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Can the BRICS Co-operate in the G-20? A View from Brazil

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ABSTRACT

The emergence of the Group of Twenty (G-20) has changed the structure of today's global economic governance substantially, providing a more inclusive and legitimate framework than the Group of Eight (G-8). The inclusion of Brazil, Turkey, South Africa and Saudi Arabia in the G-20 has assured that traditionally neglected regions of the world – such as South America, the Middle East, Africa and the Arab World – are now better represented in global forums. Faced with a growing presence of emerging powers, EU members are increasingly forging joint positions prior to G-20 Summits in order to increase their weight. It remains to be seen whether emerging powers can do the same, and what the scope for co-operation between the BRICS in the context of the G-20 negotiations on global economic governance will be. Although the BRICS have not been able to control the G-20 agenda, they have significantly influenced it in the past years. This capacity can be expected to increase in future summits in Russia (2013), Australia (2014) and Turkey (2015). At the same time, the BRICS members' individual interests continue to diverge on several issues, which keeps them from co-operating in a more institutionalised manner. Future collaboration will therefore be issue-based. There are two areas in which the BRICS can concentrate and influence the G-20 agenda. The first area of broad consensus is the continued reform of today's financial institutions such as the IMF. The second is a continued shift of focus of the G-20 towards developmental issues, thus responding to criticism that the G-20 communiqués to date have focused overwhelmingly on the problems and needs of the G-20 countries themselves.

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ABBREVIATIONS AND ACRONYMS

BRICS	Brazil, Russia, India, China and South Africa
G-7	Group of Seven
G-8	Group of Eight
G-20	Group of Twenty
IBSA	India, Brazil and South Africa
IMF	International Monetary Fund
UNSC	UN Security Council

INTRODUCTION

Global governance has undergone profound structural changes over the past five years. Since November 2008, when 19 heads of government and a series of representatives of international organisations met in Washington, DC, the Group of Twenty (G-20) has become one of the pillars of global economic governance,¹ further fortifying this position after the 2009 Summit in Pittsburgh.² Patrick calls the emergence of the G-20 as premier steering group for multilateral co-ordination on global economic matters ‘the most profound evolution in global economic governance since the creation of the (WTO)’.³ In addition, the BRICS group (Brazil, Russia, India, China and South Africa), fully established since the first summit in 2009 in Yekaterinburg, is perhaps one of the most innovative and surprising new elements in today’s governance structure. Together, these two bodies have led to a ‘participatory revolution’ in global governance that would have been unthinkable only a decade ago, when the Group of Eight (G-8) and the UN Security Council (UNSC) symbolised a distribution of institutional responsibility that no longer reflected power structures in the real world.⁴

With the G-20 and the BRICS firmly established in today’s global governance structures, the number of countries represented has increased markedly. As a consequence, one of the global system’s major weaknesses – its strong concentration of institutional power on just a few established powers – has been partially mitigated. Non-established emerging powers such as Brazil and India, part of both the G-20 and the BRICS, are now much more involved in global decision-making processes than ever before. The inclusion of Brazil, Turkey, South Africa and Saudi Arabia in the G-20 has assured that traditionally neglected regions of the world – such as South America, the Middle East, Africa and the Arab World – are now better represented in global forums.

However, this does not change the fact that global decision-making platforms remain club-based and exclusive. Although emerging powers have often used the idea of a ‘democratisation of global governance’ to justify their inclusion, some critics have argued that rather than democratising international institutions, the creation of the BRICS and the G-20 have merely expanded the oligarchy to some degree.⁵ Countries such as Spain, Nigeria and Thailand have repeatedly accused the G-20 of being a random compilation of countries and question the body’s legitimacy. Although the G-20 comprises almost three-quarters of all global output and more than half the quotas in the Bretton Woods Institutions, small and middle-sized countries are not part of it and enjoy no representation.⁶ Turkey, Argentina, Indonesia and Mexico criticise the BRICS grouping on similar grounds. Both institutions’ legitimacy remains contested. None of the BRICS members enjoys meaningful support from its neighbours, and none has a mandate to represent its respective region.⁷ Quite to the contrary, their neighbours’ suspicion of BRICS projects of regional hegemony is remarkably similar for all members.⁸

Despite these qualifications, the rise of the G-20 and the BRICS does, without a doubt, represent significant progress. Both the BRICS and the G-20 represent large shares of the human population, which is of particular importance when seeking to tackle global challenges such as climate change, poverty and nuclear proliferation. The G-20 is of particular importance, as it offers a platform for emerging powers and established powers, which are set to continue to play a key role in global governance for decades to come.⁹

At the same time, more inclusive global governance structures have made decision-making processes more difficult, exposing the tension between legitimacy and efficiency. Achieving consensus among 20 actors is far more difficult than among eight, especially because the G-20 members' interests diverge far more strongly than those of the G-8.¹⁰ One of many fault lines becoming apparent is that between G-8 members and emerging powers, which offer a more revisionist stance on today's structures, particularly in the field of economic governance.¹¹

Faced with the growing presence of emerging powers, EU members are increasingly forging joint positions prior to G-20 Summits to increase their weight. It is yet to be determined whether emerging powers can follow suit, and what the scope for co-operation between the BRICS in the context of the G-20 negotiations on global economic governance will be. This paper seeks to answer this question from a Brazilian perspective and to contemplate in particular South Africa's role in the BRICS and the G-20. It considers the opportunities for, and constraints on, alliance formation for emerging powers in the G-20. It explains these areas for which a 'BRICS caucus' is useful, and those for which an 'IBSA caucus' (India, Brazil and South Africa) makes more sense. Finally, the paper considers the validity of critics' arguments that the economic interests of the BRICS differ too much from each other to agree on anything.

BRAZIL, THE G-20 AND THE BRICS

Brazil's inclusion in the G-20 and the BRICS grouping has substantially altered its role in global affairs, as well as the perception of its own role in the world.¹² Brazil has traditionally seen itself as a rather insignificant actor far away from the global centres of power. Perhaps the strongest symbol of this world view is the book *Five Hundred Years on the Periphery* by Ambassador Samuel Pinheiro Guimarães, which is required reading for both young diplomats and international relations scholars in Brazil.¹³ Although Brazil's ambition to play a greater role dates further back, it took Brazil until the late 1990s to clearly articulate its desire for a more prominent position.¹⁴ Considering its dominant position on the South American continent, this was surprisingly late.¹⁵ Yet recent economic growth has helped Brazil, especially under the leadership of President Lula da Silva (2003–10), to adopt a more assertive foreign policy and to seek a greater role in global institutions – as evidenced by its campaign to obtain a permanent seat on the UNSC.¹⁶ Knowing that UNSC reform would be difficult, however, there was also a strong emphasis on gaining membership of the new formal and informal groupings that have emerged at the heart of the new global order. Brazil's inclusion in the G-20 and the BRICS has been an important achievement for a country that believes the global institutional structures are fundamentally unjust.¹⁷ In its desire to reform today's institutions, it differs markedly from other BRICS members such as Russia and China, which are far more established in today's institutions. In this regard, Brazil's interests are more aligned with those of India and South Africa, which points to potentially stronger collaboration among IBSA members. This does not apply, however, to economic issues, where Brazil's ties to China are far stronger.¹⁸

As Hurrell argues:¹⁹

For the (Brazil's) foreign minister the significance was clear: 'The G-8 is dead, of that there is not the slightest doubt'. Moreover, as the G-20 has sought to re-structure global financial management it has both created new institutions (with the transformation of the Financial Stability Forum into the Financial Stability Board in April 2009) and [insisted] on expanded membership (with Brazil and other BRICS as full members of both the FSB and other major standard setting bodies).

In addition, Brazil is perhaps most dependent on being included in multilateral outfits as it possesses no significant hard power. In fact, it is the only country in history to articulate an ambition for global power without any significant conventional military capacity or nuclear weapons. Without a strong presence in multilateral institutions, Brazil cannot fall back on traditional hard power. That is why Brazil is invested heavily in UNSC reform, and received a significant boost from being included in the BRICS Forum. Most of these characteristics are true for South Africa as well. Compared with Russia, India and China, the South African government has to rely on other means to project its power. Thus its participation in the G-20 and the BRICS is crucial for the strategies of both Brazil and South Africa to project power globally. As a consequence, Brazil and South Africa bring a mutual understanding of each other's negotiating position to the table. The emergence of the G-20 as a key element in global economic governance was hailed as a great success for Brazil, especially since the established powers are no longer capable of tackling the world's most complex global challenges alone. However, Brazil cannot be said to have consistently pursued a clear strategy in the G-20.²⁰ There was no evidence in 2010, for example, that Brazil was aligned with any particular bloc – neither the Group of Seven (G-7) nor the BRICS. This may partially be explained by the fact that Brazil's foreign policy strategy, its objectives and principles are changing. Its position on important issues such as the 'Responsibility to Protect' has recently been in flux as a result of its growing strategic and economic interests around the world.²¹

IS SOUTH AFRICA A CREDIBLE PARTNER FROM A BRAZILIAN PERSPECTIVE?

Contrary to the G-7 or the UNSC, the G-20 is large enough to allow for intricate coalition building, and the past years provide ample proof of such behaviour in this informal group. As Patrick argues, 'the very size and diversity of the G-20 – while not without drawbacks – may inject new dynamism into global governance, by facilitating the formation of shifting coalitions of interest.'²² Emerging powers possess the potential to exert significant influence in the G-20, and established actors are attempting to avoid the emergence of a rising-powers block. One Western analyst warns that:²³

Some have suggested that Washington should promote a formal caucus of Western countries within the G-20. Although superficially appealing, this approach could well backfire, as others – perhaps G-77 members [Group of Seventy-Seven] or the BRICs or BASICs [Brazil, South Africa, India and China] – respond in kind.

Yet even without a formal ‘established powers’ caucus, the G-7, and European countries in particular, already exhibit a fair degree of co-ordination within the G-20.

From a Brazilian perspective, South Africa’s inclusion in the BRICS is seen largely as positive, particularly by those in academia and government, which has long seen Africa in general as a strategic priority and a region in which Brazil could project its influence. In the private sector, where the BRICS membership is largely of symbolic value, South Africa’s inclusion is not thought to have any tangible consequences for Brazil’s national interest. According to most interviewees from the Brazilian private sector, South Africa was regarded as an interesting market but most ranked it behind other countries – such as Mozambique and Angola – when asked to list Africa’s most promising growth stories. The South African government’s strategy to project itself as the ‘gateway to Africa’ has had little effect on Brazilian companies, which have stronger historic and cultural ties to Portuguese-speaking Africa. No interviewee suggested South Africa’s inclusion could ‘dilute’ the BRICS brand, a claim often heard in Europe and the US, including by Jim O’Neill himself.²⁴ South Africa’s BRICS accession is thought to be positive for three reasons.

Firstly, it provides the group with a better legitimacy and representation, effectively ‘globalising the BRICS’. The BRICS share a fundamental notion that as developing countries, they have a legitimate claim to prioritise domestic economic development. Established powers often describe rising powers as ‘free-riders’ that use the ‘development country narrative’ to avoid assuming international responsibilities. However, the BRICS have a unique opportunity to refute this argument, refashion the debate and challenge dominant global narratives about how to deal with global problems. The BRICS gain their weight from speaking with a common voice, and doing so – regardless of the topic – automatically turns them into global agenda setters.²⁵ Contesting dominant narratives (generally developed and articulated in the US or Europe) about global challenges has been one of Brazil’s major goals.²⁶ South Africa’s inclusion significantly boosted the BRICS legitimacy as a group that can speak on behalf of the ‘Global South’.²⁷ It also ended Brazil’s geographic isolation. Previously, the group consisted of three geographically connected Asian countries and a faraway member in South America. Relations between China, Russia and India, after all, are centuries old and marked by their proximity, unlike ties with Brazil, which were insignificant before the end of the Cold War. With South Africa’s addition this changed, and the group’s epicentre can no longer be said to lie in Asia.

Secondly, similarly to Brazil, South Africa is a liberal democracy, so the majority of the BRICS countries elect their representatives freely and fairly – reducing the negative image the group had suffered from previously. Brazil’s generally benign view of South Africa can also be explained by the strong cultural ties between Brazil and Africa. Between the 16th and the 19th centuries, more African slaves were brought to Brazil than to any other country, including the US, creating irreversible and profound cultural ties.²⁸

Thirdly, like Brazil, South Africa is an aspiring global power without any serious attempts to develop hard power. Both countries are BRICS members without nuclear power or permanent membership to the UNSC. As such, both lack today’s principal currencies of power. Their approach and perspective on the global system and the current distribution of institutional power is thus bound to include many common elements. Finally, Brazil and South Africa face a range of common domestic challenges – such as inequality, crime, education and healthcare. The BRICS now provides an additional forum to consult each other on how to address these issues.²⁹

In addition, it is worth remembering that South Africa owes its presence in the G-20 largely to its creators' efforts to provide this outfit with, above all, legitimacy. This seemed most urgent given a global discontent with the established powers' handling of the economic crisis. Legitimacy and representation were the priorities as the G-20 came into being, superseding other issues such as like-mindedness or effectiveness. Had effectiveness been a prime goal, the better solution would have been a G-13,³⁰ similar to the G-8's five members of the so-called 'out-reach group'.³¹ One can therefore categorise the member countries of the G-20 not only in established (G-8) versus non-established powers (non-G-8), but also in those countries that participate in their own right (ie those which are among the leading 20 economies) and those which are included for legitimacy's sake. For this reason, the Netherlands and Switzerland (which are among the world's leading 20 economies) were replaced by Argentina (25th) and South Africa (27th) to represent Spanish-speaking South America and Africa, respectively.³²

As discussed, that neither Argentina nor South Africa enjoys uncontested recognition as regional leaders or regional representatives can potentially undermine their weight in the debates.³³ This is particularly true for South Africa, whose capacity to become a regional power is challenged openly. As *The Economist* quoted Jim O'Neill prior to the 2012 G-20 Summit, South Africa can 'no longer be considered the continent's superpower'. According to the newspaper, 'the economy of Nigeria, with some 158m people to South Africa's 50m, has been roaring along at an annual rate of almost 7% for the past eight years – and may even become Africa's biggest by 2016', followed by Egypt.³⁴ Although there is extensive literature on the strategies of Brazil, India and China in the G-20, very little is written about South Africa's position, which has been generally described as passive from Brazilian policy makers and foreign policy analysts interviewed. In addition, Africa's presence at the 2012 Mexican Summit was negligible. The five 'informal' participants were Spain, Benin (for the African Union), Cambodia (for the Association of Southeast Asian Nations), Colombia and Chile. This means that there was only one 'informal' participant from Africa instead of the two places that the G-20 agreed to reserve. In short, the G-20 gives too much space to Europe and too little to Africa,³⁵ which remains peripheral to G-20 core interests and mandates.³⁶

However, this does not mean that South Africa is not a credible partner in the G-20. It remains by far the largest African economy, and is seen by Brazil as a legitimate representative of the African continent in the context of the G-20. This may also have to do with the fact that Brazilian policy makers are acutely aware that Brazil's participation in the world economy is still very small.³⁷ Just like South Africa, Brazil is forced to rely on soft power. Yet in the context of Brazil's growing interest in Africa – symbolised, among other steps, by the creation of IBSA³⁸ – there is a general sense that South Africa's role in the G-20 is set to grow over the coming years as economic growth all across Africa continues.

A BRICS BLOC IN THE G-20?

In the Delhi Action Plan devised at the Fourth BRICS Summit in March 2012 in India, the BRICS members committed themselves to co-ordinating their positions at G-20 Summits.³⁹ In fact, the BRICS leaders convened at the G-20 in June 2012 in Los Cabos (Mexico) to align their positions. Despite this effort, the BRICS members' capacity to co-ordinate their positions during the G-20 Summits has been mixed since the first summit in 2008.

Emerging powers are keen on participating in the forum as equal members, but repeatedly their positions are too heterogeneous to speak with one voice. However, when comparing the G-20 final declaration with the positions of emerging powers, it becomes clear that the BRICS have, individually, become agenda setters, which provides them with considerable potential to influence the outcomes of G-20 Summits.⁴⁰ For example, Brazil strongly supports liberalising agricultural trade, Russia and India oppose the financial transaction tax, and China defends its monetary policy.

At the same time, there are several examples of co-operation between the BRICS. They have stood united in the G-20 on the necessity to increase their weight in international financial institutions. This has led to their greatest success: the remodelling, even if only an incremental one, of the Bretton Woods Institutions, which resulted in the emerging powers' presence in the Financial Stability Board and the Basel Committee.⁴¹ In 2010 an agreement was reached that included a quota shift by more than 6% in favour of large emerging countries. China became the third-largest shareholder and overtook Germany, while Russia, India and Brazil entered the list of 10 most important shareholders. The G-20 agreed on reforming the composition of the IMF Executive Board. It must be noted, however, that South Africa was the only BRICS member whose share was reduced rather than increased as a consequence of the reform.

In 2010 in Toronto, the BRICS jointly rejected calls for further taxes on their banking systems, stressing that their banks had not been at the root of the financial crisis and should therefore not be 'punished'.⁴² The BRICS regarded these proposals as a means for the heavily indebted EU countries to increase tax revenues, and they thus effectively blocked the issue from being discussed further. They also all agreed on the proposed regulations by the Basel Banking Committee, which found widespread support at the G-20 Summit. In addition, the BRICS succeeded in shifting the focus on global development, an issue of particular importance to South Africa, as well as to India and Brazil.

The positions of BRICS members have also clashed on several occasions. At the 2010 Summit in Seoul, for example, one of the major issues was the challenge of solving trade imbalances, namely the undervalued yuan and the lax American monetary policy leading to the 'currency wars'. This exposed significant friction between Brazil and China.⁴³ Yet both Brazil and China were aligned in their opposition to the US call for quantitative caps. As Gnath and Schmucker argue:⁴⁴

Whereas emerging countries were not able to shift the agenda to focus on uneven global development, they could successfully veto proposals by industrialized countries – in this case the US's call for quantitative caps – successfully in the context of the G-20, especially as G-8 members did not present a united front.

In Los Cabos, the BRICS demanded further changes to the institutional distribution of power in the IMF to obtain higher voting shares in the institution.⁴⁵

CONCLUSION

The emergence of the G-20 has changed the structure of today's global economic governance substantially, providing a more inclusive and legitimate framework than the

G-8.⁴⁶ Although the BRICS have not been able to control the G-20 agenda, they have significantly influenced it in the past years. Considering their higher growth forecast, this capacity can be expected to increase in the future summits in Russia (2013), Australia (2014) and Turkey (2015). At the same time, the individual interests of the BRICS members continue to diverge on several issues, which keeps them from co-operating in a more institutionalised manner. Future collaboration will therefore be issue-based. There are two areas in which the BRICS can concentrate and influence the G-20 agenda. The first area of broad consensus is the continued reform of today's financial institutions such as the IMF. The second is a continued shift of focus of the G-20 towards developmental issues, thus responding to criticism that the G-20 communiqués to date have focused overwhelmingly on the problems and needs of the G-20 countries themselves.⁴⁷ This could include calling for the inclusion of a second African country in the G-20, a move that Brazil is likely to support. South Africa is set to be deeply involved in developments in both areas.

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