G8, apparently reflects this transition by Moscow to fundamentally new positions in its foreign policy."[29]

28 BOGATUROV, Alexei. "A Peaceful Divorce, or a Partnership Delayed. Which Path will Medvedev Take?", <http://www.ng.ru/courier/2009-09-07/9_Medvedev.html>.

29 SAFRANCHUK, Ivan . "Traveling in Different Boats" /*Russia in Global Affairs,* no. 4, October-December 2008, <http://eng.globalaffairs.ru/number/n_11888>.

At the same time, Russia's position in BRICS is most specific and ambivalent. Commenting on the second BRIC summit in Brasilia, Li Yang, vice president of the Chinese Academy of Social Sciences, said: "BRIC countries should and can reinforce and expand cooperation, because we are all developing countries and share the common historical tasks and interests."[30] Whereas this certainly holds true for the other three states, Russia has never considered itself a developing country – and, actually, it is not. For centuries, Russia developed as a European empire, though in its own peculiar way, and now it has for the first time found itself in a situation where the historically habitual development model does not work.

Brazil, India and China have for several decades now been gradually rising, seeking to overcome (all in their different ways) poverty and backwardness. At the same time, Russia experienced an unprecedented decline 20 years ago, after which it began to rise but has never returned to a stable growth trajectory. Even during the first few years after the Soviet Union's collapse, Russia did not fall to the level of a third world country. It should be said, though, that the problems faced by Russia were entirely different than those that the other BRICS countries still address, even though these countries may be ahead of Russia in economic growth rates.

Russia's lagging behind in economic growth adds another dimension to its approach to BRICS – the promotion of modernization. In his policy speech to Russian diplomats in July 2010, Dmitry Medvedev said: "It is imperative to continue our policy of strengthening multilateral contacts and promoting new investments. Excellent opportunities exist in this area within

30 JIDONG, Dong and YANG, Ai. "BRIC Has Growing World Influence", <http://www.chinadaily.com.cn/china/2010-04/16/content_9737299.htm>.

our BRIC group partnership and ties."[31] The fact that the BRICs were mentioned in the context of the creation of "modernization alliances" with the leading countries of the world – now the top priority of Russian foreign policy – is very symbolic. It also attests to the diversification of Russia's views on the world – formerly, Europe and the U.S. were traditional sources of modernization impulses for Moscow.

However, as U.S. scholar Thomas Graham pointed out, "For the first time in the modern era, Russia is now totally surrounded (beyond the former Soviet space) by countries and regions that are more dynamic – politically, economically or demographically – than it is."[32] This factor creates an absolutely new situation for Russia, both advantageous and dangerous. One of the dangers for Russia is finding itself lagging behind not only the West, which is habitual for the Russian mentality, but also the East, which Russia always used to look at with interest yet in a somewhat patronizing manner.

This problem is particularly manifest with regard to China. The present political relations between the two countries, probably the best in history, are marred by the growing economic imbalance in favor of China – and not only in bilateral relations. The general growth of Beijing's weight in the world evokes fears in Russia about the future nature of its relations with China.

Prominent foreign-policy analyst Sergei Karaganov noted that "the availability of the Chinese alternative strengthens Russia's positions in bargaining with the West. Yet it also increases the chances – if the existing vector of social and economic

31 MEDVEDEV, Dmitry. Speech at meeting with Russian ambassadors and permanent representatives in international organizations, <http://eng.kremlin.ru/transcripts/610>.

32 GRAHAM, Thomas. "The Sources of Russia's Insecurity", *Survival*. Vol. 52, no. 1. February-March 2010, pp. 55-74.

development persists – of sliding past the status of a 'respected younger brother' and turning into an outright raw material and energy appendage of Great China. This will add to the unenviable role of a powerful but weakening energy appendage of feeble Europe. In the final run, a scenario of this kind is fraught with weakening of the country's sovereignty."[33]

Russian diplomats do not deny that Moscow's desire to develop relations with the largest possible number of organizations in Central Asia, the Asia-Pacific region and worldwide is aimed, in particular, at finding various ways to balance the influence of Beijing. Here, too, one can speak of Moscow's attempts to prevent the domination of one of its strongest partners by means of "network diplomacy".

The rise of China creates a profoundly new geopolitical and geo-economic situation for Russia. Beyond obvious changes which should be addressed, like the uncertain future of Russian Far East or the risk of becoming a resource appendage to China there is a bigger dilemma. How will Russia, which is a country European by nature, culture and history, but mainly placed in Asia (three quarter of territory), feel in a new world, where Asia is growing and Europe shrinking? The Asian challenge will change Russia's view of the world and force it to reevaluate its traditional – and now largely anachronistic – focus on the West. However, Russia's position in Asia depends on the stability of its relations with the West. Russia must strike the right balance to prosper in the 21st century. And this process, the most important one, will define the Russian stance everywhere, including BRICS, for years to come.

33 KARAGANOV, Sergei. "The Past Year and the upcoming decade", <http://karaganov.ru/en/publications/99>.

The Future of BRICS

There are different opinions regarding BRICS prospects in Russia. Although diplomats are generally positive about the BRIC idea, they cautiously avoid speaking about the institutional strengthening of this organization. "For professional diplomats, BRIC [...] is a dialogue mechanism based on realistic conservatism. BRIC is not an organization but a pragmatic attempt to pool the potentials of four countries in order to work out a political alternative and to increase their own weight in international affairs. [...] Without an organizational structure, BRIC is flexible and positively competitive. This is a challenge to Russia. The BRIC composition may vary. The current agreement on the non-expansion of BRIC will remain in force for as long as the present format of the dialogue is useful and advantageous to its participants, especially those who show the highest rates of economic development."[34]

Experts are more resolute. "It would be very useful to create a BRIC bureaucracy, even though rudimentary, at the level of special sherpas. The interest of bureaucracies, reinforced by the commonality of value benchmarks, is a great force."[35]

Alexander Lukin wrote that "another tantalizing prospect is to set up an organization that is an alternative to the G8."[36] To this end, he proposes intensifying the agenda; working towards the institutionalization of the BRICS and the creation of a formal mechanism for negotiations and discussions (regular meetings of the heads of state, ministers, etc.), with a view to establishing an international organization in the future; considering a possible expansion of the BRICS by including states that usually

34 Transcript, op. cit.
35 NIKONOV, op. cit.
36 LUKIN, Alexander , op. cit.

participate in meetings on the margins of G8 summits and that represent various parts of the world (Mexico, Egypt, Indonesia). The operation of the BRICS as an emerging international structure must be provided with scientific and expert support, and Track II interaction within the BRICS must be developed. Most appropriate in this context was an initiative to establish a Public Forum in the BRICS. This forum could find it useful to use the experience of the creation of the SCO Forum.[37]

The prospects of BRICS remain uncertain and for now this format is rather a large declaration of intent than an emerging international institution. However, this declaration per se fits very well into the global development trends and, therefore, it has a chance for development. In any case, the five countries will try to preserve this format in order to have more opportunities in the future.

37 LUKIN, Alexander . "Russia to Reinforce the Asian Vector", *Russia in Global Affairs,* no. 2, April-June 2009.



Indian Perspective on the BRICS: enthusiastic, elusive, and still evolving

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The BRICS were an analytical concept, a futuristic projection, an investment strategy and a slick acronym well before they became a group of states. This chapter argues that from the perspective of international politics, the BRICS group makes less sense than is often supposed. The chapter further suggests that while India is superficially engaged, even enthusiastic, about the group, it has concrete reasons, based in the hard logic of international politics and interstate relations, to be evasive and equivocal on issues of substance with regard to the BRICS. Both these claims are controversial; the second, in particular, flies in the face of India's officially stated policy. However, to balance out these contentious assertions, it is also clear that the BRICS could have a distinct and much-needed impact on core issues of global governance. Thus, despite significant grounds for skepticism, it is nevertheless important to speculate upon the future directions that the BRICS will take, especially in terms of organizational evolution.

In this chapter, we will first study the evolution of the BRIC concept, as originally envisaged by Jim O'Neill, into the group of states that it has now become. Next, we will analyze India's official position on the BRICS through an assessment of the issues raised by the Indian Prime Minister in the Fourth BRICS Summit, which was held in New Delhi on 29 March 2012. After that, we will briefly assess and compare the characteristics of the five BRICS countries, the intention being to see if, and how well, they fit together. In the section that follows, we will lay out some

of the problems with the BRICS construction: its origins as a concept framed and imposed from the outside, that is now sought to be internalized; the varying motives of the five states to be a part of BRICS and their different approaches to power transition and status transformation; the fundamental differences in their current location in the global power structure, and hence their dissimilar aspirations and likely trajectories; the impact of geopolitics, particularly in Eurasia, upon the BRICS; and the relevance of their differing political systems. Following from that, the chapter will briefly analyze the areas of global governance that are crying out for reform, in all of which the BRICS have an important role to play. Finally, the chapter will conclude by arguing that the BRICS will become a genuinely revisionist force in global governance – and world politics more broadly – only if they are able to transform themselves from a conglomeration of five states into an organization that can strategically add new members should the need arise. By creating a permanent secretariat, the BRICS in plural ('*the BRICS* are') could evolve into the BRICS in singular ('*the BRICS* is').

BRIC to BRICS: from acronym to grouping

The genesis of the BRICS can be found in the attempt of Goldman Sachs, the US multinational investment banking firm, to predict the future path of global capitalism. As is by now well known, a series of reports by Goldman Sachs from 2001 onwards (O'Neill 2001, Lawson and Purushothaman 2003, O'Neill et al. 2005) advanced the then radical thesis that 'world policymaking forums should be re-organized and in particular, the G7 should be adjusted to incorporate BRIC representatives' (O'Neill 2001: 1). This recommendation flowed from 'the expected continued relative growth of the BRICs' (O'Neill 2001: 3) and to ensure that G7 became 'a forum where true worldwide economic policy

co-ordination was discussed' (O'Neill 2001: 5) A Goldman Sachs study in 2003 reinforced these findings, asserting that the four BRICs economies could, over the next five decades 'become a much larger force in the world economy... and if things go right, their economies together could be larger than today's G6 [US, Japan and the four largest EU economies, Germany, France, UK and Italy] by 2039' (Lawson and Purushothaman 2003: 1). According to the 2005 Goldman Sachs study, 'What makes the BRICs special is that they have the scale and the trajectory to challenge the major economies in terms of influence on the world economy.' (O'Neill et al. 2005: 7) The integral link between the BRICs and globalization is emphasized:

> *The BRICs are a key aspect of the modern globalised era... The current and prospective outlook for globalization has the BRICs nations at its core and the interplay between the BRICs economies and the G7 is a critical aspect of globalization and interdependence. The varied composition among the BRICs, the balance between resource-abundance and resource-dependence within the BRICs, and the global demographic tilt towards the BRICs allows these economies the chance to participate in an integral way in the world economy. (O'Neill et al. 2005: 3)*

The 2005 Goldman Sachs study highlighted the impact of the BRICs on 'markets and investment opportunities *outside* those countries also', the best example being the 'interplay between the four BRICs economies' upon global energy and commodity markets (O'Neill et al. 2005: 12). Thus, the main thrusts of the three Goldman Sachs studies are subtly different: the original 2001 paper emphasizes the importance of reorganizing global policymaking forums to include the BRICs, the 2003 study focuses on the future size of the BRICs economies relative to the size

of the largest developed economies, while the 2005 study highlights the impact of the BRICs on the world economy and globalization.

Starting with the First Summit of the BRIC Countries' Leaders in Yekaterinburg, Russia on 16 June 2009, the countries concerned have explicitly sought to cooperate with each other in order to transform global governance. For instance, the Joint Statement after the Brasilia Summit alludes to the 'legitimacy deficits' in the IMF and the World Bank and asserts that reforming their respective governance structures 'requires first and foremost a substantial shift in voting power in favor of emerging market economies and developing countries to bring their participation in decision making in line with their relative weight in the world economy' (Itamaraty 2010). In a similar vein, the Delhi Declaration insists that the nature of the World Bank 'must shift from an institution that essentially mediates North-South cooperation to an institution that promotes equal partnership with all countries as a way to deal with development issues and to overcome an outdated donor-recipient dichotomy' (MEA 2012b).

The Joint Statements of the Yekaterinburg (2009) and Brasilia (2010) summits, the Sanya Declaration (2011) and the Delhi Declaration (2012) have all emphasized 'further strengthening collaboration within the BRIC' by promoting dialogue and cooperation in 'an incremental, proactive, pragmatic, open and transparent way' (Kremlin 2009, Itamaraty 2010, Xinhua 2011 and MEA 2012b). Transforming the structures of global governance is a key aim articulated in all four summit documents. However, the BRICS are also giving due importance to the 'central role played by the G20 Summits' in fostering 'cooperation, policy coordination and political dialogue regarding international economic and financial matters' (Kremlin 2009), thereby raising important issues about the relationship between the two groupings. Could not some of the G20 members, especially

Turkey, Mexico and Indonesia, add greater spread to the BRICS without impacting negatively on group cohesion?

The summit documents have also increased in length dramatically, at least in the English versions, from 988 words for the Joint Statement at Yekaterinburg, 2,444 words for the Joint Statement issued in Brasilia, 2,674 words in the Sanya Declaration, including the Action Plan, to a massive 4,424 words in the Delhi Declaration, including the Delhi Action Plan. Do the increasingly hefty summit documents indicate greater group ambition, or does it have something to do with the imperative of 'adding something new'? Admittedly, the Sanya and Delhi Action Plans do have some novel features.

The New Delhi Summit: how India views the BRICS

In international politics, states get together either to aggregate their power, or to solve common problems, or to build community, or some combination of the three motivations. Furthermore, there is usually a sequence to these motivations: it is difficult, if not impossible, to head down the path of community-building without prior successful efforts at using power collectively and dealing with common problems. How, then, does India view the BRICS? A clear understanding of India's perspective on the BRICS can be gleaned from an analysis of the speech made by India's Prime Minister, Dr Manmohan Singh, at the plenary session of the Fourth BRICS Summit, which was held in New Delhi on 29 March 2012 (MEA 2012a). Indeed, it is as recent and authoritative a statement of India's approach to the BRICS as can be found anywhere, and is therefore a good basis upon which to comprehend India's interest and participation in the BRICS. We will therefore deconstruct the Indian Prime Minister's speech along the three analytical axes of power aggregation, problem solving and community-building.

BRICS as a form of power aggregation: the Indian perspective

In his plenary speech, Prime Minister Singh highlights the fact that the 'emerging market economies are growing at a healthy pace and increasing their share in global trade and output' (MEA 2012a). Thus, if they so choose, the BRICS do have the *ability* to aggregate power or, to put it differently, they have power that can be aggregated. But to what *purpose* would the BRICS aggregate their power? Here, it is clear that India's current view on the BRICS is principally economic: Prime Minister Singh points out in his plenary speech that in order 'to revive global demand and growth, developing countries need access to capital, particularly for infrastructure development' (MEA 2012a). One way of doing so, he suggests, would be to expand the capital base of the World Bank and other multinational development banks in order 'to enable these institutions to perform their appropriate role in financing infrastructure development' (MEA 2012a). But more radical, from the power aggregation perspective, is the 'proposal to set up a BRICS-led South-South Development Bank, funded and managed by the BRICS and other developing countries' (MEA 2012a).

Another reason why the BRICS countries must work together, according to Prime Minister Singh, is to 'address deficiencies in global governance' (MEA 2012a). Specifically, institutions of global political and economic governance 'created more than six decades ago have not kept pace with the changing reality of the world' (MEA 2012a). Here, according to the Indian Prime Minister, the challenge is more political than economic: 'While some progress has been made in international financial institutions, there is lack of movement on the political side' (MEA 2012a). This is where power aggregation by the BRICS countries hits, so to speak, a brick wall and comes to a crashing halt. Prime Minister Singh

expresses the hope that the 'BRICS should speak with one voice on important issues such as the reform of the UN Security Council' (MEA 2012a). The limits of BRICS power aggregation are clear: the various BRICS countries have *mutually opposed interests* as far as UNSC reform is concerned. The limit is, in fact, expressed in rather quaint and diplomatically obfuscating verbiage in the Delhi Declaration, issued after the Fourth BRICS Summit:

> *We express our strong commitment to multilateral diplomacy with the United Nations playing a central role in dealing with global challenges and threats. In this regard, 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 today's global challenges more successfully. China and Russia reiterate the importance they attach to the* status *of Brazil, India and South Africa in international affairs and support their* aspiration *to play a greater role in the UN. (MEA 2012b, my emphasis)*

It is interesting to note that the above closely adheres to the wording adopted in the Joint Statement during the First Summit in Yekaterinburg in 2009: 'We reiterate 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' (Kremlin 2009). Much the same language can be found in the Sanya Declaration: 'China and Russia reiterate the importance they attach to the status of India, Brazil and South Africa in international affairs, and understand and support their aspiration to play a greater role in the UN' (Xinhua 2011).

If big-ticket, system transforming, power aggregation by the BRICS is unlikely and probably impossible, that still leaves an open possibility of power aggregation at a smaller scale by increasing

the density of mutual relations. As can be seen from Table 1, China is the only BRICS country to feature among India's top ten trade partners; indeed, it is now India's largest trade partner. If intra-BRICS trade were to be analyzed, the only country that features significantly as a trade partner of all the others is China. This must change if power aggregation between the BRICS is to have any meaning at all.

Table 1 - India's Trade with other BRICS Countries (1 April – 31 December 2011 [Q1-Q3])

Country	Exports*	Imports*	Total Trade*	Trade Balance*	Rank†
China	12,944.35	44,811.04	57,755.39	-31,866.68	1
South Africa	3,478.79	7,616.04	11,094.83	-4,137.26	19
Brazil	4,173.14	2,768.81	6,941.95	1,404.33	25
Russia	1,323.40	3,314.54	4,637.94	-1,991.14	32

** Values in US$ millions; † India's trade partners in the European Union are ranked as individual countries.*
Source: Government of India, Ministry of Commerce & Industry, Department of Commerce, Export Import Data Bank, 'Total Trade: Top 50 countries', data released 27 July 2012, accessed from <http://commerce.nic.in/eidb/iecnttopn.asp>. (accessed on 27 July 2012).

According to the Indian Prime Minister, 'as large and diverse economies' the BRICS countries 'should make a special effort to find ways to exploit intra-BRICS complementarities' (MEA 2012a). Singh's focus is on economic and business complementarities: 'We should promote greater interaction amongst our business communities. Issues such as easier business visas must be prioritized. As large trading countries, BRICS countries have a strong interest in removing barriers to trade and investment flows and avoiding protectionist measures' (MEA 2012a). Thus, as far as power aggregation by the BRICS is concerned, the official Indian position currently oscillates between the practical and

achievable (business complementarities) and the improbable and wildly unrealistic (collaboration in UNSC reform).

BRICS as a means of solving problems: the Indian perspective

With regard to common problems that need to be solved, Prime Minister Singh is extremely prudent in his plenary statement. As he states succinctly, 'We are all affected by the global economic slowdown, the volatility in food and energy prices, the challenge of reconciling growth with environmental objectives, the political uncertainty in West Asia and the rise of terrorism and extremism' (MEA 2012a). In terms of the global economic slowdown, he states that 'we are united in our desire to promote sustained and balanced global economic growth' (MEA 2012a). Furthermore, as members of the G20, the BRICS countries 'must together ensure that appropriate solutions are found to help Europe help itself and to ensure policy coordination that can revive global growth' (MEA 2012a). On global trade and climate change, the two issues that have been of fundamental importance to building BRICS cohesion, the Indian leader takes a problem-solving approach. He identifies the revival of the global trade talks as a key challenge for the BRICS: 'We should also cooperate closely to breathe life into the Doha Round, looking for innovative solutions to overcome barriers that have stalled progress' (MEA 2012a). On energy policy and environmental sustainability, his statement is equally forthright: 'We must reduce energy intensity of GDP by promoting energy efficiency and developing clean energy sources. This calls for greater investments in research and development, sharing of best practices, and encouraging transfer of technology. A dialogue

between energy producers and consumers would also help in ensuring greater stability in energy markets' (MEA 2012a).

On the most important political challenge of the day – 'ongoing turmoil in West Asia' – the Indian Prime Minister notes that the BRICS had 'agreed to work together for a peaceful resolution of the crisis' (MEA 2012a). He adds that it is important to 'avoid political disruptions that create volatilities in global energy markets and affect trade flows' (MEA 2012a). In his plenary statement, the Indian leader also emphasizes the need to 'enhance cooperation against terrorism and other developing threats such as piracy, particularly emanating from Somalia' (MEA 2012a). The Indian leader's statement also highlights 'the need to restore stability in Afghanistan, and the importance of sustained international commitment to its future' (MEA 2012a).

In connection with these economic and political issues, the Indian Prime Minister astutely asserts that while 'Our responses to these challenges may be different, but there is much common interest that binds us all together' (MEA 2012a). Clearly, from the Indian perspective, problem-solving remains a more robust motive for the BRICS than power aggregation.

BRICS as an attempt at community-building: the Indian perspective

The final motive for countries to come together is to build community, the most important example being the steps that France and Germany took together after the Second World War; many current regional integration processes across the world are also driven by this motive. The BRICS are the weakest in this respect: apart from 'learning from each other' and 'sharing experiences', there is precious little evidence of community-building within the BRICS. In the Indian Prime Minister's plenary address, three

different sets of issues – energy, food and water security, social inequalities, and the challenges of urbanization – are highlighted, in which Dr Singh suggests that the BRICS countries can 'learn from each other' and 'share experiences':

- '[The] conceptual analysis that produced the positive BRICS narrative was based on a model of catch-up growth in which supply-side constraints were not adequately addressed. Today, it is clear that constraints such as the availability of energy and food for countries that account for more than 40% of the world population can impede the entire story. Water is another critical area of scarcity which needs much greater attention than it has received thus far. *We have much to learn from each other* in how to handle these difficult problems, and there is also room to cooperate internationally' (MEA 2012a, my emphasis).
- '[As] our countries experience significant increases in per capita income, we will also face issues related to income inequality within our countries. Inevitably, we will handle the problem differently, but it may be useful for us to *share experiences* in this area' (MEA 2012a, my emphasis).
- '[Urbanization] presents common challenges for all our countries. We should encourage *sharing of experience* in areas such as urban water supply and sanitation, waste management, storm water drainage, urban planning, urban transport and energy efficient buildings' (MEA 2012a, my emphasis).

India's bottom line on the BRICS is that it is a forum for cooperation and collaboration, an aspiration best expressed in the penultimate thoughts expressed in Prime Minister Singh's speech: 'I hope that we will be able to collaborate and cooperate with each other to *shape global developments* and *bring tangible benefits* to our peoples' (MEA 2012a, my emphases). The aspiration is both external

and internal, spanning international system transformation and concrete domestic benefits, and encompassing both relative and absolute gains. If the BRICS countries continue on their respective development paths, the entire international system will necessarily be transformed. That is the implacable logic of differential growth rates: as China has shown in our own times, when large countries embark on a path of sustained growth, the entire system takes on a different shape, *even if the rules do not change*. Large absolute gains in large countries have large consequences for relative power; as the distribution of capabilities shifts, rule-takers seek to become rule-makers. The corollary is also true: thus, the BRICS matter only to the extent that every BRICS country benefits.

Internal differences: comparing the BRICS

Although comparisons between countries can be odious, since they often fail to capture the essence of a country, they are politically inevitable and analytically necessary. Advancing the concept of the BRICs and/or projecting the BRICS as a formal grouping of countries gives rise to unavoidable comparison between the BRICS countries.

Comparison was explicit in the original Goldman Sachs papers. For instance, in the 2005 Goldman Sachs paper, it is stated that Brazil 'scores relatively well on measures of political stability, life expectancy and technology adoption, but quite poorly on investment, education levels, openness to trade and government deficit' (O'Neill et al. 2005: 10). Similarly, Russia 'scores well in terms of education, fiscal position, external debt position, openness to trade, technology adoption and life expectancy, but it does less well in terms of political measures (political stability, corruption), investment rates and inflation' (O'Neill et al. 2005: 10-11). On the other hand, India 'scores relatively well in terms of rule of law, external debt and inflation, but quite poorly in terms of levels

of secondary education, technology adoption, fiscal position and openness' (O'Neill et al. 2005: 11). Finally, according to the 2005 Goldman Sachs paper, China 'ranks well above the mean on macro stability, investment, openness to trade and human capital. Its rankings on technology adoption are more mixed (PC usage is still quite low) and corruption measures are also a little worse than the mean' (O'Neill et al. 2005: 11). The purpose of Goldman Sachs was to formally rank countries by their 'abilities to meet their growth potential' and also 'to monitor growth conditions over time' (O'Neill et al. 2005: 10). In order to do so, Goldman Sachs developed a Growth Environment Score (GES)[1] that encapsulates 'the overall environment in an economy, emphasizing the dimensions that are important to economic growth' (O'Neill et al. 2005: 10). The basic notion underlying the Goldman Sachs GES is that 'strong growth is best achieved with a stable and open economy, healthy investment, high rates of technology adoption, a healthy and well-educated workforce, and a secure and rule-based political environment' (O'Neill et al. 2005: 10).

In Table 2, we compare the BRICS countries across 28 important geographic, demographic and socioeconomic indicators. Our purpose is different from that of Goldman Sachs, in that we are interested less in whether the BRICS can achieve their growth potential and more in examining their mutual fit (if, and how well, they fit together), because that will inevitably have an impact on group cohesion. So what are the salient features that emerge from our comparison?

1 The Goldman Sachs GES uses 13 sub-indices which are divided into five basic areas: macroeconomic stability (inflation, government deficit, external debt); macroeconomic conditions (investment rates, openness of the economy); technological capabilities (penetration of personal computers, telephones and the Internet); human capital (education, life expectancy); and political conditions (political stability, rule of law, corruption). Each country's performance on each measure is ranked on a 0-10 scale to create the GES, which also ranges from a possible minimum of 0 (poor conditions) to a possible maximum of 10 (perfect conditions).

Table 2 - The BRICS: Geographic, Demographic and Socioeconomic Indicators

(continues)

	Brazil	Russia	India	China	S. Africa
Surface Area (km^2)	8,514,880	17,098,240	3,287,260	9,600,000	1,219,090
Total Population (thousands, constant fertility scenario, 2015 estimates)	204,097	141,618	1,318,007	1,373,992	51,751
Total Fertility Rate (2010)	1.8	1.5	2.6	1.6	2.5
GDP (US$ millions, 2010)	2,087.89	1,479.81	1,727.11	5,926.61	363.91
Military expenditure (% of GDP, 2010)	1.6	4.0	2.4	2.0	1.2
Gross capital formation (% of GDP, 2010)	19.2	22.8	34.8	47.8	19.3
Revenue, excl. grants (% of GDP, 2009)	23.1	25.5	11.2	11.9	28.4
Total debt service (% of exports of goods, services and income, 2010)	19.0	12.8	5.6	3.3	4.9
Agriculture, value added (% of GDP, 2010)	5.8	4.0	19.0	10.1	2.5
Industry, value added (% of GDP, 2010)	26.8	36.7	26.3	46.8	30.8
Services, value added (% of GDP, 2010)	67.4	59.3	54.7	43.1	66.7
High-technology exports (% of manufactured exports, 2010)	11.2	8.8	7.2	27.5	4.3
Electric power consumption per capita, annual (kWh, 2009)	2,206.2	6,135.6	570.9	2,631.4	4,532.0
CO_2 emissions per capita, annual (metric tons, 2008)	2.1	12.0	1.5	5.3	8.9

Table 2 - The BRICS: Geographic, Demographic and Socioeconomic Indicators

(continuation)

	Brazil	Russia	India	China	S. Africa
GNI Per Capita, Atlas method (current US$, 2010)	9,390	9,900	1,270	4,270	6,090
GNI Per Capita (PPP) (international $, 2006)	11,000	19,240	3,400	7,640	10,360
Human Development Index / Rank (2011)	0.718 / 84	0.755 / 66	0.547 / 134	0.687 / 101	0.619 / 123
Quintile Income Ratio (2000-2011)	17.6	8.2	5.6	8.4	20.2
Female Life Expectancy at Birth (in years, constant fertility scenario, 2010-2015)	77.4	75.0	67.6	75.6	54.1
Ratio of life expectancy at birth of females to males (2010)	1.10	1.19	1.05	1.05	1.03
Infant Mortality Rate (per 1,000 births, constant fertility scenario, 2010-2015)	19	11	48	20	46
Immunization against measles (% of children ages 12-23 months, 2010)	99.0	98.0	74.0	99.0	65.0
Adult Literacy Rate (%, 15 years and older, 2005-2010)	90	100	63	94	89
Ratio of adult literacy rate of females to males (2005-2010)	1.00	1.00	0.68	0.94	0.96
Ratio of girls to boys in primary and secondary education (2007-2008)	1.024	0.979	0.922	1.039	0.992

Table 2 - The BRICS: Geographic, Demographic and Socioeconomic Indicators

(end)

	Brazil	Russia	India	China	S. Africa
Access to improved drinking water sources (per 100 people, 2008)	97	96	88	89	91
Access to improved sanitation facilities in urban areas (per 100 people, 2010)	85.0	74.0	58.0	74.0	86.0
Mobile cellular subscriptions (per 100 people, 2010)	104.1	167.7	61.4	64.2	100.8

Sources: Statistics and indicators are provided by the United Nations Statistics Division from <http://data.un.org>. (accessed on 24 July 2012).

- Russia, at 17,098,240 sq km, is the largest country in territorial expanse, 80% larger than China and more than double the size of Brazil, the next two BRICS in terms of land area; India and South Africa, both geographically large, are small in comparison to Russia.
- Demographically, it is estimated that India, with an estimated 1,318 million people would have almost caught up with China, estimated at 1,373, by 2015. Brazil and Russia, with 204 million and 141 million people respectively, would also be large countries in terms of population. Only India and South Africa have total fertility ratios (TFRs) higher than 2.1 (the population replacement rate). Thus, Russia, China and Brazil would soon have rapidly aging populations in comparison to India and South Africa.
- In 2010, China had a GDP of US$ 5.9 trillion, followed by Brazil, India and Russia at US$ 2.0, 1.7 and 1.4 trillion respectively. South Africa, at less than a quarter of the Russia, is the only non-trillion dollar economy among the BRICS.

- As a percentage of GDP, Russia spent the most on defense (4.0%) in 2010, followed by India (2.4%) and China (2.0%). Reflecting their much more peaceful external security environments, Brazil and South Africa spent much less on their respective military capabilities in 2010 – 1.6% and 1.2% of GDP respectively.
- Reflecting their development trajectories, gross capital formation in the Chinese and Indian economies were 47.8% and 34.8% of GDP respectively in 2010. In contrast, in 2010 gross capital formation in the Russian, Brazilian and South African economies were at 22.8%, 19.2% and 19.3% of GDP respectively.
- In terms of revenue in relation to GDP, China and India remain the weakest BRICS countries, thereby reflecting their large and poor rural populations.
- In 2010, Brazil and Russia had the most difficult debt service ratios, at 19.0% and 12.8% of total exports respectively; the debt situation of the other three countries was comparatively comfortable.
- Reflecting 2010 data, India's agricultural sector, at 19.0% of GDP in value added terms, has the largest share of the economy compared to the other BRICS; the share of China's agrarian sector, at 10.1% of GDP, is nearly half. At 46.8% of GDP in value added terms, China's industrial sector has the largest share of its economy; the services sector dominates in the other four.
- The share of high-technology exports in relation to total exports in 2010 was the highest in China (27.5%), followed by Russia (11.2%); they had an even lower share of the total exports of the other three countries.

- Annual per capita electric power consumption of Russia in 2009 was 6,135.5 kWh, reflecting Russia's much higher levels of development relative to South Africa (4,532.0 kWh), China (2,631.4 kWh) and Brazil (2,206.2 kWh). In comparison, India (570.9 kWh) seems to be thoroughly underdeveloped. The annual per capita CO_2 emissions data for 2008 reflect the above: they stand at 12.0 metric tons for Russia, 8.9 metric tons for South Africa, 5.3 metric tons for China, 2.1 metric tons for Brazil and a mere 1.5 metric tons for India.
- Gross national income (GNI) per capita data for 2010 show Russia to be the richest BRICS country (US$ 9,900), followed by Brazil (US$ 9,390), South Africa (US$ 6,090), China (US$ 4,270) and India (US$ 1,270). This ranking does not alter when GNI is calculated in purchasing power parity terms: in 2006 it was $19,240 in Russia, $11,000 in Brazil, $10,360 in South Africa, $7,640 in China and $3,400 in India.
- Russia's human development index in 2011 was the highest of the BRICS (0.755), ranked 66; Brazil was not too far behind at 0.718 (84th rank). China (0.687, 101st rank) and South Africa (0.619, 123rd rank) followed, while India had the lowest HDI score (0.547, 134th rank) of the five countries.
- However, in terms of income equality the situation is reversed. In 2000-2011, the income quintile share ratio[1] of India was by far the best (5.6), indicating that it is the most economically egalitarian of the BRICS countries. The income quintile share ratios of China and Russia are 8.4 and 8.2 respectively. South Africa (20.2) and Brazil (17.6) remain two of the most economically unequal countries in the world.
- Female life expectancy at birth (2010-2015) was highest for Brazil (77.4), followed by China (75.6), Russia (75.0) and

India (67.6). Reflecting the social devastation of its HIV/AIDS epidemic, South Africa's figures were much lower at 54.1. The female to male ratio for life expectancy at birth (2010) was, however, positive (i.e. above 1.0) for all five countries.

- The infant mortality rate (per thousand live births) during 2010-2015 is projected to be 11 for Russia, 19 for Brazil and 20 for China. India and South Africa, at 48 and 46 respectively, are far worse off in this respect. Not surprisingly, these differences are mirrored in the percentage of infants between the ages of 12 and 23 months who are immunized against measles, ranging from near universal in the cases of Brazil, China and Russia to merely 74% and 65% in the cases of India and South Africa respectively.
- The adult literacy rate (2005-2010) was universal in Russia and high in China (94%), Brazil (90%) and South Africa (89%). In India, it stood at a low 63%. The adult literacy rate male-female ratio again was low for India (0.68) in comparison to Brazil (1.0), Russia (1.0), South Africa (0.96) and China (0.94). However, the ratio of girls to boys in primary and secondary education (2007-2008) was promising for all five countries.
- In 2008, 97% of all Brazilians, 96% of all Russians, 91% of all South Africans, 89% of all Chinese and 88% of all Indians had access to improved drinking water sources. In sharp contrast, the 2010 figures of the percentage of people living in urban areas with access to improved sanitation facilities were far worse: 86% for South Africa, 85% for Brazil, 74% for both China and Russia, and only 58% for India.
- In 2010, there were more cellular phone subscriptions than people in Russia (167.7%), Brazil (104.1%) and South Africa (100.8%). Cellular telephone penetration was substantially lower in China (64.2%) and India (61.4%).

It is clear from the above that there are significant dissimilarities between the BRICS countries. However, not all of these dissimilarities would necessarily have a negative impact on group cohesion; some may be only relevant domestically and may not have an external impact. The 2005 Goldman Sachs paper refers to the 'varied composition among the BRICs' and 'the balance between resource-abundance and resource-dependence within the BRICs' (O'Neill et al. 2005: 3), thereby suggesting that some of the internal dissimilarities could result in complementarities that would assist group cohesion. Nevertheless, the internal dissimilarities also suggest that the interests of the five BRICS countries could be different on many issues. This is something to keep in mind as we analyze the problems of BRICS construction in the following section.

Skepticism about the BRICS: why the sum could be less than the parts

In the last section, we have seen that there are significant dissimilarities among the five BRICS countries. In this section, we will present four reasons why we should, on balance, be skeptical about the robustness (group cohesion) of the BRICS in the medium-to-long term, whatever their perceived utility in the short term. There are four fundamental problems in the way the BRICS group has been constructed: (1) its origins as a concept framed and imposed from the outside, that is now sought to be internalized; (2) the varying motives of the five states to be a part of BRICS and their different approaches to issues of power transition and status transformation; (3) the fundamental differences in their current location in the global power structure, and hence their dissimilar aspirations and likely trajectories; and (4) the impact of geopolitics, particularly in Eurasia, upon

the BRICS. We will also argue that the nature of the domestic political system is not a relevant factor in group cohesion.

An externally imposed category that is now being internalized

If the BRICS are to become a viable grouping, they will have to overcome their O'Neill/Goldman Sachs conception and conceptualization. So far, despite annual summit meetings, ambitious agendas and favorable systemic context, the grouping has not succeeded in getting past its genesis. Why should that matter? It matters because the BRIC(S) countries have not been able to substantially move away from the three interlinked arguments made in the Goldman Sachs papers, viz., the indispensible need to (i) reorganize global governance structures to include the BRIC(S) because of (ii) the future size of the BRIC(S) economies and (iii) the impact of the BRIC(S) on the world economy and globalization. Despite their initiatives, some of them quite novel, the BRICS appear to be stuck into a predetermined groove, playing the part of global governance transformation that has been assigned to them. Contrast this with the India-Brazil-South Africa (IBSA) Dialogue Forum, an utterly indigenous grouping which since the Brasilia Declaration of 2003 has carved an independent and largely unforeseen pathway for itself, albeit largely restricted to the arena of South-South cooperation.

For the BRICS to evolve out of their origins and predetermined present, they will have, minimally, to give themselves a new name. Names matter in international politics just as they do in daily life: witness how the Nonaligned Movement (NAM) is routinely dismissed by rhetorically questioning exactly what it is nonaligned against when the world itself is no longer bipolar, a question that conveniently ignores the transformation of the NAM agenda in the late 1970s and early 1980s from East-West polarity to the

North-South divide. In the concluding section of this chapter, we will reexamine the issue of the name.

Varying motives, different approaches

At one level, the five BRICS countries have a common motive for joining the grouping: it gives them the ability that they individually lack to challenge the current structures of global governance. At another level, each of the five BRICS countries has had a different motive for getting involved in the grouping. For Russia, the decision was entirely political, an attempt to break out of the international isolation in which it found itself after the Georgian crisis of August 2008 (Gupta 2010). The BRIC grouping is a variant of a much older idea, floated by former Russian Prime Minister Yevgeny Primakov in the late 1990's, of a new Big Three Alliance consisting of China, Russia and India to counterbalance an increasing assertive and offensive NATO. The First BRIC Summit at Yekaterinburg was a reminder to the US, the EU and NATO that Russia still held many cards in its hands, so taking it for granted would not be a sensible strategy. The economic crisis that hit the developed economies, hydrocarbon politics, NATO's need for alternate transit routes to Afghanistan, and the nuclear ambitions of Iran and North Korea were other factors that Russia adroitly used in order to reposition itself.

Similarly, the BRIC grouping provides China with an excellent opportunity to challenge the *status quo* at very low cost to itself. As a rising power, China has an enormous incentive in challenging the *status quo*. The BRIC grouping also allowed China to circumvent the attempt by India to keep it out of IBSA, the latter being constantly projected as an initiative involving three significant *democracies* of the Global South. By inviting South Africa to join the BRIC during the Sanya Summit in 2011, China has in effect made IBSA redundant (Taylor 2012): in the future,

it is extremely likely that IBSA summits will take place on the sidelines of BRICS summits before IBSA itself fades into oblivion.

Brazilian perception of the role of the BRICS seems to be anchored in its prior understanding of IBSA and MERCOSUR, in the sense that its diplomacy seems involved in dealing with the so-called 'variable geometry' of multiple international coalitions. Amâncio Jorge de Oliveira and Janina Onuki have devised an interesting matrix to disentangle the variable geometry of Brazilian diplomacy:

	MERCOSUR	IBSA	BRICS
Interdependence	High	Low	Medium
Symbolic/normative significance	Medium	High	Low
Asset for global governance	Low	Medium	High

Thus, BRICS is viewed as the best asset for Brazil at the global level, since MERCOSUR is no longer seen to be providing global leverage while IBSA has largely symbolic or normative value (Jorge de Oliveira and Onuki 2012).

China's invitation to South Africa to join the BRICS Summit at Sanya in 2011 was an initiative that was welcomed by the other three countries; indeed, it could be said that they had virtually no choice in the matter. That says something about South Africa's moral heft in international politics today. Being singled out from among all the African countries to be a part of BRICS bolsters South Africa's self-perception as an active global citizen and a leader in Africa and strengthens its claim to a permanent role in global governance. South Africa's presence in the BRICS will also have a positive impact on the development cooperation dimension of the grouping. Regarding power transition concerns, Elizabeth Sidiropoulos has very elegantly

described the South African perspective as being one that views BRICS as a counterweight rather than as a counterpoise.

Finally, India is in the BRICS because it cannot afford to be out of the grouping. Ideological and pragmatic strands have coexisted in Indian foreign policy from the very beginning: an ideological opposition to hierarchy has gone hand-in-hand with a pragmatic willingness to achieve the best possible position for India with the system. Of all the BRICS countries, India is easily the most positively inclined toward the US. However, India's domestic politics remains resolutely divided on the issue of India-US relations, so being a part of the BRICS moderates and levels out any supposed proximity to Washington. It also rekindles old ties with Russia and builds a much needed bridge to China. Finally, although India has a marked preference for IBSA, BRICS becomes an alternate forum both for routine and high level interaction with Brasilia and Pretoria.

To summarize: the five BRICS countries are contra-hegemonic and revisionist to different degrees. In the case of India, the difference may well be of kind and not of degree. The faster the pace at which the relative power of the US declines, the better it would be from the respective perspectives of China, Russia, Brazil and, perhaps, South Africa. The same cannot be said with confidence about India, which would be unwilling to swap US global hegemony for Chinese continental hegemony.

Current attributes and future trajectories

In systemic terms, Brazil, India and South Africa are all aspirants for a permanent seat in the UN Security Council, the organized institution of global power structure. In sharp contrast, Russia and China are already occupants. That does not necessarily mean that the interests of the three aspirants and the two occupants are opposed: in a future expansion of the UNSC, Russia

and China may choose to facilitate the permanent entry of the other three BRICS countries. Nevertheless, on questions of pace, sequence and timing, the three aspirants and the two occupants may view the matter very differently.

In terms of global economic roles, Russia and South Africa are primary exporters, although the South African economy also benefits from a robust tourism service sector. Manufacturing predominates in the Chinese economy, which is now widely seen as the 'factory of the world'. In India, the service sector is increasingly prominent. Brazil presents a truly mixed picture, with dynamic agricultural, manufacturing and service sectors. Again, this does not mean that the interests of the five are competitive; in many cases, their economies are in fact complementary. Resource abundance in Russia, Brazil and South Africa leads to many complementarities vis-à-vis the resource dependence of China and India. Nevertheless, the future trajectories are distinct and different.

To the extent that size matters in international politics, and it does particularly in the context of power transition and status transformation, incongruence is again visible. Compared to the other four BRICS countries, all of which are territorially and demographically massive, South Africa is much smaller. In terms of development levels, four of the BRICS countries are still developing, Russia being the only developed country in the grouping. Given the large masses of poverty in India, China and Brazil, it will still be some decades before they could be regarded as developed.

Thus, although they may all be in favour of some sort of power transition, the BRICS countries have different attributes and are likely to therefore have different trajectories. By any reasonable set of criteria, only Brazil, India and South Africa

can be considered as emerging powers. Although China is an emerging economy, it is a rising power, not an emerging power. The distinction is an important one: unlike emerging powers, which could have a systemic impact in the future, a rising power already has a systemic impact today. China's impact on multiple aspects of the international system and the world economy is no longer in doubt. As for Russia, it cannot be regarded as an emerging power by any criterion because it has been a great power ever since the Napoleonic Wars. Russia, like France and Britain, is a former great power that is now facing a situation of relative decline, a trend exacerbated by its declining and ageing population.

The impact of Eurasian geopolitics

It may make much economic and political sense for Brazil and South Africa to bring China and Russia into a regular dialogue. It may also be in the interest of China and Russia for the BRICS to be strengthened. However, Brazil and South Africa must then be willing to get entangled in the complex geopolitics of Eurasia. Although separated from the Eurasian landmass by vast oceans, the two Southern Hemisphere powers in the BRICS will in the future find themselves being dragged into Northern Hemisphere disputes over territory and resources.

The sheer mass of China, India and Russia has always led to speculation about what would happen if they were to work together, the underlying idea being that if they were to act in concert they could play a world historical role. This idea has impeccable antecedents. Lenin had observed in 1923 that

> *In the last analysis, the outcome of the struggle will be determined by the fact that Russia, India, China, etc., account for the overwhelming majority of the population of the globe. And during the past few years it is this majority*

> *that has been drawn into the struggle for emancipation with extraordinary rapidity, so that in this respect there cannot be the slightest doubt what the final outcome of the world struggle will be. In this sense, the complete victory of socialism is fully and absolutely assured. (Lenin 1923)*

What are the factors that are likely to work for or against the idea of China, Russia and India coming together? First, there is the question of economic growth rates, competitiveness and cooperation. Three questions, in particular, are germane in this context: Is China going to remain the only rising power, or would Russian decline be eventually reversed, and would India start catching up? Would Russia and India be forced to 'balance against' a rising China? Would greater economic interaction, and the inevitable competition that will follow, lead to instability, or would it lead to the discovery of a larger set of mutual interests?

Just as important as the economic is the socio-political dimension, pertaining to such issues as social cohesion, national unity and territorial integrity. In terms of ethno-politics, for example in Tibet, Xinjiang, Mongolia, Siberia and the Indian Northeast, the policies of the three states invariably impact on one another, often in very negative ways. Geopolitical issues in the shape of unresolved borders and differentials in economic and demographic growth rates, leading in the latter case to unregulated population movements, both within and across sovereign borders, further complicates the formation of a Big Three Alliance in Eurasia. Finally, and most crucially, is the question of socioeconomic cleavages in these large states, raising the question of whether they can survive as cohesive and united sovereign entities.

Going hand in hand with economics and social issues are questions of ideology, politics and stability. China's political system throws up a number of questions: In what direction will

Chinese politics evolve, and over what time frame? What would be the nature of political participation in China in the future, and what would its impact on stability be? Likewise, policy coherence in India is also a significant issue. Will a new majoritarian 'party of government' emerge, or will the politics of coalition-building become less turbulent over time? Will the Russian state recapture the commanding heights of state power? Finally, thinking out of the box, will a new transnational political ideology emerge – global environmentalism, for example – that would create unprecedented linkages between the three states?

If the BRICS grouping survives over the coming years, it would imply one of two scenarios. The first scenario is that the mutual antagonisms between Russia, China and India have been resolved, thanks perhaps to the salutary catalytic role of the two non-Eurasian countries in the grouping. The other, more likely, scenario is that Brasilia and Pretoria would over time become accustomed to playing the game of balancing the contradictory pulls and pressures emanating from New Delhi, Beijing and Moscow.

A non-issue called democracy

Any expression of support for IBSA and skepticism about the BRICS is supposed to be rooted in a normative preference for democracy. The argument supposedly goes something like this: while Brazil, India and South Africa are democracies, Russia and China are not; hence, IBSA has an internal cohesion that the BRICS lack. It therefore needs to be emphasized that this is not, and has never been, an Indian argument. In fact, democracy is probably a much more important factor in the foreign policies of Brazil and South Africa, given their relatively recent histories of democratic transition and consolidation, than it is in the case of India.

There are three reasons for India's reluctance to play the democracy card in its foreign relations. Firstly, India has very *Indian* reasons for being democratic: from the founding moments of the Republic, participative and representative politics have created the space for socio-cultural pluralism and thus made the political experiment called India possible. The second reason is India's ambiguous relationship with the Western market democracies. India has never been a part of the Western security community: threats to India have not been seen by the West as threats to *democracy*. This was true during India's disastrous border war against China in 1962, and remains true today: the liturgical roll call of post-9/11 terrorist outrages includes Bali, Madrid and London but not Mumbai, Ahmedabad or Delhi. Thirdly, India resides in an undemocratic neighborhood. In most of India's neighbors, democracy has either been completely absent or has been at best a fleeting visitor. Thus, India does not have the luxury to focus on countries that are democratic. Furthermore, overt Indian support for democratic forces in its neighboring countries would significantly *weaken* those forces. In summary, India's interest in democracy is domestic; democracy promotion is not an Indian foreign policy interest. If India is skeptical about the BRICS, that has nothing to do with the domestic political systems of any of the other countries in the grouping.

The BRICS in Global Governance: the ten 'P's and the need for drastic reform

Whether the BRICS eventually make an impact on world politics or not will largely depend upon their impact on global governance. In the last fifteen years, global governance has risen from obscurity to become a seminal idea in international relations. In its simplest form, it is about how power operates in

an interdependent environment in the absence of government. One of the reasons for its prominence is the growing sense that transformation of the structures of global governance is desperately and urgently needed. This is where the BRICS become relevant.

Of the two concepts that make up the term, governance is the one that is easily comprehended: 'Governance involves the rules, structures, and institutions that guide, regulate, and control social life' (Barnett and Duvall 2005: 2). The concept of the global is much more problematic because it encompasses two distinct ideas at once: of worldwide interconnectedness, in the first place, but also inclusiveness in the sense of counting everyone and everything (Whitman 2009: 5). In Harold Lasswell's memorable formulation, politics is about 'who gets what, when, how' (Lasswell 1936). Of them, the 'who' question is undoubtedly the most important: Who governs, who is excluded; who benefits, and at whose expense? Taken together, the four questions (who, what, when and how) lie at the heart of the global governance problems of our times.

In his comparative study of Brazil and Germany in global governance, Stefan Schirm differentiates between 'global governance *structures* (UNSC), *directorship* (IMF and WTO) and *policy positions* (on trade in the WTO)' (Schirm 2010: 200). This is an interesting and useful distinction, but it is not sufficiently comprehensive. In this section of the chapter, we advance the idea that there are ten 'P's in global governance: participation, presence, permanence, posts, problems, postures, positions, policies, programs and power. Although there is a common sense about each of these terms, it would nevertheless be appropriate to define and explain each of them.

Participation, presence and permanence are closely linked but not identical. They all pertain to the same issue: who decides

and who is excluded? *Participation* is about having a role in the taking of decisions that have an impact on one's present situation and future possibilities. It does not necessarily imply or require a presence in decision making institutions and structures. The endeavor by the Small Island Developing States (SIDS) to have a voice in global climate change decisions is an excellent and rather poignant example of the desire for participation. *Presence*, on the other hand, is about the right to be a part of decision making institutions and structures. The incorporation of Russia into the WTO is a pertinent example; in the Joint Statement of the Brasilia Summit, the BRIC leaders took note and strongly supported Russia's bid for accession to the WTO' (Itamaraty 2010). *Permanence* is a special form of presence: it is about the lack of any exit or sunset clause. The attempt of countries like the G4 (Brazil, Germany, India and Japan) to become a part of the UN Security Council with permanent veto-wielding seats is the best example of the permanence issue. On this, the BRICS are of course divided, with China and Russia unlikely to provide anything other than lip service to the interests of Brazil, India and South Africa. China is particularly interested in breaking up the G4 to isolate Japan, although its support for India is also muted.

The issue of *posts* relates not to decision-making roles but rather to the possession of executive authority. It is about who occupies posts of significance in the institutions that deal with global issues and have a global impact. Similar to participation, presence and permanence, the issue of posts relates to a 'who' matter: who implements programs and executes decisions? Widespread discontent about the leadership of the Bretton Woods institutions, with the presidency of the World Bank reserved for an American and the directorship of the IMF for a European, pertains to this issue. This is an issue over which the BRICS have been especially vocal. As the Joint Statement of the Yekaterinburg

Summit asserts, 'The emerging and developing economies must have greater voice and representation in international financial institutions, whose heads and executives should be appointed through an open, transparent, and merit-based selection process' (Kremlin 2009). This sentiment has grown stronger with each passing year. In the Delhi Declaration, the BRICS leaders state: 'We welcome the candidatures from developing world for the position of the President of the World Bank. We reiterate that the Heads of IMF and World Bank be selected through an open and merit-based process' (MEA 2012b).

Problems lie at the heart of global governance and are its most visible issue. Contemporary global problems come in three different types, but are often unhelpfully conflated and thereby confused. In the first type are new problems that the world is confronting either for the first time (anthropogenic climate change) or for the first time in a globalized form (epidemics and pandemics). The solutions to these problems necessarily require ingenuity, the ability to think out-of-the-box, and novel approaches. The second type are old problems (world trade, urbanization, energy and resource scarcity) that require new approaches and solutions because the old approaches no longer work; a renewed emphasis on multilateralism can often be helpful in finding new solutions to these problems. The third type consists of old problems with old solutions but new actors; a range of traditional security issues (sea lanes of communication [SLOCs], proliferation of weapons of mass destruction [WMD], terrorism) that are impacted by the ongoing hegemonic decline and power transition are germane in this context. Thus, depending upon the type of problem of global governance, the approach to finding solutions, as well as the role that the BRICS can play, will differ.

Closely linked to problems are *postures* and *positions*, both of which are a priori statements of interests, preferences and

negotiating stances. Postures are general, positions are specific; postures represent an overall approach to a problem while positions lay down the limits of what is not negotiable; postures tend to be tacit and implicit while positions are explicit and usually declared. A good example of a posture is the statement attributed to India's chief negotiator, Commerce Minister Kamal Nath, who repeatedly blocked any attempts by developed countries to have greater access for their agricultural products in India's growing market: 'I come from a country where 300 million people live on 1 dollar a day. You don't require rocket science to decide between livelihood security and commercial interests' (Faiola and Lakshmi 2008). Problems, postures and positions pertain not to 'who' but rather to 'what' and 'when', specifically what gets priority when?

Policies and programs are also closely related and have a huge impact on the 'who' question: who benefits and at whose cost? *Policies* are plans or courses of action that are intended to influence and determine decisions, actions, and other matters. An excellent example in the context of the BRICS is the insistence in the Delhi Declaration that the nature of the World Bank 'must shift from an institution that essentially mediates North-South cooperation to an institution that promotes equal partnership with all countries as a way to deal with development issues and to overcome an outdated donor-recipient dichotomy' (MEA 2012b). *Programs* are systems of projects or services, consisting of a series of steps to be carried out as well as goals to be accomplished, that meet a public need. An example is the decision of the BRICS New Delhi Summit to examine the possibility of setting up a BRICS Development Bank 'for mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, to supplement the existing efforts of multilateral and regional financial institutions for global growth and development' (MEA 2012b).

The final issue in global governance, the alpha and omega of all issues, is power. Power is about how matters are decided and implemented. From a global governance perspective, the definition offered by Michael Barnett and Raymond Duvall is particularly useful: 'Power is the production, in and through social relations, of effects that shape the capacities of actors to determine their own circumstances and fate' (Barnett and Duvall 2005: 3). What makes Barnett and Duvall's conception of power important is their insistence that 'power does not have a single expression or form' (Barnett and Duvall 2005: 3). How powerful the BRICS will become, individually and collectively, will therefore depend upon a number of interlocking factors: their economic growth rates, the ingenuity and vitality of their societies, the relative power of regional rivals and extra-regional competitors, their ability to project their prominence in ways that are perceived as being benign and attractive and, most importantly, the speed at which the power of the systemic hegemony declines relative to their own increasing power.

Expansion and Consolidation: more states in one organization

For the BRICS to survive and thrive, three changes in the grouping would be desirable and perhaps even necessary. First, the grouping needs to consider expanding to include, minimally, Turkey, Indonesia and Mexico. Turkish inclusion is needed for a number of reasons, the most compelling of which is that the lack of an Islamic country in the grouping weakens its legitimacy. Indonesia, likewise, would add a useful dimension not only in terms of its Islamic identity but also as a hedge against Sino-Indian polarization. Mexico could provide Northern Hemisphere ballast to Brazil. These three countries could be invited to join based upon

consensus among the existing members, one at a time and once every three years, as was the case of South Africa at Sanya. Inviting a second African country to join the grouping, while necessary, would be a complicated matter.

Secondly, the grouping needs to become an organization with a permanent secretariat. In order to keep it geographically distant and aloof from Northern Hemisphere geopolitics, the permanent secretariat should ideally be located in either South Africa or Brazil, preferably in a spectacular location like Cape Town or Rio de Janeiro.

Most important of all, the grouping needs to snap the umbilical cord that is inherent in its name. Once a permanent secretariat is established, the grouping could be renamed as a cooperation organization that takes on the name of either its city of location or founding, such as the Shanghai Cooperation Organization or the Warsaw Treaty Organization.

Finally, in order to ensure that the organization doesn't just remain a photo opportunity for heads of state or a plaything for professional diplomats, an effort should be made to bring the people into the picture. Exchange visits by professionals and students could work wonders in imparting depth and texture to the ensemble of countries seeking to change the way the world is organized and run.

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The BRICS presents itself as a befitting theme for diplomatic and academic analyses for several reasons. Being a "work in progress", its goals, agenda and constraints are subject to a wide range of speculation. The five countries chose to combine forces and prestige in a moment when the international scenario is characterized, as well-put by Gelson Fonseca Jr., by a great search for order, but little offer. However, it is unsure to which point the BRICS want and can transform the global order. The composition of the group emphasizes the growing importance of Asia in international relations and the entrance of South Africa broadens the variety of themes essential to Brazilian diplomacy. Nevertheless, the asymmetries and potentialities of the relations between the five members raise questions of a practical nature. Will there be enough cohesive elements for the group to convert into a bloc? Will the five possess the vocation to become agreat power, or will they lose themselves in the ambitions of individual members? Will they develop means for cooperation among themselves, as did the three members of IBSA, and, like them, will they seek to constitute a model for emerging countries, or will they run out of breath at punctual goals, such as within the G20 and IMF?

This book contains the assessments of Brazilian and foreign academics and diplomats on these matters, which closely relate to relevant interests of the entire Brazilian society, and, for that reason, it becomes a timely and mandatory reading.

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