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FOREWORD

VII BRICS Academic forum «Cooperation for growth, security and prosperity», organized by National Committee on BRICS Research as a part of a program of Russian Federation chairmanship in BRICS took place in Four Seasons Hotel, Moscow on 22-23 May 2015.

Russian Foreign Minister Sergey Lavrov welcomed the Forum. In his speech, the Minister underlined the contribution of the expert community into developing of BRICS union. Deputy Foreign Minister of the Russian Federation and Russia's *Sherpa in BRICS* Sergey Ryabkov, Chairman of the Committee for Foreign Affairs in the Council of the Federation Konstantin Kosachev, Advisor to the President of the Russian Federation Sergey Glaziev and Executive Director of the Russian National Committee on BRICS Research Georgy Toloraya made their presentations. The delegates of BRICS countries representing national coordination centers, as well as leading Russian experts, representatives of academic, educational and civic society organizations numbering more than 200 took part in the Forum. The Forum was widely covered by Russian and international press.

The agenda of the forum included such issues as building a fair world order, rule of international law, peace and security, role of international institutions, reform of the international financial system and future of the BRICS-born institutions, social problems, trade, strategy of economic partnership and sustainable inclusive development.

The outcome of the VII BRICS Academic forum included:

- Finalization of the report “BRICS Long-Term strategy” for the BRICS leaders’ summit in Ufa, Russian Federation.

- Adoption of recommendations to the summit of BRICS leaders in Ufa, Russian Federation.¹

- Announcement of a joint research prognostic project “BRICS-2025: The Jubilee Goals”.

In October 2015, also in the framework of Russian Presidency in BRICS, the National Committee on BRICS Research held International Conference “GLOBAL COMMONS AND BRICS”. Objectives of this conference were to engage in frank and open discussion on ways of reinforcing BRICS role in the contemporary international relations and their respective interests in exploitation of the common international spaces (“GLOBAL COMMONS”). As a result of this conference recommendations were presented to relevant Russian and other BRICS authorities. Possible areas for BRICS further cooperation were also identified.

This volume contains the proceedings of the VII BRICS Academic forum and relevant documents. Selected presentations of the International Conference “GLOBAL COMMONS AND BRICS” are also included.

Special thanks to the leaders and staff, which made the VII BRICS Academic forum possible, including, but not limited, the national coordinators of five countries from BRICS Think Tank Council (BTTC) — Renato Baumann (Brazil), HHS Viswanathan, Samir Saran (India), Zhou Yuyun (China), Ari Sitas (South Africa); Andrey Bokarev (Ministry of Finance of the Russian Federation); Vadim Lukov, Alexander Lukashik (Ministry of Foreign Affairs of the Russian Federation); Georgy Toloraya, Lyana Viazovskaia, Victoria Panova, Valeria Gorbacheva, Svetlana Afanasieva (National Committee on BRICS Research of Russia), etc.

Vyacheslav Nikonov
Chairman of the Board of the
National Committee on BRICS Research
Chairman of the State Duma Committee on Education
Chairman of the Board of the Russkiy Mir Foundation

¹ See Attachment.

CHAPTER 1

BUILDING A FAIR WORLD ORDER

Building a Fair World Order: BRICS and the Rule of Law

*Narnia Bohler-Muller*¹

Abstract

In all the BRIC/S Joint Statements and Declarations since 2009, the member states have emphasised two interrelated positions:

- The centrality of the United Nations in International Relations, with particular emphasis on multilateralism in decision making; and
- The need for a democratic and just world order based *on the rule of international law*, equality, mutual respect, cooperation, coordinated action and collective decision-making of all states.

Although the wording differs slightly from Yekaterinburg (2009) to Fortaleza (2014), this commitment to the centrality of the UN and maintaining the rule of law has not wavered. What is, however, somewhat of a paradox is that, despite this allegiance expressed by the leaders of all five BRICS nations to the UN and its agencies, there has simultaneously been a call for *the reform of institutions of global governance*. This is the revisionist nature of the BRICS agenda that seeks a fairer and more just world order that balances forces of power.

This paper looks at traditional definitions of the rule of law, where after some attempts will be made to unpack what BRICS' understanding is of the role of international law in global

¹ Human Sciences Research Council (HSRC)

reform. As the group consolidates its position on the global stage, it is necessary to re-think how decision-making occurs in bodies such as the UNGA, UNSC, IMF, WB and WTO, and how the governance systems and structures could be reformed to be fair, just, equitable and democratic. It is also necessary to re-imagine how the international rule of law could be interpreted in a way that would strengthen any attempts at changing the way the world as a whole cares for its citizens.

Introduction

The rule of law constitutes the legal principle that law should govern, as opposed to arbitrary and inconsistent decisions by government officials or nations. It primarily refers to the influence and authority of law within particular societies, which serves as a constraint upon the conduct of those in power, but it is also applicable to the relationship between nations.¹

Thus, the rule of law in the traditional sense implies that every citizen (and non-citizen) living in a particular state is subject to the law (and empowered by the law). In a constitutional democracy, the legislature and executive are also bound by the law and the rule of law. This system and practice stands in contrast to dictatorship, for instance, where the rulers and rule-makers are held above the law. However, lack of the rule of law can be found in democracies and dictatorships alike, and this can happen because of neglect or ignorance of the law; corruption; or the lack of *an* independent judiciary.

The focus in this paper will be on BRICS' attitudes to the rule of law in the international sense. There is, however, space to look comparatively at the domestic laws of the five member states so as to enable mutual learning in this important area, especially since the rule of law contributes towards stability, both locally and globally. This could form part of a comparative research agenda

In the sections below, I look at the various accepted definitions of the (international) rule of law, and how this influences global governance more broadly. An attempt is made to tease out how the rule of law is understood by the BRICS grouping by analysing what has been said by the Leaders at the various Summits.

¹ See the United Nations definition of the rule of law at http://www.unrol.org/article.aspx?article_id=3 (accessed on 20 June 2015).

Some definitions

The Secretary-General of the United Nations defines the rule of law as:

“... a principle of governance in which all persons, institutions and entities, public and private, including the State itself, are accountable to laws that are publicly promulgated, equally enforced and independently adjudicated, and which are consistent with international human rights norms and standards. It requires, as well, measures to ensure adherence to the principles of *supremacy of law*, *equality* before the law, *accountability* to the law, *fairness* in the application of the law, *separation of powers*, *participation* in *decision-making*, legal certainty, avoidance of arbitrariness and procedural and legal transparency” (emphasis added by author)¹.

In addition, the UN General Assembly (UNGA) has included the rule of law as an agenda item since 1992, and has adopted Resolutions at its last three sessions on the rule of law. The UN Security Council (UNSC) has also held a number of thematic debates on the rule of law, and adopted Resolutions emphasizing the importance of these issues in the context of:

- women;
- peace and security;
- children in armed conflict;
- protection of civilians in armed conflict.

On 30 November 2012, Resolution 67/1 was adopted by UNGA: *Declaration of the High-Level Meeting of the General Assembly on the Rule of Law at the National and International Levels*:

“We, Heads of State and Government, and heads of delegation have gathered at United Nations Headquarters in New York on 24 September 2012 to reaffirm our commitment to the rule of law and its fundamental importance for political dialogue and cooperation among all States and for the further development of the three main pillars upon which the United Nations is built: international peace and security, human rights and development. We agree that our collective response to the challenges and opportunities arising from the many complex political, social and economic transformations

¹ See <http://www.un.org/en/ruleoflaw/> (accessed on 20 June 2015).

before us must be guided by the rule of law, as it is the foundation of friendly and equitable relations between States and the basis on which just and fair societies are built.”¹

The World Justice Project, a non-profit organization committed to advancing the rule of law around the world sees the rule of law as a rules-based system in which the following four universal principles are upheld:

1. The government and its officials and agents are *accountable* under the law;
2. The laws are clear, publicized, stable, fair, and *protect fundamental rights*, including the security of persons and property;
3. The process by which the laws are enacted, administered, and enforced is *accessible, fair, and efficient*;
4. *Access to justice* is provided by competent, independent, and ethical adjudicators, attorneys or representatives, and judicial officers who are of sufficient number, have adequate resources, and reflect the makeup of the communities they serve.

Although the World Justice Project looks at the state of the rule of law in individual nations, the principles can be applied to institutions of global governance.

The International Development Law Organization (IDLO) has a more holistic definition of the rule of law:

“More than a matter of due process, the rule of law is an enabler of justice and development. The three notions are interdependent; when realized, they are mutually reinforcing. For IDLO, as much as a question of laws and procedure, the rule of law is a culture and daily practice. It is inseparable from equality, from access to justice and education, from access to health and the protection of the most vulnerable. It is crucial for the viability of communities and nations, and for the environment that sustains them.”²

Again, one could argue that the international rule of law has the same underlying features, which are necessary to build a fair world order.

¹ See <http://worldjusticeproject.org/rule-of-law-index> (accessed on 20 June 2015).

² See <http://www.idlo.int/> (accessed on 20 June 2015).

BRICS Declarations and the rule of law

Below are statements from the BRICS Summits since 2009¹. There is a repetition in all these Declarations of respect for the international rule of law, working towards a peaceful, prosperous and a fair world order. There is also a call for the reform of global institutions of governance. This all needs to be scrutinised in order to understand the BRICS' approach to the rule of international law (again, I do not look at attitudes of individual countries, but joint statements in the form of Summit outcomes).

1. Yekaterinburg, Russia 16 June 2009 (Joint Statement)



Prior to SA joining, comments were mostly limited to global financial and economic architecture, as illustrated in this first joint statement. One can see an evolution from here to the last Declaration released in 2014. The Russian statement contained some clear statements on the need for fairness in the world order and respect for the rule of law, although more procedurally than substantively as illustrated by the wording of paragraph 4:

Para 4. 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.

In paragraph 12, the joint statement clearly underlines BRIC 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*

¹ For full texts of all the Summit Declarations see the South African BRICS Think Tank (SABTT) website <http://www.sabrics-thinktank.org.za/interface.php?p=crumb&type=264> (accessed on 20 June 2015).

of all states. This wording has been retained — with some small changes — throughout the Summit outcomes. It is also stated that “[w]e reiterate our support for political and diplomatic efforts to peacefully resolve disputes in international relations”.

Paragraph 14 stressed “our strong commitment to multilateral diplomacy with the United Nations playing the central role in dealing with global challenges and threats”. The BRIC leaders continue by acknowledging the need for the a “comprehensive reform of the UN with a view to making it more efficient so that it can deal with today’s global challenges more effectively”. Without being specific about the nature of the reforms of the UNSC, the Leaders “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”.

2. Brasilia, Brazil 15 April 2010 (second Joint Statement)



Paragraph 2 of the Brasilia Joint Statement also expressed the Leader’s support for a multipolar, equitable and democratic world order, based on international law, equality, mutual respect, cooperation, coordinated action and collective decision-making of all States.

In paragraph 4, the BRIC Leaders express their strong commitment to multilateral diplomacy “with the United Nations playing the central role” in dealing with global challenges and threats. The Leaders also repeated that there is a need for a comprehensive reform of the UN, and recognised “the status of India and Brazil in international affairs, and understand and support their aspirations to play a greater role in the United Nations”.

3. Sanya, Hainan, China 14 April 2011 (Sanya Declaration and Action Plan): *Broad Vision, Shared Prosperity*

In Sanya the leaders again emphasised the overarching objective and strong shared desire for peace, security, development and cooperation. In paragraph 5, they state that “BRICS and other emerging countries have played an important role in contributing

to world peace, security and stability, boosting global economic growth, enhancing multilateralism and promoting greater democracy in international relations”.



Paragraph 7 states that “[b]ased on universally recognized norms of international law and in a spirit of mutual respect and collective decision making, global economic governance should be strengthened, democracy in international relations should be promoted, and the voice of emerging and developing countries in international affairs should be enhanced”.

The central role of the UN is again mentioned in paragraph 8 of the Sanya Declaration:

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

4. New Delhi, India 29 March 2012 (Delhi Declaration and Action Plan): *BRICS Partnership for Global Stability, Security and Prosperity*



The Dehli Declaration is no different, recognising universal norms of international law and multilateral decision-making. A call is made for strengthened representation of emerging and developing countries in the institutions of global governance.

Paragraph 26 reiterates the BRICS “commitment to multilateral diplomacy with the United Nations playing a central role in dealing with global challenges and threats”. The need for the reform of the UN is also reiterated with the same wording as the Sanya Declaration.

5. 26-27 March 2013 eThekweni (Durban, South Africa Declaration and Action Plan: *BRICS and AFRICA: Partnership for Development, Integration and Industrialisation*



In the very first paragraph of the Ethekwini Declaration the leaders reaffirm their “commitment to the promotion of international law, multilateralism and the central role of the United Nations (UN)”. In paragraph 20, the “*strong commitment to the United Nations (UN) as the foremost multilateral forum entrusted with bringing about hope, peace, order and sustainable development to the world*” is repeated as it “*enjoys universal membership and is at the centre of global governance and multilateralism*”. The call for reform of the UNSC again did not mention the specific nature of the reforms needed.

In paragraph 21, the leaders express a “commitment to work together in the UN to continue our cooperation and strengthen multilateral approaches in international relations based on the rule of law and anchored in the Charter of the United Nations”.

6. 14-16 July 2014 Fortaleza, Brazil Declaration and Action Plan: *Inclusive growth: sustainable solutions*

Paragraph 2 of the Fortaleza Declaration states that:

“Our shared views and commitment to international law and to multilateralism, with the United Nations at its centre and foundation, are widely recognized and constitute a major

contribution to global peace, economic stability, social inclusion, equality, sustainable development and mutually beneficial cooperation with all countries.”



The 70th anniversary of the UN was mentioned in paragraph 24 and the leaders again reaffirmed their “commitment to safeguarding a just and fair international order based on the UN Charter, maintaining world peace and security, as well as promoting human progress and development”. The following paragraph recognised the UN as the “fundamental multilateral organization” entrusted with helping the international community maintain international peace and security, protect and foster human rights and promote sustainable development. In addition a comprehensive reform of the UN, including its Security Council, was called for (with the same wording as previous Summits).

Paragraph 28 states that:

“We agree to continue to treat all human rights, including the right to development, in a fair and equal manner, on the same footing and with the same emphasis. We will foster dialogue and cooperation on the basis of equality and mutual respect in the field of human rights, both within BRICS and in multilateral fora — including the United Nations Human Rights Council where all BRICS serve as members in 2014 — taking into account the necessity to promote, protect and fulfil human rights in a non-selective, non-politicized and constructive manner, and without double standards.”

Preliminary analysis

1. Initially the focus was on international finance and economics. Although there has not been an absolute shift, the language in the Summit Joint Statements and Declarations has developed to include political and governance issues, including the respect for the rule of law.

2. From the outset, the centrality of the UN and the rule of law has been mentioned in more than one paragraph, but the emphasis is far more pronounced in the last three Summit Declarations, with human rights mentioned for the first time in the 2014 Fortaleza Declaration.

3. The BRICS grouping's understanding of the rule of law is not clearly spelt out, but one could assume, based on their foregrounding of the United Nations, that the definition accepted by the UN is the one accepted by BRICS.

4. Thus, the calls for reforms of the UNSC, IMF, WB and WTO are based upon a strengthening of the rule of law and creating fairer and more democratic global governance institutions.

5. We need to consider setting up cooperation amongst international lawyers to ensure better interpretation and implementation of international law.

Building a Fair World Order

*H.H.S. Viswanathan*¹

One of the most important outcomes of the process of Globalisation is the realisation that today's world needs a new World Order which is fair, just and equitable. In today's world, which is so interdependent, problems have become complex and broad based. Their impacts are felt by all nations — be it terrorism, climate change, energy or food security, trade liberalisation, cyber space or peace and security. The truth is that no nation by itself can tackle any of these. Are the global mechanisms of today effective enough to tackle these issues? Most of them will come under the broader rubric of Global Governance. And as with any governance, this can be effective only if the order on which it is based is sound and just.

Global Governance is not something new. Throughout history, Societies and later Westphalian states have found ways of laying down some rules of behaviour, which were for the benefit of everyone. The rules naturally reflected the world order of the day. They were set by one hegemon or by a concert of powerful states. Due to this, most of the world orders created have been self-

¹ Observer Research Foundation (ORF)

centred. The world order of the last century was set by the victors of the Second World War. To keep up the order several institutions were also created. These seemed to work reasonably well till the Cold War lasted. With the dramatic changes at the end of the last century, things began to unravel. One of the dramatic changes was the collapse of the USSR and the end of the Cold War.

The more dramatic change was the process of Globalisation and the subsequent rise of emerging powers. As Ian Bremmer points out, the world has entered a phase of geopolitical creative destruction¹.

Both the post-World War 2 and the post-Cold War orders have become outdated. In the early 1990s, there was an attempt to establish a liberal world order dominated by free markets. It was also known as the Washington Consensus. This did not last long. The global financial crisis of 2008 proved the limits of markets or more precisely how uncontrolled market forces can wreck the global economy.

Dmitri Trenin rightly points out that “life expectancy of world orders varies, but like humans, they are mortal”².

Many orders were changed as a result of wars and violent events. This time around, one hopes that it would be peaceful because globalisation has created so much inter-dependence that violent changes of orders are unthinkable.

Over the last two decades, the economic power has steadily shifted towards emerging economies, particularly the BRICS countries. With this shift, the strains in the existing World Order began to be felt. That is why one of the important objectives which BRICS have taken up for themselves is to work towards a new World Order. As mandated by the five leaders, the BRICS Think Tank Council (BTTC) has completed its work on formulating a Long-term Vision Document in which Global Political and Economic Governance is one of the five pillars. It cannot be denied that the post-World War 2 structures have an unfair distribution of power hard-wired into the system. The shift in economic power has not led to a commensurate shift in political power.

¹ Ian Bremmer, Judy Dempsey’s Strategic Europe, May 6, 2015 “Is the postWW2 Global Order finally breaking down”?

² Ibid.

There are three fundamental elements to a Global order or Global Governance: these are values, norms and rules. For any order to be sustainable over a long period of time, all three aspects have to be addressed and in the right sequence. History shows us that, at times, powerful nations have imposed rules first and then justified them by subjective values. These can, at best, be only temporary solutions. Definition of values, by its very nature, is very complex. Norms and rules will follow only after there is a significant universal consensus on the values.

Multilateralism has to be the bedrock on which a fair, equitable and sustainable World Order can be built. For this, the order has also to be seen to be fair and equitable. It is true that Globalisation has changed the contours of regionalism and multilateralism in significant ways. But the reality is that sovereign Westphalian States will be the main units of multilateral diplomacy for the foreseeable future. Hence, there is need to strengthen the multilateral approaches to Global Order and Global Governance.

Over the past two decades, the world has also seen a proliferation of smaller groupings or clubs some of which are G-20, BRICS, BASIC, IBSA, SCO etc. Each of the groups is working on specific aspects of Global Governance and contributing in a significant way towards the evolution of a new global order. What is important is that different perspectives have to be taken into account for evolving a new order. The utility of each of these groupings lies in the fact that each of them brings a new perspective.

There is no doubt at all that a new world order is needed. Even most of the so-called Status-quo powers agree on this. The problem arises when the discourse turns to what the new world should be. Unfortunately, here the discourse is reduced to a “West vs. the Rest” argument. This does not have to be so. In fact, this should not be the argument because if we are looking for an inclusive order, everybody has to be part of it. In today’s globalised world the West needs the Rest. How can you have a world order without the active participation of the emerging economies, which contribute significantly, to the Global GDP?

Many interpret the clamour of the emerging powers to have greater say in Global Governance as a desire to occupy the high tables. This, in a way, trivialises the issue. While participation in the

discussion at the high tables is certainly essential, it is not an end in itself. What the Emerging Powers want is the recognition of new Agendas, which are of critical importance to the developing countries.

The most popular terms used for an eventual fair world order are a multipolar world or a polycentric world. Whatever the term used, the essence is the inclusion and participation of many eligible players. This enables a fairer process in terms of agenda setting, decision making and also in the acceptance of the decisions by the international community.

Related to the above aspect is the question of burden sharing by the Emerging Powers, which is often mentioned by the Status-quo powers. Here, it is a question of the chicken and the egg. The argument of the Status-quo powers is that the Emerging Powers should step forward and take on more burden before demanding leadership sharing. Here, in fact, lies the contradiction. The Emerging Powers have no intention in sharing burden if it is to promote the existing order or the existing Agenda. Why would they do that if it is going to perpetuate the current inequities in the system?

Let us take the example of some of the Global Institutions. Three of them stand out as being totally anachronistic — IMF, World Bank and the UNSC. The first two, generally referred to as the Bretton Woods Institutions (BWIs) have outdated voting powers, decision-making procedures and selection processes for the Heads of the Organisations. It was after considerable efforts of BRICS that the G-20 agreed to modify the quota of shares and voting rights at the Seoul Summit in 2010. But progress on this has been stalled by the US Congress. The World Bank has not lived up to its expectations mainly because of the fact that the developing countries for which the institution was created do not have a decisive say. The combined vote share of BRICS in IMF is 11% even though they contribute to 22% of the global GDP in nominal terms and 32% in PPP terms. The collective share of BRICS in World Bank is 14%. Joseph Stiglitz brings out the deficiencies of the IMF and World Bank very clearly in his book “Globalisation and its discontents”¹.

It is in this context that the bold initiative of BRICS to create two new institutions like the New Development Bank (NDB) and the

¹ Joseph E. Stiglitz. Globalization and its Discontents. New York: W.W. Norton, 2002

Contingency Reserve Arrangement (CRA) attains significance. Here is an example of BRICS stepping forward for burden sharing. The NDB was a direct consequence of the decreasing availability of funds from the Multilateral Development Banks for Infrastructure projects in the developing world. Similarly, the CRA was to address the short term liquidity and balance of payments difficulties of the developing countries. Even though these have been envisaged as supplementary efforts to the World Bank and the IMF, anti-BRICS propaganda has projected these as dangerous trends to overthrow the existing order.

Nonetheless, there is one important political message in the creation of NDB and CRA. They are financial institutions and will naturally work on economic principles to be successful; but, the fact remains that this is the first time in 200 years that a Global Institution has been created without the participation of the developed West. This, by itself, is significant. Many also see this as a wakeup call for many of the outdated institutions. There is one school of thought that says that had the IMF and World Bank changed with changing circumstances, there may not have been the need for the NDB and CRA.

The other anachronistic global institution today is the UNSC. Even if one grants the logic of the UNSC soon after the Second World War, it is totally outdated in today's reality. There is no question that it has to be made more inclusive with a greater role for the Emerging Powers.

There is a specious argument given by some that for Global bodies to be effective, they have to be as small as possible. This argument goes against the principle of legitimacy, which is an essential pillar of any institution. Even a die-hard real politick advocate like Henry Kissinger talks about the two aspects of global institutions namely power and legitimacy in his latest book, "World Order"¹. Power without legitimacy will lead eventually to the unravelling of the organisation and legitimacy without power will make it ineffective. Ideally, as Langenhove says, "In all global institutions there must be three balances, namely balance of power, balance of responsibilities and balance of representation."² Volker

¹ Henry Kissinger, *World Order: Reflections on the Character of Nations and the Course of History*. (London: Allen Lane, 2014), 420 pp.

² Luke Van Langenhove "Multilateralism 2.0: The transformation of International relations", United Nations University. May 31, 2011

Perthes says that many confuse lack of change in an established order with stability. Orders collapse when active stakeholders feel excluded¹. Rule and rights should adapt to shifts in power relations while maintaining the legitimacy of the system.

Of all the Global Institutions existing today, G20 seems to be the most legitimate in terms of participation. These 20 countries contribute 85% of the global GDP. That is why BRICS countries attach great importance to this grouping and insist that it should be the premier global institution to deal with all financial and economic issues.

How outsiders perceive BRICS is also relevant, not so much for Intra-BRICS cooperation but for bringing about changes in the global order. There is no escape from engaging with the present power centres and articulating our points of view hoping to make them see reason.

Fortunately, many in the West see BRICS in a positive light. We saw that some Western countries are interested in participating in the NDB. Among the sceptics, there are three types of reactions towards BRICS: the first group has curiosity — their question is “what is this new animal called BRICS?” The second group is suspicious about the intentions of BRICS as to how their initiatives will affect its interests. The third group expresses hostility — their argument is that since BRICS question some of the existing norms of global governance, it could be a dangerous grouping. The success of initiatives like NDB and CRA can go a long way in correcting the misconceptions of the sceptics.

Now, what are the options that BRICS have in their quest for a new world order and corresponding changes in Global Institutions? Basically there are four: the first is to conform i.e., go along with those structures which are fairly equitable; the second would be to reform, like the efforts of BRICS in bringing changes to the BWIs; the third would be to bypass i.e., ignore those norms which are loaded heavily against the developing world so long as this does not amount to violation of recognised international laws. The last would be to create new institutions — the NDB and CRA will fall in this category and hopefully there will be more like them in the future.

There is a general feeling among the global community that BRICS as a group is ideally suited to take initiatives for a new

¹ Volker Perthes, Judy Dempsey’s Strategic Europe, May 6, 2015 “Is the Post WW2 Global Order finally breaking down?”

global order. The reasons are obvious: they are spread out into all the continents and so have diverse perspectives; all of them have successfully leveraged the process of globalisation and achieved remarkable economic progress; yet they are still developing countries and have many common problems among themselves and among the developing world. They are for strengthening multilateralism, global dialogue and search for solutions in a peaceful manner without resort to force. The two important factors needed for success in multilateral diplomacy are the capabilities in agenda setting and in consensus building. In both these, BRICS are ideally placed to achieve impressive results.

BRICS should also venture into changing the order in the economic and technical domains. So far, we have been following the standards and benchmarks created by the Western countries. The time has come to have our own templates. For e.g., three of the BRICS countries (Brazil, India and China) are big producers of pharmaceutical products. It is only logical that we should set the new standards. Similarly, in many other areas we have the capacity to create benchmarks. The idea of a BRICS Rating Agency is being talked about. Connected with this is the question of the revival of some of our traditional knowledge and practices which are proving to be more effective in achieving sustainable development.

This year (2015) will be a very critical one as far as World order and Global Governance are concerned. There are three important international conferences coming up which will set new orders. The first is the 70th anniversary of the founding of the United Nations in September where the post 2015 Agenda for development is to be decided. The occasion should also address the question of reforms of UN and UNSC. The second conference will be the G20 Summit in Turkey in November where the host country wishes to include Energy and Climate Change in the Agenda. Finally, the much-awaited UNFCCC will take place in Paris in December which is expected to conclude the Climate Talks. In all these three Conferences, BRICS have a great responsibility to come up with initiatives, which will take care of not only their interests but also those of a vast majority of the developing and emerging world.

CHAPTER 2

REFORM OF THE INTERNATIONAL FINANCIAL SYSTEM AND FUTURE OF THE BRICS-BORN INSTITUTIONS

BRICS Bank as an Alternative to the Current International Financial System in Developing Countries

Ronney Ncwadi, Tafadzwa Ruzive¹

Abstract

The current financial system has reached the peak of its effectiveness. It can no longer address the needs of those it claims to represent it is in light of these observations that alternatives are being sought that provide inclusive and equitable development for all. The Bretton-Woods institutions do not seem to have the capacity to reinvent themselves and hence it has become paramount to find ways in which the system can be replaced. Economically, socially and politically they continue to serve the interests of the architects of the system at the expense of the intended recipients. In light of these circumstances, the BRICS bank would be an alternative that though not yet big enough at the moment might start to challenge the Bretton Woods system at least ideologically. By fostering a transparent regulatory framework, visionary leadership, equitable conflict resolution mechanisms, robust risk assessment criteria and a common aspiration the BRICS bank will achieve its goal of economically, socially and politically fostering a more inclusive, equitable and sustainable growth for all.

¹ Nelson Mandela Metropolitan University

Introduction

The international financial system is defined as the system and institutions that oversee the facilitation of international means of payments for the exchange of goods and services. Much like a financial services sector in a country this happens to be a similar system at a global scale. This system by extension will also be responsible for the currency movements in the world not only of trade but also for wealth preservation but also financing activities. The current financial system is headed by two Bretton-Woods institutions namely the World Bank and the IMF.

The World Bank's mandate is to finance development worldwide, stepping in to provide funds for projects that the private sector would not typically engage in. The most prominent arm of the World Bank being the International Bank for Reconstruction and Development. The IMF's mandate is to facilitate for financial stability through providing funds to fill in current account deficits that may have been experienced through trade or the payment of international transactions that happen between countries. The IBS helps settle claims across countries as they transact in international trade and investment as characterized mainly by FDI flows across the globe from regions of low economic yield to those with high economic yield.

With this mandate in mind, it is crucial that these financial institutions deliver the objectives of these mandates to member participants equitably, helping them acquire infrastructure for their economies while keeping their financial systems stable. However as recent history has shown these institutions have only helped to extend United States dollar hegemony across the world with these institutions basically playing the role of extending American foreign policy on other member states. Via the voting structure of these institutions the ability the rest of the world to wrest itself from American self-determination has been greatly handicapped. Currently the US holds a critical mass of voting power that can cripple any moves in international financial market that can impede on its ability to maintain its hegemony on the rest of the world.

The problems with the current financial system

The reform of the international financial system is focused on the following aspects: international monetary system, international

financial institutions and international financial regulatory system. (Xue Lai, 2009). The problems in the system should be dealt with in these three areas. The issue of influence of the Bretton woods institutions has historical basis in America leading the recovery process post WWII and imposing on itself the responsibility to ensure financial and monetary stability in the world economy. These financial arrangements are clearly seen in the domination of America in the operation of these financial institutions. Though it may have been beneficial to have America dominate these institutions in the recovery process and through to the 1970's, the current picture of global trade however no longer reflects the need to reconstruct a world coming out of a world war but rather a need to relocate the centre of global economic power to catapult the globe into a new dimension of economic operation. This can only be done by leveraging the growth which is being experienced in emerging markets such as the BRICS. However the US has failed on the mandate it took upon itself as Mungqi (2009) observes:

“De facto, the US Dollar standard in the international monetary system enables the United States to irresponsibly neglect its current account deficit and the foreign exchange rate for its currency. As long as there is no replacement for the US Dollar as the international key currency, the United States can use the Dollar to import cheap goods and services. By doing so, the US was able to use an inflationary monetary policy for its own goods while neglecting the asset bubble. However, excessive debt in the US, both public and private, eventually leads to adjustment. When commodity prices surged, and other product and service prices rose, the inflationary monetary policy had to change. Once the monetary policy was adjusted, the financial market responded, triggering the subprime loan crisis. Subsequently, the entire world had to follow the US in stimulating the economy with inflationary monetary and fiscal policies, starting a new cycle of bubble creation. In this process, the US could reduce its debt relative to GDP, while the rest of the world had to suffer in sharing the costs. This is why the international community reached consensus on the urgent need to reform the international financial system.” (Munqgi, 2009).

The mechanism with which the international institutions voting rights are determined has been identified as an impediment

to reflecting the emerging significance of emerging economic powers and the adoption of developmental policy positions. The determination of voting power in the current financial dispensation as seen in the activities of the international monetary fund are seen by the allocation of voting rights that is determined by a country's GDP, and a host of other macroeconomic policy variables. The outcome across time has that the USA has maintained the largest share of votes in the World Bank. Consensus on a policy or action is achieved at 85% and currently the US holds about 17.68% of the votes implying that it can veto any policies that it is not interested in pursuing. An example of policy inflexibility and the resistance to change manifested by the US was seen in 2009 as Mungqi, 2009 notes:

“Obviously, the G20 have not reached consensus on key issues. The US tried to focus exclusively on stimulating recovery and sought to avoid any major reform that might undermine the Dollar standard. Although the US accepted a compromise on an IMF fund increase and SDR expansion, and even proposed to adjust voting shares between Asian and European countries, Washington is not likely to accept any reform that challenges the dominance of the US Dollar. At the second G20 London Summit, leaders reached some consensus in this regard. IMF financial resources will be increased to US\$ 500 billion. SDRs will expand to 250 billion. Surveillance of the financial markets will be strengthened. However, key issues such as inter-national key currency stability, exchange rate regimes, an adjustment mechanism for imbalances of international payments have not really been touched upon.”

This skewed representativeness no longer reflects the wishes of members especially in the emerging and developing economies. There are several quarters in the banks membership that feel that the terms on which the loans are disbursed to recipient countries and the prescriptive tone with which they are handed down is tantamount to the perpetuation of American dominance. The contribution that emerging economies especially the BRICS are making to the world economy are overlooked in the disbursement of voting quotas and the economic ideology accompanying the loans is detrimental to the soft resource based economies where most of the balance of payments and infrastructure backlogs exist.

Emerging economies are not able to vote on decisions that affect their economic destinies and on projects that affect their current livelihoods. This situation makes for a compelling case for urgent reforms in the structure and management of the Bretton woods institutions. Could the BRICS offer a solution?

The creation of BRICS bank

In response to the unfair representation of BRICS institutions on the World Bank and IMF, the BRICS countries in 2014 met in Fort Aleza, Brazil and decided to form a BRICS bank; a bank which they could use to finance their developmental agendas. It comprises of two institutions namely the New Development Fund and the Contingency reserve arrangement (Panova, 2014).The Bank has an authorized capital of \$100 billion and currently has a subscribed amount of \$50 billion. Its mandate is to finance infrastructure and “sustainable development” projects (The Economist, 2014). The CRA’s mandate is to tide over member countries in financial difficulties. It is not a tangible fund but rather a web of bilateral promises to make \$100 billion of foreign reserves available to BRICS countries on need, with each country being able to draw a multiple of its contribution.

The main reasons why this bank was created was to bolster investment into infrastructure which four of the member banks(with the exception of Russia) need to overcome the waning growth prospects that their economies face. The second reason for the formation was to create a front, which can help, for instance china invest in India without seeming as if it is now dominating the economy thereof. The third reason was to reform the old world order by presenting one, which will now include fairness, inclusiveness and diversity as its underlying tenets (Panova, 2014).

All members have equal voting rights in the bank, which would make this a paradigm shift from the way the IMF and World Bank ideology. Since the group has five members it will take at least three members to agree to make a decision and none of the members have veto power to stop the other four members from taking an action. Despite the setting up of the Bank, the infrastructure bank has a lot of ground to cover before it can challenge the current financial system. The World Bank estimates that the infrastructure funding gap in South East Asia alone amounts to \$2.5 trillion over the next

ten years. However, this does not stop the bank from being able to make a difference where it matters particularly in developing countries.

Opportunities and threats

The BRICS bank has by its nature and objective a unique opportunity with which it can become the preferred lender to the developing world. However, for every opportunity there exist threats that could impede in the developmental agenda that the bank has been constructed to achieve. This section deals with the opportunities and threats that the bank faces as it delivers on the financial reform that the international financial system so badly needs.

Opportunities

There are numerous development challenges that the World Bank and IMF framework did not look into. Unfortunately, these have been the very reasons development in the developing economies was not being realised. An Oxfam report put the challenges that the BRICS bank could tackle as follows:

“The association of five major emerging national economies, Brazil, Russia, India, China and South Africa (BRICS) has a special responsibility towards helping the world achieve its goal of ending extreme poverty, reducing inequality and achieving sustainable development, as they collectively represent some of the world’s greatest challenges and achievements. Despite remarkable strides made in reducing poverty within India and China, BRICS countries still house nearly half of the world’s poor and have experienced a rise in inequality in recent years. The creation of a BRICS Bank, and with it the promise of reforming the global development architecture, offers a real and concrete opportunity for governments of these countries to ensure development financing is sensitive to the needs of those who are poorest and most marginalized” (Oxfam: 2014).

In light of these challenges, it is imperative for the BRICS bank to recognize that though it has made numerous achievements in as far as economic development is concerned, it also has to take a look at the inclusivity of that growth and foster social change through the instruments that it will create in the BRICS bank.

The millennium development goals are lagging behind in the developing countries and the BRICS bank could be utilized as a catalyst for the achievement of these. The connectivity of

the BRICS economies can enable them to be leader nations in the attainment of these goals for instance, South Africa is connected to the SADC region and China has got strong links to the ASEAN nations. The BRICS bank could be the financial catalyst that will bring about the quick attainment of the millennium development goals at a global scale.

The focus of the environmental sustainability of investments made by Bretton woods institutions has been questionable. They have been involved in projects that have been environmentally unfriendly and have reduces the quality of life for the poorest of the poor. The BRICS bank must bring more awareness to global issues such as environmental, social and governance issues into its investment frameworks. However, how this will work well will depend on how standards can be set and this happens to be one of threats outlined in the next section.

Threats

The bank faces threats from five areas that could be risk areas to the longevity and performance of these BRICS born institutions. These five aspects are the regulatory framework of the bank, the leadership of the bank, conflict resolution in the bank, the financial stability (secureness) of the bank and finally the aspirations of the Bank. These aspects are discussed in the following subsections.

Regulatory Framework

The leaders need to determine the regulatory framework of the bank and agree on it as soon as is possible. This provides a clear pathway for which the bank can operate, what investments to enter into and which ones not to and for what reasons. This will act as the rules to which all member nations shall abide to and whose fair application is going to create the much needed goodwill that should characterise an international finance institution.

Visionary Leadership

There will also be a need for continued strong leadership in the bank. It is also important to laud the initiative that has been taken by the current leadership to shape the foundations for the Bank. Going forward there should not be a shortage of such visionary leadership to take the bank into the future. Clauses for the selection for future BRICS bank leaders could help in perpetuating the vision of the BRICS bank.

Conflict Resolution Mechanisms

Conflict in between bank members is bound to arise, especially with the extension to include more than the five founder members if not among the initial five members themselves. There should be clearly laid down rules for how conflicts of interest are going to be settled by the bank. This could be difficult looking at the political orientation of the existing members with some coming from democracies and others coming from non-democracies. There could be a compromise that could bring in a new means through which conflict resolutions can be solved between group members with diverse political backgrounds.

Robust Risk Assessment Policies

Security concerns exist for the bank in terms of the nature of its operations. There is a need to assess risks adequately and finance sustainable projects which will give an adequate return to be able to perpetuate the survival of the bank. The bank will have a focus on development finance; it could give loans at lower tariffs and fewer conditions, but keep the attainment of development goals such as equality and poverty alleviation at its core. Sufficient risk mitigation capabilities will have to be hammered out amongst the founder members to come up with a mix that they can all support and stand behind.

Common Aspiration

The bank will also have aspirational differences amongst the members. The biggest risk being that of looking like a front for Chinese hegemony. The BRICS has the risk of taking developing economies off the US loans only to indebt it to itself with the attendant benefits of being able to access the resources of indebted countries as a means to repay debts. Ideologically speaking, the philosophy that informs the lending and to whom lending should be done is equally as crucial. If the issue of how the bank should make the BRICS look in the next 30 or so years is not settled it could create fissure that could leave the bank much like other financial institutions which sought to challenge the World Bank but fell by the wayside.

These are threats that could break the Bank going forward and much activity will have to be focused on these areas to launch and sustain the Bank going forward. We believe that settling

on these questions will test the political will of the governments represented but being able to overcome them and create a bank which exists in a new social, political and economic paradigm will pose the most potent threat to the Bretton Woods institutions since their existence and open up the path to the institution of a new international financial architecture.

Conclusions

The current financial system has reached the peak of its effectiveness. It can no longer address the needs of those it claims to represent; it is in light of these observations that alternatives are being sought that provide inclusive and equitable development for all. The Bretton woods institutions do not seem to have the capacity to reinvent themselves and hence it has become paramount to find ways in which the system can be replaced. Economically, socially and politically they continue to serve the interests of the architects of the system at the expense of the intended recipients. In light if these circumstances, the BRICS bank sounds like an alternative that though not yet big enough at the moment might start to challenge the Bretton woods system at least ideologically now but hopefully economically and politically in the future and foster a more inclusive, equitable and sustainable growth for all.

BRICS New Development Bank as an Important Supplement to the International Financial System

Lu Junxiu, Zou Lixing¹

Abstract

This article analyses the main contradictions deeply rooted in global economic integration. It shows that the BRICS New Development Bank gives new momentum to the solution of the deeply rooted contradictions in globalization and the objective for balanced global economic growth. The paper proposes three main tasks in the development of BRICS New Development Bank: (1) to define the functions of the BRICS New Development Bank properly; (2) to focus on developing innovative mechanisms; (3) to

¹ China Development Bank

proactively explore the monetary mechanism of the BRICS New Development Bank.

Keywords

International financial institution; BRICS New Development Bank; monetary mechanism; globalization.

On July 15, 2014, the Sixth BRICS Summit — Fortaleza Declaration and Action Plan officially announced the establishment of the New Development. The establishment of the BRICS Bank is a major event in ushering a new stage in the cooperation of BRICS countries. The emergence of the Bank is an indication of the existence of complex contradictions in the globalization process and will play an important role in promoting balanced global economic development.

I. The 21st century is a century of deepened globalization.

As we enter the 21st century, globalization deepens, mankind interacts with the nature, and economic, political and cultural interactions bloom to the full in the human society. Yet in the meantime, we are caught in a web of conflicts. For example, global warming, the shortage of resources, population growth and other issues are becoming more prominent; and some new conflicts, in particular, arose out of global integration and intensified after the financial crisis in 2007.

1) Conflict between market integration and political pluralism. The economic ties between different countries and regions have grown closer and the internal consistency of the global economy has increased. However, national conservatism and regional conservatism are also on the rise, and contradictions based on historical traditions, political systems, cultural and religious systems are becoming more pronounced.

2) Conflict between economic integration and cultural diversity. As the economic globalization deepens, historical and cultural integration around the world is picking up pace, and cultural traditions and customs of various nations and regions begin to rebound strongly. As a result, cultural differences, disputes in mind-sets, and conflicts in behaviours are becoming palpable, pushing the battle between globalization and anti-globalization to a deeper level.

3) Conflict between information integration and ideological diversity. In-depth R&D and industrialization in the IT sector,

especially the development and application of big data, has not only launched a technological revolution in the IT sector, but also had extensive influence on other sectors, giving rise to new production and management models that are digital, smart, networked, and global. IT development has swept across the world, ushering mankind into a more open and more integrated world with its massive power. In the information age, information spreads faster and faster and nothing stays in the dark for long. Information becomes shared resource. At the same time, people are likely to be overwhelmed by numerous information fragments, unorganized news reports, explosive issues, and odd ideas. Information explosion, combined with diverse ideologies formed over our long history, has caused the conflict between information integration and ideological diversity to become conspicuous.

4) Conflict between a global network and the safety of privacy. The Internet has got the whole world connected and become the indispensable resource that corporate entities, as well as individuals, rely on for survival. However, the confidentiality of personal information is threatened. Information sharing and confidentiality is a pair of contradictory concepts. No one would like to go against the Internet, yet no one wants their personal information to be shared, either. Under such circumstances, how to protect privacy without hampering the smooth information sharing and exchange on the Internet has become an issue of great concern.

5) Conflict between global resource allocation and differentiated consumption needs. With the help of the Internet and the Internet of Things, a unified global resource allocation system has come into existence, expanding the scale of production. At the same time, the markets are becoming more and more segmented and consumption needs differentiated, which forms another conflict.

6) Conflict between the standardization of services and traditional local features. In the globalization process, conformance to international standards and norms are welcomed and required worldwide. However, traditional local features add unique colours to people's lives and are valued more and more in various countries and regions. How to promote international standards and norms while maintaining good local traditions and features is also an issue of concern.

7) Conflict between social equality and the income gap.

Influenced by high and new technologies, the world is getting smaller and flatter and our call for social equality is growing stronger. However, the reality is that the wealth gap is widening across the world, with the gap between developed and developing countries, between urban and rural areas, and between the rich and the poor all expanding. How to achieve fairness and equality in the globalization process, and narrow the gap between the rich and the poor is an issue to be considered seriously¹.

8) Conflict between global integration and diversity in governance. As the globalization process deepens, the world is turning into an organic whole socially, economically, and politically. However, different in historical backgrounds and social conditions have made the disputes between the East and the West, the South and the North, as well as developing and developed countries more conspicuous. The world pattern has seen great changes, the geopolitical power game intensifies, and disturbance and disorders are severe in the international strategic situation. These have all given rise to the complexity and uncertainties of global governance, but the world, though witnessing increased interdependence interconnectivity, is in lack of global governance, which is quite an issue.

Figure 1 gives a summary of the major conflicts we are facing now in an era of globalization. They come naturally with our social and economic development, are the results of globalization and should be dealt with properly globalization progresses.²

II. Infrastructure development helps resolve international conflicts.

To address complex conflicts, one should approach from multiple angles and infrastructure development is one of them. It helps promote the north-south balance in development and resolve economic, social, and political conflicts. Infrastructure development plays such a role mainly in the following two aspects.

¹ Lin Yifu, *New Structural Economics* (Peking University Press, September 2012), 87-89.

² Fernand Braudel, *A History of Civilizations*, trans. Chang Shaomin, et al. (Citic Publishing House, May 2014), 58. World Scientific Publishing Co. Ltd. November 2014.

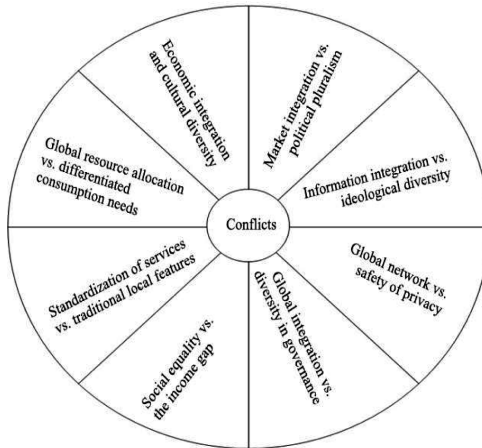


Figure 1: Eight conflicts in the new stage of globalization

1) The global demand for infrastructure financing is huge.

According to estimates released by the World Bank and the Asian Development Bank (ADB), the gap between the demand for infrastructure investment and the funds available is around USD 1.5 trillion annually. In the Asia-Pacific region, for example, an estimated USD 8.22 trillion (in 2008 US dollar), will be needed for infrastructure development in the 32 developing members of ADB during 2010-2020, or USD 800 billion per year, about 68% of which will be used for new construction projects, and 32% for the maintenance or replacement of existing facilities. The demand for infrastructure development in Asia is expected to account for 6.5% of its GDP during 2010-2020, about 49% for energy infrastructure, 35% for transportation infrastructure, 13% for ICT infrastructure; and 3% for water and environmental sanitation infrastructure. How to meet the demand of USD 800 billion per year is a great challenge facing the Asia-Pacific region. Asian economies are diverse and each has made tremendous efforts to cope with the global financial crisis. A large quantity of high-quality national and regional infrastructure will be needed to support the continuous growth of productivity and competitiveness, the reduction of trade and logistics costs, the expansion and deepening of product networks and the transition extensive to intensive economies.

2) Financing for infrastructure development creates conditions for global governance reform. How to attract investment? How to transform infrastructure development plans into projects that can be funded by banks? How to engage investors from different countries and regions in good coordination and cooperation? To answer these questions, we need to make great efforts in the global governance reform or regional cooperation. In other words, we need to establish appropriate mechanisms and frameworks in the Asia-Pacific region to screen, select and arrange projects in different priority levels, and use innovative financial instruments in a flexible way, and establish and improve regional financial markets. We should also make appropriate efforts on the front of policy and regulatory support.

For example, in terms of infrastructure development, the information available to private and public sectors remains seriously asymmetric. To solve this problem, public-private cooperation is an option. Government authorities and the private sector may cooperate to provide public goods and services or to construct infrastructure projects. They may enter into a concession agreement and sign contracts to define the rights and obligations and ensure the success of the cooperation, so that the parties can eventually reach a more favourable outcome than as expected from acting alone.

Take the issue of bonds denominated in the Asian Infrastructure Currency Unit (AICU) as another example. The implementation of an infrastructure project, from the very beginning to the very end, is often a lengthy process that exposes borrowers and lenders to substantial exchange rate risks. The establishment of the Asian Infrastructure Currency Unit (AICU) is a way to address this. AICU, consisting of the currencies of major Asian and non-Asian advanced economies, is created for the relative stability of Asian currencies. It is an accounting unit and device for use in valuing infrastructure investment and repayment obligations.

As our understanding, The Asian Infrastructure Investment Bank (AIIB) just like the BRICS Bank, is also a new financial institution as a supplement to the World Bank and the Asian Development Bank, both of which have comparative advantages but neither of which is the solution to infrastructure financing

in Asia. Thus, it seems feasible to create a special new institution to fund infrastructure projects. Asian countries generally see a high savings rate and have ample reserves. However, since there are limited approaches available, most of such funds are loaned to developed countries. The Asian Infrastructure Investment Bank (AIIB) is expected to direct these funds to regional and other infrastructure development projects. Thus, infrastructure financing will undoubtedly help improve global governance.

III. The BRICS Bank lends new momentum to balanced global economic development

All conflicts deeply rooted in the globalization process are fundamentally related to finance and both their causes and solutions can be found in finance. The World Bank, International Monetary Fund and other international financial institutions, established after the World War II, with the US and other developed countries in the dominance, have played an important role in the post-war recovery and development of the global economy and will continue to make their contribution. However, it is proved by the existing deep-rooted conflicts that there are defects in the existing international financial system and that reforms, new forces, and supplements are needed. The BRICS Bank reflects the needs and trend of the times. It is the solution to the deeply rooted conflicts in the globalization process and lends new momentum to balanced global economic growth. It shows some important new features.

1) It manifests a new paradigm of south-south cooperation. First of all, the Bank is the result of democratic cooperation: Each founding country makes equal initial capital contribution to it; the headquarters is set in Shanghai; the first president will be recommended by India, the inaugural chairman of the board of governors by Russia, and the inaugural chairman of the board of directors by Brazil. Such institutional arrangements render all five BRICS countries equal, allowing no one to seize all benefits alone. Contributions to the contingency reserve fund of the Bank are based on the economic conditions of each country, which also reflects the principle of equality. Secondly, it is also a substantial cooperation. The Bank is a new platform for financial cooperation that propels BRICS countries to consolidate and realize their cooperation plans and expand the scope of cooperation from trade to more economic

and financial fields. Thirdly, it is an in-depth cooperation. Such a platform for financial cooperation helps BRICS counties to build closer ties and have better communications.

2) It is a new supplement to the existing international financial system. Unlike the World Bank, IMF and other international financial institutions, the BRICS New Development Bank places more emphasis on loans and investment in developing countries to support their infrastructure building and its contingency reserve arrangements are mainly aimed to help member states cope with short-term liquidity pressures and strengthen the global financial safety net. The BRICS New Development Bank share similar pursuits and ideology, serve similar customers, and holds similar regional goals with sub-regional development banks such as the Asian Development Bank (ADB), the African Development Bank, and the Inter-American Development Bank (IDB), which lays the foundation for cooperation. However, the Bank differs from sub-regional development banks in that, as an intercontinental bank, it allocates resources across different continents for a better resource allocation structure and better connectivity. Therefore, it supplements what the sub-regional development banks do on the macroeconomic level, forming a complementary relationship. Such complementarity is reflected not only in the common cooperation principles and spirit, but also in the efforts made by the members of the Bank to promote regional development and cooperation on all fronts. The establishment of the Bank is also a key step made by BRICS countries to mitigate their severe lack of voice in the international financial system (see Table 1).

Table 1: Voting rights in the IMF

	Voting rights, %		Voting rights, %
U.S.	16.75	China	3.81
Japan	6.23	Brazil	2.61
Germany	5.81	India	2.81
France	4.29	Russia	2.39
Total	33.08	Total	11.62

3) It is a new driving force towards the Millennium Development Goals. The Bank, to some extent, creates a separate

investment and financing channel for new economies, offering relatively independent economic supports with a relatively independent organizational structure. Despite the limited initial fund in its capacity, it represents a huge step made by new economies towards a reasonable global economic structure and showcases the positive role of the BRICS countries in global economic governance reforms. In today's world, the potential for economic growth shrinks, investment falls, and trade protectionism is prevalent. BRICS countries are thus faced with new challenges. In particular, as the US winds down its quantitative easing policy, some emerging economies see serious problems such as capital flight, currency devaluation and economic slowdown. The BRICS New Development Bank helps the BRICS countries build their own financial safety net, reduce dependence on developed economies and the impact of the adjustment of international monetary policies, and promote stable, sustained and healthy economic development. The Bank will also serve as an important bridge between the North and the South, and between developed and developing countries, pushing the world towards a better balance and universal benefits by strengthening dialogue and cooperation.

IV. Promote the development of the Bank in a practical manner

1) Define the functions of the Bank properly. In the next decade, the newly established Bank will have three main tasks:

(1) Consultancy and planning. It shall study the BRICS countries and the global development strategy and analyse the macroeconomic situations so as to prepare long-term investment and financing plans for the BRICS countries. It shall also organize personnel exchange and training programs to enhance the soft power and promote the healthy, sustainable and balanced development of the BRICS countries.

(2) Loans and investment. It shall establish an effective financing mechanism to support and speed up infrastructure development in the BRICS countries and other developing countries so as to improve their conditions for economic and social development; raise funds for the development of agriculture and small businesses, as well as for environment protection, help the BRICS countries and other developing countries build their

capacity to maintain food security and support the development of SMEs and environmental protection; raise funds for the human resource development, increase basic health and education services and improve the basic skills and employability of poor people; raise funds for reform efforts, help the BRICS countries and other developing countries build their governance capacity and establish a political environment and market mechanisms that promote long-term stable development.

(3) Security and risk control. It shall help the BRICS countries and other developing countries turn natural resources into the driving force for development by providing security and guidance, help these counties build their productivity, enhance production levels, and improve working conditions; it shall give priority to more urgent projects via collaboration with other international institutions in terms of lending and guaranteeing so as to promote sustained and balanced international trade growth; it shall cope with financial market instability and maintain financial security and economic security by establishing a risk warning and prevention mechanism.

The basic function of the Bank is to provide fund and pool wisdom to support infrastructure construction and sustainable economic and social development in developing countries, which should be implemented unswervingly. However, we should also be aware that, in the long run, as concepts, purposes and means of construction and development change, the functions of the Bank may also shift. In this regard, the Bank can learn from the World Bank. In the late 1940s, the World Bank was focused on the reconstruction of Europe. From the 1950s to the early 1960s, the focus of the World Bank shifted to solving economic problems of less developed countries, setting support for the GDP growth in low-income countries as its top priority. Now, the priority of the World Bank has extended to income distribution, poverty mitigation, environment protection, cultural development, etc. The means of development have also changed and the focus is shifted accordingly from capital accumulation, foreign exchange, and large industrial projects such as transportation and power plant construction to small agribusiness, reproduction and the provision of social services in urban and rural areas. This shift reflects economic and

social changes and development. It may also be the case for the BRICS New Development Bank and we should have the strategic awareness and practical plans.

2) Proactively explore the BRICS monetary mechanism.

The Bank shall learn from the IMF's experience regarding the Special Drawing Rights and establish its own monetary mechanism through which it can perform its functions. There are options: (a) a basket of currencies composed of the currencies of the five BRICS counties; (b) a basket of currencies composed of the currencies of the five BRICS counties and some other developing countries; and (c) create a new basket by adding BRICS currencies (including RMB) to the basket used for IMF's Special Drawing Rights. To implement the reform in a progressive way, a double-track system may be adopted at the beginning. Specifically, the Bank may continue to use the US dollar to perform its functions while establishing a BRICS currency swap mechanism and speeding up the creation of the BRICS currency at the same time. In the early stage, the first option is more appropriate. A basket of the currencies of the five BRICS countries can be created by giving quotas commensurate to the economic scale of each country, and then it can be used by the Bank to perform its functions in various financial activities and daily operations. No matter which option is adopted, the BRICS currency will be a positive supplement to the existing international monetary system.

In addition to a basket of currencies, the Bank shall also establish a unit of account, a clearing system and a reserve system, which can be deemed as a new part of the international clearing system. The Bank can also consider establishing its own clearing system when conditions are ripe.

The BRICS monetary system differs fundamentally from the Special Drawing Rights of the IMF. The Special Drawing Rights are rights distributed by the IMF to its member states to use currencies. The BRICS monetary system is not a right or power, but a system through which the Bank perform its functions. It is a cooperation framework to promote the use of the currencies of the BRICS counties.

3) Create innovative operational mechanisms for the Bank.

Mechanisms are more important than institutions. The vitality

of the Bank lies in the innovation in mechanisms. (1) Innovative in the fundraising mechanism. China's experience shows that the problem of developing countries is not the lack of funds but the lack of a fundraising mechanism or a mechanism that transform various resources into funds¹. We shall find ways to establish an effective fundraising mechanism to transform the advantage of the BRICS countries and other developing countries in resources into an advantage in funds. (2) Innovation in bank governance. The Bank shall combine advanced theories and technologies with the actual situations in the BRICS countries and design proper governance institutions that balance equity and efficiency and act as a bridge between the market and the government. (3) Innovation in operational mechanisms. The Bank shall adhere to the principles of strategic mutual trust, policy support, professional management, business models, risk sharing, and common development. The BRICS countries shall develop policies and provide legal support on the basis of strategic mutual trust; pool financial resources to support inter-regional infrastructure construction and the development of fundamental sectors; give full play to professional and technical personnel to build a reasonable business operational model, set up a risk control system and mechanism, so as to ensure smooth operation of the Bank and the healthy and fast development of the BRICS countries and other developing counties, and contribute to global good governance and balanced development².

V. China Development Bank is willing to share experiences

As China steps into the economic “new normal”, the strategic value of development finance has grown. Under the new normal, China maintains its economic growth rate within the reasonable range and its economic fundamentals is still positive. However, there are also many bottlenecks and weak points in its economic

¹ Lixing Zou, *China's Rise: Development-oriented Finance and Sustainable Development* (World Scientific Publishing Co., Ltd., November 2014), 312-315

² Huang Huaguang and Zhou Yuyuan, eds., *Adjustment, Innovation and Collaboration — Collection of Papers Prepared for 2012 BRICS Think Tanks Forum* (Party Building Books Publishing House, December 2013), 15-20.

and social development. China's economy is still faced with huge mid- and long-term financing pressure and the strategic value of development finance in economic and social development remains the same. It is now more urgent for China Development Bank (CDB) to play its role in maintaining steady growth, especially under the present pressure for an economic downturn. Development finance is facing a series of new missions, new requirements, and new opportunities. CDB should take the initiative to understand, adapt to, and serve the new normal, bearing in mind its mission of serving the national development strategies through a market-oriented approach. It should focus on serving national development strategies, meet national development needs in innovative ways, and improve its functions and build its capacity to promote national development strategies and provide better support for national priorities.

By the end of 2014, the total assets of CDB exceeded RMB 10 trillion, with a net profit of RMB 88.4 billion and an NPL ratio of 0.63%. By 2014, CDB had maintained its NPL ratio below 1% for 39 consecutive years and its asset quality remained at a leading level in the industry. As a national financial institution, CDB targets its loans mainly at infrastructure development projects and shantytown renovation projects. As of the first quarter of 2015, loans in such projects totalled RMB 5.9213 trillion, accounting for 58% of its total credit assets. Table 2 shows the changes of CDB's lending to the top eight sectors.

Table 2: Outstanding Loan Balance of CDB: Breakdown by Industry

Sector	Dec, 2013	Share	Dec, 2014	Share
Electric power	7505	15.91%	7724	15.34%
Public highways	12382	26.25%	13878	27.57%
Railway	5411	11.47%	6211	12.34%
Petrochemical	4773	10.12%	5243	10.42%
Coal	1050	2.23%	1076	2.14%
Postal & telecommunications	899	1.91%	798	1.59%
Agriculture & related industries	1910	4.05%	2386	4.74%
Public infrastructure	13248	28.08%	13021	25.87%

Unit: RMB100 million (USD1 = RMB6.1422)

In the coming period, CDB will still have heavy workload in infrastructure financing in order to continue the support for a number of major infrastructure projects of strategic importance. These include 446 major projects in seven categories, 139 key projects for the revitalization of Northeast China, major railway construction projects, 172 major water conservancy projects and “2+62” new urbanization pilot projects. CDB will optimize its credit structure to better serve the economic structure adjustment and provide financial support to China’s “One Belt and One Road” initiative, the Beijing-Tianjin-Hebei integration, the development of the Yangtze River Economic Belt, and coordinated regional development. CDB will also support the innovation-driven development strategy and step up its efforts to support advanced equipment, information networks, integrated circuits and other major innovation projects. It will also continue to serve China’s ecological development projects and grant green loans to support recycling economy, air pollution treatment prevention, power generation with new energy, wastewater treatment, and the environment-friendly technologies that help with energy conservation and emission reduction.

In early April 2015, the State Council approved CDB’s reform plan, clearly positioning CDB as a development-oriented financial institution and requiring it to seek differentiated development and improved risk control. This is an important opportunity for CDB to deepen its reform and promote development. Standing firmly on China’s national conditions, CDB draws on international experience and its own conditions, made concrete efforts to promote development finance, broke bottlenecks by building the market, and served national strategies with mid- and long-term financial services. Remarkable accomplishments have been made, winning wide recognition for the society.

But, China Development Bank still has a lot of pace to improve, for example, the company governance, the risk control and international business etc. CDB is willing to learn from the BRICS Bank and other international financial institutions and share its own experience and technologies, in a bid to contribute to the development of the BRICS Bank and the sustainable growth of global economy.

Reform of the International Financial System and the Future of the BRICS Born Institutions

Oliver Stuenkel¹

This analysis will focus on the creation of the BRICS Development Bank and the BRICS Contingency Reserve Agreement (CRA) and asks whether the episode implies a significant process of institutionalization, or if it is little more than “empty symbolism”, as Eichengreen argues².

While the BRICS grouping had been until 2014 largely marked by its lack of binding rules, a joint development bank and a Contingency Reserve Arrangement can be interpreted as the initial stage of institutionalized financial cooperation. In addition, it will require the BRICS countries to develop rules and norms that guide both initiatives’ actions. For example, how will loans be tied to a monitoring and surveillance mechanisms and policy conditionalities? What will they look like? According to which paradigms will they be developed, if not following a World Bank-inspired logic? The BRICS’ policy rhetoric leaves little doubt that they are keen to bring upon change to a global system that no longer reflects today’s distribution of power. Do the BRICS aspire to do more than simply occupy positions of power and leave the system otherwise unchanged?

As Radhika Desai argued after the 5th BRICS Summit in Durban, 2013,

*The Brics countries do have a mortar that binds them: their common experience, and rejection, of the neoliberal development model of the past several decades and the western-dominated IMF and the World Bank that still advocate it.(...) They have long called for the reform of the IMF and the World Bank only to be met with resistance. Rather than waiting, they have decided to act.*³

¹ Getúlio Vargas Foundation (FGV)

² Barry Eichengreen. “Banking on the BRICS“ Project Syndicate, August 13, 2014, accessed August 20, 2014, <https://www.project-syndicate.org/commentary/barry-eichengreen-is-bullish-on-the-group-s-new-development-bank--but-not-on-its-contingent-reserve-arrangement>

³ Radhika Desai, “The Brics are building a challenge to western economic supremacy,” The Guardian, April 2, 2013, accessed June 12, 2013, <http://www.guardian.co.uk/commentisfree/2013/apr/02/brics-challenge-western-supremacy>

Yet what do the BRICS seek to replace the neoliberal development model with, and what role should institutions like the BRICS Development Bank and agreements like the BRICS Contingency Reserve Arrangement play in a world envisioned by the BRICS? For many thinkers in the Global South, the creation of both institutions — BDB and CRA — represents a “significant move by emerging economies to break away from the traditional donor-recipient model advocated by Western nations for more than six decades.”¹ Likewise, Pravin Gordhan, South Africa’s Finance Minister argued that “we should see the BRICS Bank as part of a new paradigm to share resources and (...) achieve a win-win outcome”². But what exactly does that mean in practice?

This article argues that the establishment of more institutionalized structures, such as the BRICS Development Bank and the Contingency Reserve Arrangement (CRA), will force the BRICS to articulate with much greater clarity their fundamental views on how to achieve financial stability, economic development and assure a sound future of the global financial and economic system. As Narlikar argues the creation of these institutions “could be the first step towards more proactive agenda-setting by the BRICS”, and a chance for the BRICS to go beyond a reactive stance and engage more assertively.³ It will also force the BRICS to decide how much they seek to challenge the status-quo.

The question of whether the BRICS will establish new paradigms in international development and finance relates to a wider issue of if and how South-South cooperation — a category to which the BRICS Development Bank belongs — qualitatively

¹ Rasna Warah, “Africa rises as BRICS countries set up a different development aid model,” Daily Nation, April 28, 2013, accessed June 12, 2013, <http://www.nation.co.ke/oped/Opinion/-/440808/1760878/-/k2cwt4z/-/index.html>

² David Smith, “Brics eye infrastructure funding through new development bank,” The Guardian, March 28, 2013, accessed July 7, 2014, <http://www.guardian.co.uk/global-development/2013/mar/28/brics-countries-infrastructure-spending-development-bank>

³ Henry Mance, “Global shift: A bank of and for the Brics is in the air,” Financial Times, September 23, 2012, accessed June 12, 2013, <http://www.ft.com/intl/cms/s/0/63400496-024f-11e2-8cf8-00144feabdc0.html#axzz2TV0h9qg4>

differs from North-South cooperation. Many analyses of South-South cooperation are based on the implicit and somewhat vague assumption that South-South cooperation would be less exploitative than North-South cooperation; and, the belief that economic interactions between states of the South would be more responsive to the development needs of the South. The idea of South-South cooperation evokes a positive image of solidarity between developing countries through the exchange of resources, technology, and knowledge. According to that narrative, South-South cooperation aims to discover and exploit the principle of “complementarity” in production, consumption, trade, investment, and technological and development cooperation. These processes may in turn generate forward and backward linkages, which eventually may produce positive synergies across Southern economies.¹ As a consequence; there is strong enthusiasm for the BRICS Bank, particularly among African policy makers.

However, this narrative is not entirely uncontested. For example, critics of the assumption that South-South cooperation and the rise of the BRICS are always beneficial for all those involved have pointed to what they call the BRICS’ “Scramble for Africa”, indicating that South-South cooperation is increasingly similar to economic interaction between the North and the South as emerging powers such as Brazil, India and China are transforming themselves into major poles of the global economy, and as disparities within the Global South increase.² As Bond writes, like the Africa Conference in Berlin in 1884-85, the 5th BRICS summit that took place in March 2013 in Durban — during with the BRICS decided to create their own development bank — sought to “carve up Africa”, unburdened by “Western” concerns about democracy and human rights.³

¹“Conference Report of Southern Providers South-South Cooperation: Issues and Emerging Challenges,” RIS, last modified April, 2013, <http://ris.org.in/publications/reportsbooks/662>

²Paul Ladd, “Between a rock and a hard place,” in “Poverty in Focus — South-South Cooperation: The Same Old Game or a New Paradigm?,” International Policy Centre for Inclusive Growth 20 (2010): 5, accessed July 8, 2014, <http://www.ipc-undp.org/pub/IPCPovertyInFocus20.pdf>

³ Kevin Gray and Craig N. Murphy, “Introduction: rising powers and the future of global governance,” *Third World Quarterly* 34, no. 2 (2013): accessed July 10, 2014, doi:10.1080/01436597.2013.775778

This debate is not new. Prior to the 2nd BRIC Summit in Brasilia in 2010, Rathin Roy, head of IPC-IG, a joint project between UNDP and the Brazilian government to promote South-South Cooperation, asked:

*Will the rise of the emerging economies portend just a broadening of the “great game”, the only result being a little more elbow room for developing countries in their engagement with the G-20 economies? Or will the global South seize this opportunity to forge a new and more inclusive paradigm that secures faster and more sustainable development for all citizens?(...) Can we look forward to exciting paradigm shifts in the discourses on global trade, aid, development cooperation and the rhetoric of best practice? Will emergent regional and global plurilateral groupings afford new avenues for effective development cooperation?*¹

The BRICS Development Bank

In 2011, during the 3rd BRICS Summit in Sanya, a study group was put together comprising representatives of the BRICS respective development banks with the goal of discussing ways to strengthen cooperation amongst them.²

During the 4th BRICS Summit in New Delhi in 2012, the Framework Agreement on Financial Cooperation within the BRICS Interbank Cooperation Mechanism was signed by member countries' development banks with the goal of facilitating further consolidation of trade and investment ties. Equally importantly, leaders agreed to study the possibility of a joint development bank. In the following 12 months, a group of policy makers from each country's Ministries of Finance and Foreign Affairs convened regularly and wrote a viability report, which was presented a year later, during the 5th BRICS Summit in Fortaleza. There, the

¹ Rathin Roy, introduction to “South-South Cooperation: The Same Old Game or a New Paradigm?” International Policy Centre for Inclusive Growth 20 (2012): accessed July 10, 2014, <http://www.ipc-undp.org/pub/IPCPovertyInFocus20.pdf>

² “BNDES signs agreement with BRICS development Banks,” BNDES, April 14, 2011, accessed June 12, 2013, http://www.bndes.gov.br/SiteBNDES/bndes/bndes_en/Institucional/Press/Noticias/2011/20110414_BNDES_BRICS.html

BRICS decided to move ahead and begin the process of setting up the institution:

*Following the report from our Finance Ministers, we are satisfied that the establishment of a New Development Bank is feasible and viable. We have agreed to establish the New Development Bank.*¹

The new institution would be aimed at “mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries”. This will make the BRICS Bank the first large multilateral lender to emerge since the European Bank for Reconstruction and Development in 1991. In addition, the BRICS’ respective national development banks signed the “BRICS Multilateral Cooperation and Co-financing Agreement for Sustainable Development”, which seeks to strengthen coordination and the exchange of information between the development institutions in the five countries.² However, few details were revealed regarding how much each country would pay: “The initial contribution to the bank should be substantial and sufficient for the bank to be effective in financing infrastructure” the 2013 eThekweni Declaration reads.³ Finally, at the 2014 Fortaleza Summit, the final declaration declared that

The Bank shall have an initial authorized capital of US\$ 100 billion. The initial subscribed capital shall be of US\$ 50 billion, equally shared among founding members. The first chair of the Board of Governors shall be from Russia. The first chair of the Board of Directors shall be from Brazil. The first President of the Bank shall be from India. The headquarters of the Bank shall be located in Shanghai. The New Development Bank Africa Regional Centre shall

¹ “BRICS and Africa: Partnership for Development, Integration and Industrialisation, eThekweni Declaration,” (paper presented at Fifth BRICS Summit, Durban, March 27, 2013), art.9.

² Eduardo de Proft Cardoso, “BNDES and other development banks in the BRICS sign cooperation agreements,” XING, last modified April 25, 2013, <http://www.xing.com/net/brasilienpv/finanzierung-finance-767971/bndes-and-other-development-banks-in-the-brics-sign-cooperation-agreements-44033015/44033015/#44033015>

³ “BRICS and Africa: Partnership for Development, Integration and Industrialisation, eThekweni Declaration,” art. 9.

*be established in South Africa concurrently with the headquarters. We direct our Finance Ministers to work out the modalities for its operationalization.*¹

Towards institutionalization

This development was highly significant, for it was the first step towards institutionalizing the BRICS grouping, fundamentally altering its characteristics of a non-binding, informal consultation group.

Interestingly enough, the initial intellectual impetus for the BRICS Development Bank came from the Global North. Over the past years, Nicholas Stern, Joseph Stiglitz, Amar Bhattacharya, and Mattia Romani have campaigned globally for a new bank — and it was largely based on their proposals that the Indian government chose to promote the issue within the BRICS framework in 2012, the year of the 4th BRICS Summit in Delhi. At the heart of their argument was the fact that many developing countries currently have large foreign exchange reserves and the question is whether these reserves can be beneficially pooled so that more of the savings can be invested rather than hoarded.

As the four economists point out,

*A new development bank is clearly needed. The infrastructure requirements in emerging-market economies and low-income countries are huge — 1.4-billion people still have no reliable electricity, 900-million lack access to clean water and 2.6 billion do not have adequate sanitation. About 2 billion people will move to cities in the next 25 years. Policy makers must ensure the investments are environmentally sustainable. To meet these and the other challenges, infrastructure spending will have to rise from about \$800 billion to at least \$2-trillion a year in the coming decades or it will be impossible to achieve long-term poverty reduction and inclusive growth.*²

Many emerging markets and low-income countries require a major step increase in infrastructure investment to alleviate

¹ 2014 BRICS Fortaleza Declaration; <http://brics6.itamaraty.gov.br/media2/press-releases/214-sixth-brics-summit-fortaleza-declaration>

² Oliver Stuenkel, “China Development Bank: A model for the BRICS,” *Post-Western World*, May 21, 2013, accessed June 12, 2013, <http://www.postwesternworld.com/2013/05/21/china-development-bank-a-model-for-the-brics-bank/>

growth constraints, respond to urbanization pressures and meet their crucial development, inclusion and environmental goals. In 2009, the World Bank estimated that Africa needs to invest 93 billion US-dollars in infrastructure every year to meeting national development targets.¹ The scale of infrastructure necessary to foster growth, overcome poverty and promote environmental and climate responsibility in emerging and developing countries, which are rapidly urbanizing, requires around 1 trillion US-dollars a year, in investment over the coming decades.² In April 2012, shortly after the 4th BRICS Leaders' Summit, where the Bank was first proposed, Romani, Stern and Stiglitz argued that such a new institution was "an idea whose time has come for a world in which emerging market and developing countries are becoming the drivers of growth and the drivers of savings."³

One institution studied carefully by the committee was the Latin American Development Bank (CAF), an 18-nation institution that funds more Latin American infrastructure than the World Bank and the Inter-American Development Bank combined. One particularly important detail about CAF is that, unlike the rest of the multilateral lenders in Latin America, it is the only one financed almost entirely by the same countries to which it lends.⁴ With the amendment of CAF's Articles of Agreement, other Latin American and Caribbean nations have been incorporated as members with the same rights as the founding nations.

¹ Amar Bhattacharya, Mattia Romani and Nicholas Stern, "Infrastructure for development: meeting the Challenge," Centre for Climate Change Economics and Policy (2012), accessed July 8, 2014, <http://www.ccecp.ac.uk/Publications/Policy/docs/PP-infrastructure-for-development-meeting-the-challenge.pdf>

² Oliver Stuenkel, "China Development Bank: A model for the BRICS," Post-Western World, May 21, 2013, accessed June 12, 2013, <http://www.postwesternworld.com/2013/05/21/china-development-bank-a-model-for-the-brics-bank/>

³ Mattia Romani et al., "Brics bank is a fine idea whose time has come," Financial Times, April 5, 2012, accessed July 8, 2014, <http://www.ft.com/intl/cms/s/0/1770f242-7d88-11e1-81a5-00144feab49a.html>

⁴ 97% of CAF's assets are provided by the 16 Latin American and Caribbean countries that make up its membership, with the remainder from Spain and Portugal.

Towards new lending paradigms?

Will the Bank develop lending paradigms that differ from those created by the World Bank and other established banks? Some say that the bank will avoid the conditionalities the World Bank attaches to its loans. And indeed, there is a consensus among the BRICS that conditionality undermines the principle of sovereignty.

This could lead Western observers to accuse the BRICS Development Bank of providing “rogue loans” and undermine the West’s attempts to promote good governance in the developing world.¹

Interestingly enough, the BRICS Bank may also be considered a failure if it simply replicates the characteristics of the major development finance institutions. Rhetoric about the new paradigms of South-South cooperation has generated expectations that emerging powers of the South have a meaningful contribution to make in the global debate about development.

As diplomats of the five BRICS countries have argued during interviews, the BRICS Development Bank will most likely follow a set of norms and rules that have guided the BRICS countries’ individual development strategies.² Among them is the focus on mutual benefits without the attachments of policy conditionalities in governance, economic policy or institutional reform. All BRICS stress the importance of “national sovereignty” and development partners’ responsibility for their own long-term development.

Considering that the World Bank already provides conditionality-free loans in many instances, the BRICS Bank is therefore unlikely to develop fundamentally new paradigms that could undermine existing banks such as the World Bank. In fact, Jim Yong Kim, the World Bank president, welcomed the prospect of a BRICS bank to help meet infrastructure needs in middle-income countries.³

¹ Oliver Stuenkel, “In Durban, BRICS seek stronger ties with Africa,” *The BRICS Post*, March 27, 2013, accessed July 8, 2014, <http://thebricspost.com/in-durban-brics-see-stronger-ties-with-africa>

² Interview with diplomats from the BRICS countries, Brasilia, Delhi, Beijing, Moscow, Pretoria, 2012-2014.

³ Mattia Romani et al., “Brics bank is a fine idea whose time has come,” *Financial Times*, April 5, 2012, accessed July 8, 2014, <http://www.ft.com/intl/cms/s/0/1770f242-7d88-11e1-81a5-00144feab49a.html>

The case of aid

BRICs' philosophies for development financing today may offer a reliable indicator as to how a BRICS Bank would operate. Their approaches can be said to differ from those of traditional donors (OECD-DAC members) in three significant ways.

First, BRICS engagement is founded on the idea of mutual benefits. Second, they tend to offer noncash financing without any policy conditionalities. In addition, many BRICS countries' strategy is to design financial assistance (aid) to facilitate and complement foreign direct investment. This includes "tied aid", a practice established donors increasingly seek to avoid.¹ BRICS financing often complements Foreign Direct Investment (FDI) and comes as part of a complex "package", involving multi-year financing including grants, loans, and lines of credit with various participants.² This makes it hard to distinguish between aid and FDI projects. As Mwase and Yang write, China, and at times India, evaluate assistance projecting using cost competitiveness and completion tie as parameters of success — radically differing from traditional donors who spend much more time on feasibility studies, consultations processes with stakeholders, and environmental safeguards. Finally, the BRICS tend to focus on micro sustainability of individual projects while traditional donors care more about long-run debt sustainability.³

In this respect, the new institution would indeed fundamentally differ from established norms. Regarding aid, the BRICS have shown reluctance in engaging in major multilateral efforts that can constrain their freedom of manoeuvre in terms of aid policy. They have refrained from strongly endorsing any specific development humanitarian principles that are standard policy for DAC donors or allowing their discourse on humanitarianism or development to be shaped by strong connections with other donors.

An interesting exception to this trend has been Brazil's embrace of the Good Humanitarian Donorship Initiative (GHD), a

¹ Noshua Watson et al., "What next for the BRICS bank?" Institute of Development Studies 3 (2013): 1-4.

² Mwase N., Yang Y. "BRICs' philosophies for development financing and their implications" for LICs//IMF Working Paper. 2012.

³ Ibid.

group of (mostly Western) countries that has agreed to a set of broad principles to encourage donor accountability and aid effectiveness in humanitarian action. When asked about this apparent paradox, Brazilian decision makers point out that there is nothing in these principles that contradicts the broad ideas they defend about what humanitarianism should be all about. In private, however, some of them dismissed Brazilian membership as irrelevant, because there are no enforcement mechanisms and the guidelines are vague enough for their own views to fit in comfortably within the framework. According to them, there is no cost to being a member of GHD, but some legitimacy benefits.

The BRICS Contingency Reserve Arrangement

While discussions around the 5th BRICS Summit in Durban were dominated by the creation of the BRICS Development Bank, another important decision was overlooked by many: The leaders of the BRICS decided to create a 100 billion US-Dollar Contingency Reserve Arrangement (CRA) to tackle any possible financial crisis in the emerging economies. Unlike the BRICS Bank, the idea of the CRA is relatively recent and was first discussed between BRICS leaders during a meeting on the side-lines of the G20 in Los Cabos in June 2012.¹ The BRICS Finance Ministers and Central Bankers then began to study the creation of the CRA.² In the 5th BRICS Summit Declaration, leaders state that the BRICS finance ministers and central bankers

“... have concluded that the establishment of a self-managed contingent reserve arrangement would have a positive precautionary effect, help BRICS countries forestall short-term liquidity pressures, provide mutual support and further strengthen financial stability. It would also contribute to strengthening the global financial safety net and complement existing international arrangements as an additional line of defence. We are of the view that the establishment of the CRA with an initial size of 100 billion U.S. dollars is feasible

¹ Statement by BRICS Leaders on the establishment of the BRICS-LED Development Bank, (paper presented at Fifth BRICS Summit, eThekweni, March 27, 2013).

² “Achievements lauded as BRICS Summit ends,” The BRICS Post, March 27, 2013, accessed June 12, 2013, <http://thebricspost.com/achievements-lauded-as-brics-summit-ends/#.UZbisEq-gqcd>

and desirable subject to internal legal frameworks and appropriate safeguards. We direct our Finance Ministers and Central Bank Governors to continue working towards its establishment”.¹

Unlike the Development Bank, the contingency fund requires far fewer political negotiations, and it can be expected to start operating sooner. The countries are likely to need a year to pass the relevant legislation, but policy makers believe that they will be able to reach a final agreement when BRICS gather in Fortaleza (Brazil) to allow the bank to start operating in 2015 or 2016.

The set-up of the CRA reserve pool is easier because it needs no physical structure to operate. Reserves will not be physically collected in a common fund but will instead be held by national central banks and earmarked for that purpose. Only in moments of crisis in one of the member countries' economies will the contingency fund begin to operate, acting as a cushion or back-up. Considering the increasing frequency and magnitude of global financial crises over the past decades, the addition of another fund that major countries can rapidly mobilize in times of crisis is bound to provide investor confidence.

China will contribute a share of 41 billion US-dollars, followed by Brazil, Russia and India with 18 billion US-dollars each, and South Africa with 5 billion.² Worries about an unequal distribution of power within the arrangement are unfounded because unlike in the proposed BRICS Development Bank, where voting rights are established on the basis of the financial contribution of each country, the vote of China, Brazil, India or Russia will be enough to authorize the disbursement of funds, making South Africa the only actor that does not exert full control over the fund.

For several observers, the creation of a 100 billion US-Dollars contingency relief arrangement is a bid to sow the seeds of an alternate financial structure for developing countries, arguing that it could present a direct challenge to the IMF. After the 5th Summit,

¹ “BRICS and Africa: Partnership for Development, Integration and Industrialisation, eThekweni Declaration,” art. 10.

² “Achievements lauded as BRICS Summit ends,” The BRICS Post, March 27, 2013, accessed June 12, 2013, <http://thebricspost.com/achievements-lauded-as-brics-summit-ends/#.UZbisEq-gqd>

the Indian media hailed the created of the CRA as “a major win for India’s campaign to reform global financial architecture”.

Yet such an interpretation is largely unfounded — for now. This is mainly so because the 100 billion US-Dollars fund is relatively small by global standards. The BRICS countries control almost 5 trillion US-Dollars in international reserves, and if they were to contribute 16% of their reserves to a contingency fund the resulting CRA would total 800 billion US-dollars against 780 billion US-Dollars in resources at the IMF. Of course, a CRA of 100 billion could be the stepping stone of something far larger, which could then truly undermine today’s global financial order.

Beyond conditionality?

Conditionality — i.e., giving financial assistance contingent on the implementation of specific economic and political policies — is one of the key elements of the IMF’s Articles of Agreement, which points out that the recommended policies should avoid “measures destructive of national or international prosperity”. Conditionalities assure that resources are made temporarily available “under adequate safeguards”. Due to threat of moral hazard, loan repayments would be at risk without conditions. Therefore, according to the IMF, such rules are crucial to secure the revolving character of the Fund’s resources, because they increase the likelihood of repayment.¹ The BRICS, several of whom have been recent recipients of aid, have long criticized the application of conditionalities for a series of reasons. Not only do they undermine democracy and self-determination, but they are also a tool for the strong to dominate the weak, considering that politically weak countries often receive more stringent adjustment obligations. In addition, the BRICS allege that the IMF often prescribes the wrong dosage of austerity due to a lack of expertise and knowledge of the affected economies.²

Supporters of conditionalities argue that it would be wrong to wholly depict policy conditionalities as a forced treatment for an unwilling patient. As Vreedland points out, recipient governments may in fact prefer some degree of conditionality in order to increase

¹ Axel Dreher, “IMF Conditionality: Theory and Evidence,” *Public Choice* 141 (2009): 233.

² *Ibid.*, 235.

their domestic bargaining power against factions that oppose reform. The IMF-imposed sanctions are thus welcomed, and the institution is used as a “scapegoat” in the domestic debate to push through necessary measures.¹

While it may be true in some instances, the argument that the IMF imposes conditionalities to maintain its own financial health is flawed. Dreher points out that the assumption that conditionality increases the likelihood of repayment has very little supporting evidence. Governments, he shows, almost always repay loans eventually, irrespective of whether they implement the recommended policies or not. More worryingly, accepting an IMF loan and its policy prescriptions fails to put a country on the “right track”: the probability of future IMF programs is thus not decreasing, but increasing with current IMF programs.²

When Asian countries discussed the CMI’s links to the IMF, they were fully cognizant of the painful experience of the 1997-1998 crises, and there was a strong consensus that such a scenario should not be repeated. Stronger still was the perception among the creditors (mainly Japan and China) that they needed to attach conditions that the region was not capable of agreeing on.³ In the same way, the BRICS countries turned out to be either unwilling or incapable of agreeing on a new set of rules.

Towards new paradigms?

While the CRA does not force the BRICS to develop a new set of rules and norms, they will have to develop rules and norms which will serve as orienting principles to the BRICS Development Bank. This will require them to articulate their fundamental views regarding economic development and financial cooperation.

In the case of the BRICS Development Bank, the BRICS have begun to implicitly establish these rules as a by-product of their growing role as donors. As shown above, China and the other

¹ James R. Vreeland, “The IMF: lender of last resort or scapegoat,” Leitner Program no. 3 (1999), in: Dreher, “IMF Conditionality,” 236.

² Axel Dreher, “IMF Conditionality: Theory and Evidence,” *Public Choice* 141 (2009): 251.

³ Henning C. Randall *The Future of the Chiang Mai Initiative: An Asian Monetary Fund?* Peterson Institute for International Economics. February 2009.

BRICS countries are keen to avoid policy conditionalities in the context of their loans, as this is regarded as undue interference in other countries' internal affairs. If the BRICS' individual strategies as financiers of infrastructure loans is any guide — and there is reason to believe that this is so — then the BRICS Bank will operate without many of the policy conditionalities that mark the way the World Bank operates. This could thus pose a challenge to the paradigms that guide today's established financial institutions.

To what extent their behaviour may turn into a consolidated and coherent paradigm that challenges the current Western consensus depends on whether the BRICS are in fact able to scale their efforts to levels that make the BRICS Bank comparable to the World Bank. This, in turn, not only depends on their future economic growth, but also on the group's willingness to find a common denominator and jointly push for such an alternative paradigm.

This seems far from clear. Brazil, India, Russia and China provide far more money to the IMF and the World Bank than to the BRICS Development Bank and the CRA. Russia, for example, is applying for OECD membership, which will see it adhere to many Western-dominated standards, particularly regarding aid projects. Provided that it is granted greater space within the World Bank and the IMF, Brazil may feel more comfortable engaging in existing institutions than supporting new institutions. India, for its part, may feel reluctant to support a BRICS Bank that seems to be dominated by China. South Africa's policy makers may also feel growing domestic pressure to avoid an institutional tie-up with China, especially when African public opinion turns against China's growing presence.

Incubating an Alternative Financial Architecture within BRICS

Reform of the international Financial System Series

Akshay Mathur¹

Executive Summary

When the BRICS forum was initially created in 2009, it held out the promise of a different world order, particularly for an alternate international financial system.

¹ Gateway House

From the perspective of geoeconomics, three distinct trends had converged:

- The western financial system had lost credibility after the trans-Atlantic crisis;
- Globally trusted benchmarks were being manipulated;
- The western financial system was being misused for unilateral geopolitical goals.

The author recommends that the BRICS forum incubate new global institutions and trading paradigms in a new approach called — Alternate Financial Architecture.

This six main components of the architecture are:

- A mechanism for enabling trade in local currencies;
- A clearing union for settling trade in local currencies of the five BRICS economies;
- A re-insurance market for global shipping insurance to ensure smooth transport;
- A sophisticated trade agreement that includes trade in services, movement of professionals, and protection of invested capital;
- A credit rating agency that assessed companies based on local characteristics of the BRICS economies;
- A benchmark for crude oil pricing that was more reflective of global energy trade.

Unfortunately, domestic economic and political compulsions forced the BRICS countries to look inward for many years and ideas for the Alternate Financial Architecture remained on paper.

Even as the BRICS countries struggled to cooperate with each other, individually the five countries continued to respond to global developments. In particular:

- Emergence of sophisticated trade deals between developing countries;
- Emergence of new mega-FTAs;
- Emergence of new regional economic communities;
- Emergence of a Chinese Financial Architecture;
- Emergence of other multilateral economic forums.

It appears that in large measure, the world has already moved beyond the needs of what the BRICS forum can provide — to itself or globally. But that is a short-sighted view.

— Two critical reasons why the BRICS forum remains important:

- Only other multilateral forum with global heft;
- Opportunity to represent the middle-income and developing countries.

Given the opportunity that BRICS forum still has on the world stage, it is important that priority be accorded to the design of the Alternative Financial Architecture and that its components be incubated within BRICS.

There are three impediments to monitor:

- Impediment 1 — Business remains a reluctant stakeholder;
- Impediment 2 — Probability of getting co-opted by the West;
- Impediment 3 — Risk of a Chinese Financial Architecture.

There are three catalysts for consideration:

- Catalyst 1 — Address global challenges together;
- Catalyst 2 — Manage transnational business projects jointly;
- Catalyst 3 — Government support is critical in key areas;
- Catalyst 4 — Institutionalize regulatory mechanism.

The economic genesis of BRICS

When the BRICS forum was initially created in 2009, it held out the promise of a different world order, particularly for an alternate international financial system. The five countries came together amidst growing frustration with the western financial system that was being misguided and misused by the rich western countries.

At inception, western political leaders, economists and scholars sneered at the unlikely forum, calling it an investment banker's suggestion taken too far (referring to Jim O'Neill's 2001 paper for Goldman Sachs that originally coined the term).

At the time, legitimate incompatibilities were exposed. Geopolitically, they had never spoken with one voice, at least not deliberately, on any issue: Arab upheavals, Ukraine, Iran etc. Goeconomically, the economies were too diverse to integrate — Brazil and Russia are energy dependent economies, China is a manufacturing economy and South Africa and India are service-driven. They are also all geographically disparate. Many of these incompatibilities remain.

Over time, the BRICS countries had hoped that these incompatibilities would be overshadowed by the latent economic

synergies. All economies were facing socio-economic unrests and needed to create jobs quickly. They had young internet-savvy populations that were waiting to be capitalized. Each economy was modernizing and integrating economically with the world. They also had to address global issues such as climate change in parallel, something that the West did not have to do when they were developing. The similarities were hopeful.

From the perspective of geoeconomics, three distinct trends had converged, catalysing the formation as well as the expectations from the BRICS forum.

First, the western financial system had lost credibility after the trans-Atlantic crisis. The unravelling of the mortgage-backed securities market starting in 2007 demonstrated how consumption and greed were driving the financial system without any heed to regulations. Many banks failed. Other institutions such as the credit-rating agencies that survived could no longer be trusted for sound judgment.

Second, globally trusted benchmarks were being manipulated. The LIBOR benchmark for interest rates and the BRENT benchmark for crude oil pricing were found or being investigated for manipulation between 2013 and 2014. These benchmarks were present ubiquitously through the global financial system — from projections on country growth rates to interest payments to current account deficit calculations. They were so well entrenched that no one knew how to change them or what to substitute them with, even though it was universally acknowledged that tampering was taking place at the highest levels of management of these global institutions.

Third, the western financial system was being misused for unilateral geopolitical goals. Economic sanctions on Iran are a case in point. The US and EU were able to choke countries such as India and China from paying Iran for oil by blocking SWIFT and other dollar-based clearing systems. India could not raise insurance for transporting Iranian crude. It was a stark reminder to all the countries of the grip western countries have on the global financial system.

Hope: An Alternative Financial Architecture

This convergence provided the ideal environment for the BRICS countries to envision a viable alternative for global economic

leadership. The BRICS Bank and \$100 billion Contingency Reserve were good measures to show tangible support for the forum by all the five countries.

But more could have been done.

Between 2012 and 2015, the author recommended that the BRICS forum had the opportunity to introduce new global institutions and trading paradigms into a new phenomenon which he titled — Alternate Financial Architecture.

These six main components of the architecture are listed below:

1. A mechanism for enabling trade in local currencies;
2. A clearing union for settling trade in local currencies of the five BRICS economies;
3. A re-insurance market for global shipping insurance to ensure smooth movement of goods;
4. A sophisticated trade agreement that includes trade in services, movement of professionals, and protection of invested capital;
5. A credit rating agency that assessed companies based on local characteristics of the BRICS economies;
6. A benchmark for crude oil pricing that was more reflective of global energy trade.

Unfortunately, domestic economic and political compulsions forced the BRICS countries to look inward and some of the ideas for the Alternate Financial Architecture that could have been considered for the BRICS forum to experiment and incubate remained on paper.

India had a long period of political stasis between 2011 and 2014 until a change in political leadership gave BJP a majority mandate. China's repositioning of its economy in 2012 from an export-driven to a domestic consumption driven economy decelerated the speed with which it was integrating globally. China, Brazil, Russia and India's economy suffered from the aftermath of the western financial crisis and also a scare on the depreciating value of their currencies in 2014, forcing a review of the liberal foreign capital regime. Also, in 2014, Ukraine and the subsequent economic sanctions in diverted Russia's attention towards its domestic economy.

Clearly, the gumption for experimentation waned and evolution of the BRICS forum stalled.

As a result, the BRICS countries continued to do business with their traditional economic partners. Europe remains Russia's economic partner, South-East Asia and East Asia remain China's economic partners, South Africa is still focused on business within the African continent, Brazil is better integrated in Latin America than anywhere else, and India remains glued to the US, UK, Europe as it has always been.

While BRICS was sleeping ...

Even as the BRICS countries struggled to cooperate with each other, individually the five countries continued to experiment with foreign economic initiatives. This indicates that the latent potential for the BRICS countries to cooperate remains. Some of these models have already been tested bilaterally. On other issues, the countries have been forced to create a strategy by the changing global economic paradigms.

Five global developments are of particulate note here:

Emergence of sophisticated trade deals between developing countries: The India-ASEAN FTA in services is an example of how a sophisticated trade agreement can be signed between two developing regions. As the name suggests, it goes beyond goods to include agreements on movement of capital, labour and technology. Such an agreement between the BRICS countries could have been a game-changer. The western countries have for long resisted the inclusion of movement of professionals and mutual recognition of standards with developing countries. But BRICS had the chance to introduce it.

Emergence of new mega-FTAs: The push for mega FTAs such as the Trans-Atlantic Trade and Investment Partnership (TTIP) and the Trans-pacific partnership (TPP) is leaving BRICS behind. It shows that the US and other western countries are not going to cede space on the global trading giants table easily. The agreements are designed to exclude BRICS countries and to capitalize on the west's deep harmonization in regulatory standards. Once in play, it will shift global value chains away from countries like China and India. China will be the worst affected because it currently benefits the most from hosting the manufacturing facilities.

Emergence of new regional economic communities: By the end of 2015, the ASEAN group of nations will come together as

an ASEAN economic community, only few steps short of creating an economic union like the EU. This will lead to a harmonized set of rules and standards for economic integration within the 10 countries. This is a credit to the political leaders of the region who have incrementally and steadily steered the regional forum into a formidable economic alliance, gently including new players like Myanmar. The economic heft of the ASEAN Economic Community as a whole will be a real counterbalance to economic giants such as the US, EU, China and India.

Emergence of a Chinese Financial Architecture: China's plans for Asian Infrastructure and Investment Bank (AIIB) came as a surprise to most across the globe. The support for AIIB has already diffused the energy being put into BRICS Bank. However, what is less known is that AIIB's true impact is only apparent when studied against the One Belt, One Road (OBOR) economic vision that China has put out concurrently. AIIB is positioned to play an important role in facilitating transnational payments and financing development projects included in the OBOR that spans from Central Asia to South-East Asia. It could be the genesis of a new Chinese financial architecture in the making that will force smaller economies to adopt a Renminbi-based financial system.

Emergence of other multilateral economic forums: B20, the business forum that supports the G20 forum has emerged as a powerful new forum for global business dialogue. Since its conception in 2010, the forum has become an important bridge between business and foreign economic policy. The forum has met regularly since then on the side-lines of the G20 Summits to advise world leaders on global economic governance.

There is merit in the BRICS forum ... still

All these developments demonstrate that the global economic integration was evolving but leaving BRICS countries out. Thus, it would appear that in large measure, the world has already moved beyond the needs of what the BRICS forum can provide — to itself or globally.

But that is a short-sighted view. Two critical reasons why the BRICS forum remains important:

Only other multilateral forum with global heft: It still remains the only formidable alternate multilateral forum. The equal

shareholding of BRICS Bank was an experiment to demonstrate that the five countries with differing interests can come together to work on a common mandate. The success of this experiment would have bigger implications for world order than, say, the success of AIIB that is led by one country. It provides competition to the World Bank and IMF, and can force them to reform, at worst.

Opportunity to represent the middle-income and developing countries: Too much of the world's resources are focused on too few issues and regions. Since 9/11, budgetary allocations and financial aid have been committed towards securing Iraq and Afghanistan, stabilizing West Asia, and trying to ease the west out of the recession. However, much of the world — approximately 70% of global population — lives in relatively stable, middle-income or developing countries that are looking to BRICS for new models of growth and development. China is an obvious and shining example to them on how best to execute development projects. But other countries also have much to offer. For instance, Brazil's success with socio-economic programs and sustainable development has important takeaways for both advanced and developing countries. South Africa's banking system still remains one of the best in the world. Russia's technical prowess, specifically in defence and space remains unmatched. And India's eco-system of free private enterprise, bottom-up development and democracy offers a valuable model.

Components of the alternate financial architecture

Given the opportunity that BRICS forum still has on the world stage, it is important that priority be accorded to the design of the Alternative Financial Architecture and its components be incubated within BRICS.

Immediately, the design of the individual components can be initiated by:

1. Enabling trade in local currencies: A Multilateral Agreement on Extending Credit in Local Currencies was signed at the 4th BRICS Summit in New Delhi in 2012. That must immediately be activated so that the five local currencies of the BRICS countries can be made available for trade. China is experimenting with bilateral currency swaps already and already has 21 such agreements to its credit.

2. A mechanism for settling local currencies: If trade is to be enabled with local currencies, a clearing union to settle the payments between countries is needed. Here, lessons from the Asian Clearing Union set up in 1974 (but now practically defunct) can be learned and improved upon. Such a mechanism will speed up economic integration between the five countries.

3. A re-insurance market for transport: Shipping and other transport companies often need billion-dollar insurance schemes to insure their cargo. BRICS countries can jointly create and manage a reinsurance market similar to the London-based International Group of P&I Clubs. Outside of the West, Hong Kong already has a deep insurance market that can be leveraged to begin this exercise.

4. A forward-looking trade agreement: Services will play an important role in all the BRICS countries in the future. A new FTA in services between the BRICS, one that includes movement of professionals and mutual recognition of standards and regulations, will give an immediate boost to economic integration. The India-ASEAN FTA in services can be used as a template.

5. A credit rating agency system: A fair credit rating agency system can be created based on the local characteristics of middle-income and developing countries. Russia and China have already expressed interest publicly by encouraging RusRating and Dagong Global to create a new framework. Another parallel effort called ARC is being led by the international consortium of agencies from Portugal, India, South Africa, Malaysia and Brazil.

6. A global benchmark for crude oil: Since the BRICS forum is made up of two energy-producing countries and three energy-consuming ones, an energy benchmark that better reflects the pricing of crude oil can be unique initiative. Russia already has benchmarks such as ESPO and India too has commodity markets that can grow up to provide accurate pricing of energy commodities.

The impediments

Impediment 1 — Business remains a reluctant stakeholder: Corporate decisions are usually based on profit motives. This is especially true for businesses in South Africa, Brazil and India where government's influence in executive decisions of companies is minimal. At the moment, firms in all five BRICS countries find it easier to conduct business with their traditional markets and

using the dollar-based payment architecture. Unless, there is external support by the government or a change in business models, business will be reluctant to take on the costs of transitioning to the alternative architecture.

Impediment 2 — Probability of getting co-opted by the West: In 2012, the BRICS countries contributed \$75 billion to the IMF to bailout the European countries. Getting co-opted by the West in their initiatives or into the existing western financial architecture will make the formation of the Alternative Financial Architecture difficult.

Impediment 3 — Risk of a Chinese Financial Architecture: The scale of China's economy already makes it an outlier in the BRICS framework. However, the creation of AIIB as a competitor to the BRICS Bank and the rapid internationalization of the Renminbi through bilateral currency swaps against a multinational multi-currency system could diffuse the effort needed by BRICS to create an Alternative Financial Architecture. Most countries, including India, are reluctant to shift away from a western financial architecture for fear of being trapped in a Chinese-dominated one.

The catalysts

Catalyst 1 — Address global challenges together: There is universal agreement that issues such as Climate Change and preservation of ecological resources cannot be addressed by one country alone. This is an opportunity for the BRICS to collaborate and fund technologies that will help middle-income and developing countries leapfrog to the next generation of business models and introduce paradigms for growth that rejuvenate the environment.

Catalyst 2 — Manage transnational business projects jointly: There are very few instances of successful projects that the BRICS have managed jointly. One area of common interest could be collaboration in energy assets. India and China have already invested in oil fields in Sudan together. Separately, they are developing LNG infrastructure and the related pricing markets. Russia and China have a \$400 billion gas pipeline deal. Brazil is a leader in bio-fuels and in harnessing natural resources for domestic energy consumption. South Africa, still dependent on coal, is looking for new sources. These synergies can be utilized for purchasing energy assets globally, building the required infrastructure, and selling the energy in the global markets.

Catalyst 3 — Government support is critical in key areas: While excessive government support in business may not always be useful, there are some softer elements of collaboration that require immediate attention. The onus of funding research and providing translation services so that business analysts, journalists, scholars, and the general public in the BRICS countries can understand about each other and learn from each other, is very important. This role can only be taken on by the governments and the BRICS forum. Without this, the BRICS countries will continue to remain alien to each other.

Catalyst 4 — Institutionalize regulatory mechanism: For all its faults, the western financial system has also developed institutionalized monitoring and vigilance mechanisms to deal with loopholes and manipulation. The manipulation of LIBOR was quick to be recognized by the authorities and resolved by the British government. The manipulation of BRENT was being investigated by the European Commission. The BRICS forum also needs institutionalized mechanisms for the continuous monitoring and revaluation of the new financial architecture and its related instruments.

CHAPTER 3

SOCIAL PROBLEMS AND QUALITY OF LIFE — POSSIBLE ISSUES FOR BRICS COOPERATION

Addressing Social Problems

*Ari Sitas, Aisha Lorgat*¹

South Africa's transition to democracy or its “negotiated revolution” has been lauded and celebrated. After three hundred years of colonialism, segregation and Apartheid the fact that in the end it could be negotiated proved decisive.

The ANC after 20 years stewardship of the transition, despite media- frenzy against its governance, still commands 62% of the electorate and has a robust sway over the aspirations of the black majority. It would have been expected to achieve its goal of social cohesion. Yet, there are at least three challenges where social problems turn into social cleavages that do create social polarisation.

- A Social Challenge
- A Developmental Challenge
- A Deep Structural Challenge

Social problems to social polarisations

The first such area is about *livelihoods* polarisations: there is tension and conflict between employers and workers, between workers and their trade unions, between those formally employed and casuals commandeered by labour brokers, there is conflict also between informal workers and traders and municipalities

¹ University of Cape Town

and between local and foreign workers and traders, leading to xenophobic attacks and violence. There is also tension between the “landed” and the landless. These explode, like in the Marikana case into violence and into demands for a living wage. The context of poverty alleviation on the one hand and the perception of an increase of social inequality on the other has been destabilizing social relations. The key here is that the social contract between government, employers, workers and community that defined the co-determination policy-pillar in the country has been broken.¹

The second is around an “undeclared *gender war*” in the words of a key woman activist and intellectual in the country. The more women have gained economic and social rights and assets, the more they found themselves in the midst of a male and patriarchal backlash. Violence against them and violence against children has increased, women-headed households have been on an exponential growth rate. Furthermore, the HIV/AIDS pandemic and community responses have strained gender relations and the persistence of the migrant labour system has placed the extreme weight of providing social and security networks on elder women in the countryside.²

¹ In comparison to other BRICS countries, South Africa has the highest unemployment rate by a significant margin, 25.1% as compared to Brazil with the next highest at 6.1% (The International Policy Centre for Inclusive Growth — UNDP [2014] Youth and Employment Among the BRICS). Furthermore, the official unemployment rate has increased to 26.4% in the first quarter of 2015, with the expanded definition rising to 36.1%. The increasing significance of casualization in the labour market is reflected in the statistics showing that limited duration, or unspecified duration contracts have increased year on year by 108 000 and 160 000.

² South Africa is doing very well in comparison to other BRICS countries when gender equality is measured on the basis of parliamentary representation by women. There is also parity in terms of enrolment rates in education and literacy, although this is common to all BRICS partners except for India, and share of women in non-agricultural wage employment at 47% is the same as Brazil, lower than Russia (51% and higher than China (39%) (no data for India). However, when considering maternal mortality rates for example, South Africa’s performance has lagged behind with only India having a higher rate. (World Bank Indicators — <http://data.worldbank.org/indicator>). Significantly the available data does not measure the prevalence of violence against women.

The third is about "voice" — there is a grassroots perception that they are not "heard" by those in authority, which leads to direct forms of action in service delivery protests by precarious workers and unemployed youth, who target public assets from schools, libraries and local authority facilities. Increasingly these lead to attacks on and the looting of foreign owned shops in order to be "heard". The existing systems of participation and consultation have been put in severe crisis over the past few years. Furthermore, gangsterism and drugs interweave, shape and malform most grassroots channels of communication and render community policing initiatives ineffective.

The fourth is about *identity* polarisations: South Africa has not found its social, normative and national fabric yet, so it polarizes easily around race; around specific colour politics (Indians-Zulu, Coloureds-Africans, Whites-Indians) and ethnicity; it also manifests itself around foreigners and locals. Not only is the diversity explosive but the law is often taken away from the state and handed over violently to community informal justice systems. Whilst on the one hand drug addiction, alcoholism and gang control increase so is its opposite in this context a rapid growth of Evangelical, African Christianity's, customary rituals and alongside all of that a more vigorous growth of Islam.

These four cleavage-creating social problems must also be seen in the light of another dimension — a developmental one.

Developmental challenges

There are a further three developmental challenges:

— Firstly, despite the provision of anti-retroviral medication and serious efforts to provide preventative health interventions, achieving improvement in life-expectancy, the health status of the poorest 20% (overwhelmingly black) of the population is deeply problematic.¹

— Secondly, despite efforts to provide more resources to the country's basic education system, the physical and pedagogic

¹ HIV prevalence is highest in South Africa (although data for Russia and China is unavailable) and life expectancy is lowest in South Africa at 57. In terms of health expenditure per capita, Brazil spends the most at US\$1 083, followed by Russia at US\$957, South Africa at US\$593, China at US\$367 and India at US\$61. (World Bank Indicators — <http://data.worldbank.org/indicator>).

quality of close to half of the schools in the system remains suspect and the transition to a hard skills-based system that is pursued very weak.¹

— Thirdly, although the average per capita income places South Africa high in world rankings, general income and household income inequalities and its persistence, destabilizes all sociological factors. There is a limit to how many more people can be put on social grants as already 31% of all South Africans are grantees.²

Structural challenges

The cleavages around social problems, the challenges around development must be seen in the light of a deeper structural transformation that involves five major macro-processes:

1. A Changing Urban-Rural Configuration in SA and Africa as a whole

There is a serious process of de-peasantisation on the continent without de-ruralisation. We are in the midst of one of the most pervasive migrations/diasporas where migration involves a globalisation “from below” without abandoning the countryside, the homestead or the village. South Africa is different because there has not been a resilient peasantry in the past and the countryside has been for more than a century reliant on migrant wages. In our case migration has been intensified and the rural homestead has not been abandoned. But South Africa has been a destination of all such migrations.

¹ According to available data government expenditure on education as a proportion of total expenditure among the BRICS countries is highest in South Africa at 19.1% (World Bank Indicators — <http://data.worldbank.org/indicator>), while total youth literacy rate (again according to available data which may be unavailable or only available for particular years) ranges from 81.1% for India (2006 data), which is an outlier to 99.7% for Russia. South Africa is in the middle at 98.9% with Brazil at 98.6% and China at 99.6%. (UN Inter-agency and Expert Group on MDG Indicators, Millennium Development Goals Indicators — <http://mdgs.un.org/unsd/mdg/Data.aspx>).

² South Africa’s Gini index measured 65 in 2011, the highest among the BRICS countries and among the highest if not the highest globally (World Bank Indicators — <http://data.worldbank.org/indicator/SI.POV.GINI>). Social expenditure as a percentage of GDP is in the middle at 9.7% with Brazil spending 21.3%, Russia 17.8%, China 5.6% and India 2.6% (data from 2009/2010, ILO Social Security Expenditure Database — <http://www.ilo.org/dyn/sesame/ifpses.socialdbexp>).

2. The Emergence of Unsustainable Urbanisation processes

Cities in Africa have been the fastest growing in the world- Lagos, Kinshasa and Khartoum leading but Johannesburg, Durban, Vaal-Vereeniging, Cape Town, PE and East London have been growing much faster than any capacity to provide infrastructure, housing and services with major ecological and nutritional consequences.

3. Environmental

The resource-intensive mining, agriculture and manufacturing patterns of the country are creating untold environmental strains which have long-term implications. South Africa's per capita CO2 emissions, at 9 per cent, are second only to Russia among the BRICS countries. Energy constraints have been cited as a major obstacle to economic growth in the short term with continued heavy reliance on non-renewable resources posing significant long-term risks. Related to this is the massive ecological challenge posed by climate change, and the associated threats to biodiversity and food security.

4. Unsustainable Consumer Culture and Indebtedness

There is by now a strong class interest in the middle class and the upper middle class for preserving the disparities and inequalities that constitute South Africa's central social problem. Whether white or black in the corporate sector and at the top echelons of the professions and academic life, the benchmarking of salary-scales and emoluments has sky-rocketed. In the working-class, to keep with consumption patterns, indebtedness has increased, casualization has affected income and wage-demands have been escalating. This affects systemic regulation and the "growth-regimes" of BRICS countries to their core.

5. Cultural and Normative Lags

A new articulation with a planetary system of flows (economic, informational and financial) and its divisions of labour have outpaced not only skill levels but have outpaced the cultural resources and capacities to adjust to it. There is a direct impact on the quality of family life, marriage patterns, new generational divides and new social problems.

Conclusion

There is a very strong social science community in South Africa that is undertaking world-class research in all of these areas. The

point is to create transnational networks within BRICS to look at these areas with the purpose of providing sound policy, insight and inter-cultural cooperation.

Although BRICS countries are committed to work together in a growth and development alliance that does not mean to say that, the countries' economic, social and political structures are homologous. India's dilemmas around identity polarisations are not the same as South Africa's; China's political carapace is not Brazil's and Russia's socio-economy is not the same as India's.

I have separated the subject-matter into three because from a South African perspective we need three different but related networks:

Social Problems, Development, Systemic and Structural Macro-Processes

Understanding social problems would imply the understanding of what polarises and what coheres in a given society and may involve anything from Labour Studies to Race, Identity and Exclusion.

Development I have used in the narrow sense — i.e. around the categories relevant for improving the Human Development Index in the entire BRICS domain. It may be anything from Health to Job Creation and Labour Market Research.

Finally, the last is about understanding BRICS as a project within an emerging new world system of interactions and, within that, high order research on systemic contradictions and alternatives.

Enhancing Social Equity and Inclusion: Lessons From the Indian Experience

*Harsh Sethi*¹

Making sense of India has, at the best of times, not been easy, and not merely because of its size, bewildering social, ethnic, regional and economic diversity, or even its complicated history.

¹ Delhi University

Little surprise that most analysts, Indian or foreign, take refuge in aphorisms such as, “Every statement about India is both true and false simultaneously”, the veracity of the statement conditional on time, context and the part of the country being talked about.

Nevertheless, irrespective of the frame of analysis deployed, most scholars concur that India’s record as a modern, democratic republic — unusual amongst post-colonial nations for being able to sustain a vibrant, electoral democracy and, in the main, maintain social peace and avert significant breakdowns of law and order — reflects considerably less success in meeting the basic needs of a substantial section of its citizenry. Despite the recent experience of rapid economic growth — notwithstanding the current slowdown — it is worrying that both wealth and income distribution have been getting more unequal in recent years, more so because of its social, ethnic and regional correlates. Both the political and social conflict implications of a perpetuation of this trend can turn dangerous if not efficaciously addressed within a manageable time frame.

To state more sharply, worsening indicators of income and wealth distribution acquire a sharper edge because improved economic growth has not been accompanied by a commensurate increase in employment and growth in real wages. Organized sector employment still accounts for less than ten per cent of the workforce, leaving a vast majority forced to eke out a living from an increasingly unviable agriculture, petty trade and services, and intermittent contractual employment. Simultaneously, the public revenue generated by rapid economic growth has not been used to expand the social and physical infrastructure in a determined and well-planned way that might enhance social inclusion. There is still, despite considerable progress, a continuing lack of essential social services (schooling, basic health care, access to safe drinking water and improved sanitation, basic housing) for a large section of the population. It is a matter of national shame that close to seven decades since independence and after sixty five years of a democratic republic, India fares poorly on most social indicators such as longevity, child malnourishment, infant and maternal mortality, completion rates in elementary education, not just globally, or in the BRICS cohort, but even in comparison to its poorer South Asian neighbours.

Meeting MDG Targets

TABLE I

HDI Rank 2013	Country	HDI Value	Life Expectancy at Birth	Mean Years of Schooling (Years)	Expected Years of Schooling (Years)	Gross National Income (GNI) per capita	HDI Index Value 2012	Change in Rank 2012-2013
79	Brazil	0.744	73.9	7.2	15.2	14,275	0.742	1
57	Russia	0.778	68	11.7	14	22617	0.777	0
135	India	0.586	66.4	4.4	11.7	5,150	0.583	0
91	China	0.719	75.3	7.5	12.9	11,477	0.715	2
118	South Africa	0.658	56.9	9.9	13.1	11,788	0.654	1

Source: Human Development Report 2014.

TABLE II

India						
Goals and Targets	Indicators	First Year		Last Year		Percentage
		Value	Year	Value	Year	
Goal 1: Eradicate Extreme Poverty						
Reduce extreme poverty by half	Proportion of population living below \$1.25 (PPP) per day (%)	49.4	1994	32.7	2010	-3.4
Reduce hunger by half	Proportion of population below minimum level of dietary energy consumption (%)	23.8	1991	15.2	2013	-36

India						
Goals and Targets	Indicators	First Year		Last Year		Percentage
		Value	Year	Value	Year	
Goal2 : Achieve Universal Primary Education						
Universal primary schooling	Net enrolment ratio in primary education (enrolees per 100 children)	78.2	1990	98.9	2011	26
Goal3: Promote Gender Equality and Empower Women						
Equal girls' enrolment in primary school	Ratio of girls to boys in primary education	0.74	1990	1.02	2011	39
Women's share of paid Employment	Share of women in wage employment in the nonagricultural sector (%)	12.7	1990	19.3	2010	52
Women's equal representation in national parliaments	Proportion of seats held by women in national parliament (single or lower house only — %)	5.0	1990	11.4	2014	128
Goal4: Reduce Child Mortality						
Reduce mortality of under-five-year-old by two thirds	Under-five mortality rate (deaths of children per 1,000 births)	125.9	1990	52.7	2013	-58
Goal5: Improve Maternal Health						
Reduce maternal mortality by three quarters	Maternal mortality ratio (maternal deaths per 100,000 live births)	560	1990	190	2013	-66

India						
Goals and Targets	Indicators	First Year		Last Year		Percentage
		Value	Year	Value	Year	
Access to universal reproductive health	Contraceptive prevalence rate (percentage of women aged 15-49, married or in union, using contraception)	40.7	1993	54.8	2008	35
	Unmet need for family planning (percentage of women aged 15-49, married or in union, with unmet need for family planning)	20.3	1993	20.5	2008	1
Goal 6: Combat HIV/AIDS, malaria, and other diseases						
Halt and begin to reverse the spread of HIV/AIDS	HIV incidence rate (number of new HIV infections per year per 100 people aged 15-49)	-	-	-	-	-
	Incidence rate and death rate associated with tuberculosis	Number of new cases per 100,000 population	1990	176	2012	19
Halt and reverse spread of tuberculosis	Number of deaths per 100,000 population	216	1990	22.0	2012	42
	Goal 7: Ensure Environmental Sustainability					
Reverse loss of forests	Proportion of land area covered by forest (%)	21.5	1990	23	2010	7

India						
Goals and Targets	Indicators	First Year		Last Year		Percentage
		Value	Year	Value	Year	
Halve proportion without improved drinking water	Proportion of population using an improved drinking water source (%)	70.3	1990	92.6	2012	32
Halve proportion without sanitation	Proportion of population using an improved sanitation facility (%)	17.7	1990	36	2012	103
Improve the lives of slum-dwellers	Proportion of urban population living in slums (%)	54.9	1990	29.4	2009	-46
Goal 8: Develop a global partnership for development						
Internet users	Internet users per 100 Inhabitants	0	1990	15.1	2013	-

Source for all tables: <http://mdgs.un.org/unsd/mdg/Host.aspx?Content=Data/snapshots.htm>

This brief note discusses a few recent attempts at speeding up progress in poverty reduction and ushering in a process of development that is more socially and economically inclusive, both through an enhanced allocation of resources for social sector programmes, a more clearly defined role for involving private providers and finally, a regime of legally enforceable entitlements guaranteeing access to rural employment, basic education and food. Even more innovative and daring is the official recognition of the role of democratic politics — political parties, social movements and civil society actors — both in educating and mobilizing affected citizens to demand their rights and for sustaining pressure on the state to deliver on its commitments.

Integrating growth and development

After averaging between 8 and 9 per cent growth in GDP for close to a decade (2000-2009), in recent years the figure has slumped to around 5 per cent, a reflection of both the moderating of growth in the global economy and the laxity in reforming the regime of laws and rules which arguably holds back the growth of Indian business. As indicated earlier, a slowdown in growth generates huge pressures from influential sections in society to drastically cut back on budgetary provisions for “what is decried as wasteful expenditure on unproductive investment” and instead invest scarce resources in improving physical infrastructure — power, roads, ports, communication, transportation — and deepen business-friendly pro-market policies. Unfortunately, much of this discussion, cast in an either-or mould, sidesteps concerns about the character of the growth process, most specifically its employment generation potential, equity and sustainability.

Despite considerable progress in poverty reduction, impossible without high and sustained growth, it must not be forgotten that even now close to two-thirds of the workforce is dependent on agriculture and allied activities, though the sector accounts for a mere 15 per cent of GDP. Incomes of those dependent on land are thus low, variable and, in the long-run, unsustainable. The same holds true of all those engaged in the petty services and trade sectors. Shifting the workforce, a vast majority under the age of thirty, to more productive organized sector employment is thus the only way to both reduce poverty and enhance participation.

Simultaneously, while shifting the structure of wealth creation and employment necessarily remains the medium and long-term goal, new and better policies of social protection and safety nets need to be crafted for the poor, marginalized and indigent, both to meet constitutional obligations and ensure social peace. Equally, the country needs to equip those in the informal sector to be gainfully absorbed in the modern, organized sector. Or to ask differently: How should India seek to deploy its public resources for the enhancement of social welfare and thus enhance the capabilities of its citizens, particularly those at the bottom of the ladder?

Jean Dreze and Amartya Sen in their path-breaking study, “An Uncertain Glory: India and its Contradictions, 2013” capture the dilemma thus. In part this is because our planners remain divided on how to address both the constructive role of the market as also the constructive role of the state. The weaknesses on the former front impact initiative, efficiency and coordination of complex economic functions. The failure on the latter front has resulted in a sluggish response in remedying our underdeveloped social infrastructure, particularly in health, education, sanitation and so on and in building a system of accountability for public services. It is the latter which best explains our patchy record on meeting social development, and thus, social protection targets. Towards this end, we need to cast a fresh eye on not only our extant programmes and strategies, but be open to place in Indian experience in a comparative perspective, and learn from what others have managed to do.

In comparative perspective

How does the Indian experience compare to its BRICS (Brazil, China, Russia, South Africa) counterparts. While all these countries have large populations, India is not only much poorer (its per capita GDP in PPP terms is less than half of China, one-third of Brazil and a quarter of Russia), but unlike the others which have achieved near universal literacy in the younger age groups, one-fifth of the men and a quarter of all women in the 15-24 age group are still unable to read and write. Fortunately, this is a declining problem. Far more disturbing is that 40 per cent of its children under five are malnourished and an astonishing equal proportion stunted. The data for those with access to potable drinking water and sanitation

is equally depressing. And while India has the lowest proportion of urban population in BRICS, though the absolute numbers are high, it seems ill-equipped to handle these numbers even at the level of basic housing. The proportion of those living in slums is the highest, as is the number of those without access to basic goods and services. All these pose special challenges for Indian policy-makers.

Education: There is little doubt that in the last couple decades India has made major strides in eradicating basic illiteracy and increasing the numbers entering schools. A mix of enhanced budgetary provision (though public expenditure on basic education is nowhere near the recommended norm of 6 per cent of GDP and is the lowest in BRICS) as also legislating a Right to Education Act which guarantees to all children free and compulsory education till class VIII has helped, as have a multitude schemes to improve access, retention and learning covering both public and private providers. Nevertheless, concerns remain particularly about the quality of education, the need to improve the number and performance of teachers and to synergize other programmes of child welfare with schooling.

There are areas of special challenge, above all of how to manage the diversity of provision in basic education. Unlike other countries which have moved to near universal schooling primarily by relying on a public provisioning system (state schools), close to a third of Indian children study in private schools. Both the public and private providers reflect variations in ownership, management and quality of services offered. Intriguingly though, despite charging fees, there is a growing shift in preference towards private schooling. Little surprise that many today recommend a system of school vouchers, leaving the parents free to choose the school they wish to send their wards to, as a recipe to side-step the defects of the state schooling system and restore accountability. Such a move would, however, reduce commitment to public schooling with all its negative connotations, including enhancing inequality in provision and thus exacerbating social divisions, since regulating private providers is considerably more difficult. A balance is critical.

An equally pressing concern relates to the quality of education offered, both in the public and private schools, and thus the preparedness of students completing basic education to acquire

skills and enhance employability. Currently, India fares poorly in global PISA rankings. The longer term implications of a poorly educated and ill-equipped workforce — increasingly young, urban, mobile and aspirational — for political and social stability can be easily imagined.

Health: Of all the countries in BRICS, India not only has the lowest proportion of public expenditure on health, drinking water and sanitation, it also has the highest private, out-of-pocket expenditure on health by individuals, barring possibly South Africa. Equally worrying is the increased trend towards *privatization* and *marketization* of health care, particularly curative services, which imposes severe public and private costs, most of all for the poor and malnourished. And though India has an impressive infrastructure of public health facilities — from the primary to the tertiary levels — as has also scored some notable successes in preventive health (viz. eradication of polio), there is little doubt the issues regarding health reflect not just low outlays but also poor public engagement. Debates on health policy, central and state government budgetary outlays, specific schemes of provision and insurance are less common, except in specialized circles and those focused too on tertiary curative services.

The fact of widespread and endemic malnutrition of children, the low rates of immunization, the poor availability of free/subsidized basic drugs, absence of health insurance coverage, particularly for those in the unorganized sector, and many others similar concerns have yet to acquire a political resonance. This despite the fact that illnesses constitute the single largest cause of private indebtedness and that an “unhealthy” populace imposes severe costs on GDP growth rates, some estimating at as much as 2 percentage points a year. Equally unattended is the growing burden on non-communicable diseases like hyper-tension, diabetes, asthma and so on, alongside the already crippling impact of communicable diseases like TB and malaria.

Recognizing the “public goods” character of health of the people demands, first, an enhanced commitment to universal health care for the country as a whole. In this India needs to learn from both China and Brazil, in particular the latter which has made health care a justiciable right. This also implies a policy recognition

that India's transition from poor to good health cannot be achieved by placing primary reliance on private health care and insurance. Alongside strengthening the public provisioning of curative services, greater attention needs to be given to preventive measures — immunization, sanitation, public hygiene, pollution control and so on. Finally, is the role of democratic politics, a realization that an informed and engaged citizenry is best equipped to bring pressure on the state to reform and deliver.

Employment and public distribution of food

A third area which has of late witnessed extensive debate has been the passage of a Right to Employment Act resulting in the setting up of a National Rural Employment Guarantee Scheme. Alongside is the recent Food Security Act, making available as a right specified quantities of food grains (cereals, pulses, cooking oil, sugar) at subsidized rates to designated sections of the population. Both the legislations and associated programmes represent a significant shift in the move towards creating legally justiciable entitlements for the deprived sections of the population. And while these moves enjoy broad political support, there is constant apprehension expressed, particularly by experts, about what is claimed to be wasteful public expenditure which not only diverts resources from “productive investment” but also adds pressure on India's growing fiscal deficit, a criticism which mounts in a phase of slowing growth. In addition, there is heated debate on the design and implementation of these programmes.

Take the NREGS scheme. Against a guaranteed 100 days per family per year to all those who offer themselves for work at specified wages, the scheme has delivered an average employment level of only forty person days per household per year through an expansion of public works programmes. Nevertheless, despite its small scale and problems of leakages and corruption, this has resulted in an increase in rural wages, enhanced awareness, reduced poverty and added to family income. Since the prime takers are poor and women, this has also resulted in reduced social and gender inequality. And where care has been taken about design and choice of project, there has been accretion to social assets like roads, public buildings, canal bunding, ponds, small dams and afforestation.

TABLE III

		Brazil	Russia	India	China	South Africa
Government expenditure on education, total (% of GDP)	2005	4.5				5.28268
	2006	4.95		3.09073		5.29268
	2007	5.08		..		5.17671
	2008	5.40	4.10	..		5.09122
	2009	5.62		3.21076		5.51055
	2010	5.82		3.31959		5.9584
	2011			3.85309		6.1283
	2012			3.79195		6.56919
	2013					6.23361
	2014					5.28268
	2006	13.01976		10.41573		19.68185
	2007	13.2401				18.38215
	2008	14.10742	11.95923			17.90631
	2009	14.753		10.09299		18.30626
2010	14.59056		10.50434		18.04437	
2011			12.86273		18.92162	
2012			12.94829		20.60978	
2013					19.14271	
Health expenditure, private (% of GDP)	2006	4.945804633	1.950426	3.081706	2.700532	19.68185
	2007	4.928226087	1.927061	2.923832	2.310787	18.38215
	2008	4.741336665	2.748517	2.895287	2.316722	17.90631
	2009	4.939488869	3.392063	2.83583	2.444298	18.30626

		Brazil	Russia	India	China	South Africa	
	2010	4.772630749	3.234998	2.669316	2.273611	18.04437	
	2011	4.82755066	3.124004	2.687488	2.269878	18.92162	
	2012	5.000052367	3.179522	2.64694	2.384106	20.60978	
	2013	5.000149645	3.401238	2.689701	2.460596	19.14271	
Health expenditure, public (% of GDP)	2006	3.552083	3.354361	1.003672	1.849946	3.405638	
	2007	3.528745	3.45289	1.016922	2.043435	3.46496	
	2008	3.701301	3.416706	1.096624	2.311876	3.680592	
	2009	3.946621	4.135935	1.217326	2.701424	4.048836	
	2010	4.235581	3.686992	1.154689	2.702666	4.035049	
	2011	4.346448	3.612696	1.142299	2.876118	4.107299	
	2012	4.522786	3.324812	1.159177	3.02891	4.314725	
	2013	4.66024	3.14594	1.278292	3.106907	4.326096	
	Investment in water and sanitation with private participation (current US\$)	2005	3164000	340300000	0	1007319000	
		2006	382600000	698700000	..	604261030	
		2007	140570000	174000000	142250000	1901875870	
		2008	828400000	..	75900000	973613620	
		2009	14800000	..	23530000	512430000	
		2010	230400000	639700000	
2011		127500000	591630000		
2012		4572800000	100000000	115600000	273960000		
2013		2947100000	..	135100000	116760000		
2014		238000000	129210000		

Source: databank.worldbank.org

Similar concerns mark the functioning of the food security system, operated through a public distribution system of fair price shops. The major debate is about targeting — should the scheme be universal or only for specified groups, the poor. The latter raises worries, not only because of possible exclusion errors but also because it does not ensure a requisite buy-in from the better-off without whose support it is difficult to sustain and improve public programmes. There is also debate whether the “subsidy” should be in kind or as a conditional cash transfer to the targeted population, leaving it free to choose both what it wants and from whom — public or private provider.

There is little doubt that the existing public distribution system requires systemic overhaul. Moreover, with an expansion of the banking network, a major initiative to open a bank account for all citizens, and the provision of an *Aadhar card* with a unique identification system, it is now more feasible to transfer the cash subsidy to the targeted recipient, cut out middle men and thus reduce if not eliminate leakages and corruption. There has also been a substantial improvement, in some states of the country, in the functioning of the fair price shop based public distribution system, substantially reducing distribution costs and ensuring that subsidized food grains reach the targeted individuals, thereby reducing the burden on the public exchequer. All this enables a rational choice between systems of delivery — potentially enabling a system of income support and economic security which can draw on both.

One can add to the number of schemes initiated by different governments, at the Centre or in the states, to provide assistance to the needy or in times of distress. Of particular note in the recently initiated scheme of extending insurance coverage to meet medical requirements through bank accounts at a minimal charge. Of particular note are the *Jan Dhan Yojana* under which the government has opened up a zero balance account for each citizen, and thus enlarging the banking net; the *Pradhan Mantri Suraksha Bima Yojana*, an accident insurance scheme at very low annual premium for all bank account holders; and the *Atal Pension Yojana* which is a pension scheme for those in the unorganized/informal sector. There are, of course, a plethora of existing schemes

for the old and indigent, widows and disabled, specified social, ethnic and economically marginalized, the coverage and extent of help provided dependent upon the fiscal ability of the state. What cannot be underscored enough is that social investments and assistance programmes are not a luxury but a necessity in the country in which a vast majority of the people are engaged in a struggle for survival. Enhanced public expenditures on basic health and nutrition, education and skill upgradation, housing and social infrastructure, sanitation and pollution control — to list but a few — while a worthwhile good in themselves, are crucial for the long term growth, stability and sustainability of society.

A caveat. So far the discussion has dealt with the omnibus category of the poor, defined in economic terms. Social policy and programmes simultaneously need to, particularly in a social stratified counting like India, also factor in distinctions of caste, ethnicity and region to respond to the prevailing inequalities in resources, entitlements, skills and social status. The affirmative action/reservation programmes in education and public sector employment constitute one attempt to address the social imbalance and facilitate the evolution of the common citizen, crucial if we have to temper down feelings of discrimination which, if left unattended, can considerably add to social strife. There is nevertheless a basic difference of opinion amongst policy makers on the merits of designing schemes targeting specified social segments (scheduled castes and tribes/religions and ethnic minorities/women) as also residents of backward areas, since these are perceived to aggravate social divisions by foregrounding the particular over the whole. There is also apprehension, often well-founded, that such socially targeted schemes create vested interests keen to perpetuate the special entitlements and thus impair the development of common citizenship.

This debate has a special implication for the designing of research tools and the categories under which data needs to be collected. Does the measurement of progress by different social segments and its reporting spur corrective action or does it provide an empirical grounding to extant feelings of discrimination? Within the BRICS countries, these challenges are most marked in India and South Africa, because they, more than others, have attempted to put in place policies/schemes sensitive to extant social stratification.

Second, the discussion has so far focused only on broad parameters, the direction of social policy and expenditure. Given the inevitable strain on public resources and the competing demand by different sections for differential treatment, it is critical that policy makers encourage continuous evaluation and assessment of all schemes — their efficacy, whether still needed, as also ways to improve the efficiency of delivery and functioning. In short, they need to be agnostic in their choice of programme design and not persist with schemes merely because of legacy considerations and because removal/reduction of any subsidy is invariably seen as an attack on entitlements. Simultaneously, while enlarging the role of market mechanisms, it is important not to give into market fetishism only because of deepening mistrust in state delivery mechanisms. Markets, so far, have not proven efficacious in the equitable allocation of public goods.

It is here that there is great need to both understand and strengthen exchange between experiences and initiatives from different countries and not get trapped in false notions of exclusivity. The Bolsa Familia programmes of Brazil or the complex of affirmative action programmes specifically incorporating the multi-racial/ethnic character of South Africa hold many lessons for a country like India. As does the work on indicators of measurement. It is instructive that the entire literature of MDGs, and now SDGs, continues to be dominated by the thinking in the advanced countries of the West. Surely it is time that the BRICS collective develop its own position on social policy and social Indicators. Strengthening research exchange between the BRICS countries, through an institution of fellowship programmes and so on, hopefully culminating in the setting up of a BRICS Social Policy Institute are some suggestions which need serious exploration.

Finally, one cannot but underscore the political nature of all social policy. It is a troubling fact that all BRICS nations reflect a lessening commitment to social policy expenditures, preferring instead a greater reliance on private players and market mechanisms to meet their goals despite the greater risk of enhancing inequality and escalating social strife. This tendency needs to be countered if the BRICS is to provide a better model of harmonious development. Debates on choice, design and implementation of programmes need

to involve local self-government and civil society actors, in short become mass programmes, to be both effective and generate public support. Otherwise, they tend to remain technicist discussions in an exclusive club.

BRICS: Time to Bridge the Gap Between Deliberation and Actions on Health Agenda

*Marina Larionova
Mark Rakhmangulov
Andrei Sakharov
Andrey Shelepov¹*

Abstract

Health is an indispensable public good. At the national level it has been manifested in the BRICS governments' commitment to scale up health financing, though to a different degree. At the global level it is evidenced by the international community progress on the three health-related Millennium Development Goals. However, despite successes in fighting infectious diseases, child and maternal mortality, old risks persist and new challenges emerge, resulting from the 2008 financial crisis, current slack economic growth and growing economic inequality.

The BRICS face these challenges and have begun cooperation on health issues. It is important that they build their emerging health agenda recognizing these challenges, committing to develop sustainable policy solutions, and cooperating with other actors to promote effective health governance for change.

To explore how the BRICS contribute towards global health governance the article first considers the BRICS cooperation (its institutionalization, discourse, and engagement with other international institutions) with a focus on health issues. The authors then look into the BRICS members' national health systems, challenges and goals. The article concludes with expectations of the BRICS future health agenda and its implications for global governance.

¹ International Organizations Research Institute, National Research University Higher School of Economics

Kew words: BRICS, global health governance, global governance functions, commitments, institutionalization, official development assistance, World Health Organisation.

Introduction

Health is an indispensable public good. At the national level it has been manifested in the BRICS and other countries' governments' commitment to scale up health financing. At the global level it is evidenced by the international community's progress on the three health-related Millennium Development Goals, increasingly complex global health architecture, and a steady expansion of funding for global health in the pre-crisis decade. However despite successes in fighting infectious diseases, child and maternal mortality, old risks persist and new challenges emerge, resulting from the 2008 financial crisis, current slack economic growth and growing economic inequality. The risks of pandemics are exacerbated by hyperconnectivity, migration and antibiotic resistant bacteria (World Economic Forum, 2014, pp. 12, 22, 26, 31-32). The burden of non-communicable diseases is aggravated by demographic decline, unhealthy lifestyles and failure to establish sustainable universal healthcare systems (World Economic Forum and the Harvard School of Public Health, 2011, pp. 9-11). "Today, changes in the global landscape have bred five existential challenges for public health actors: the search for sustainable support; the impact inequitable access to funds has on individual health (and national health systems — M.L.); the increasingly obvious mismatch between the structure of "global health" and its looming priorities; changes in the food supply; and climate change" (Garret, 2013, p. 2).

Since its inception in 2008 the BRICS has gradually matured into a global governance actor, which does not come as a surprise given their increasing weight in the world economy and locomotive power of the world economic growth. However, the BRICS increasing role in the global governance system is not a function of only one variable — their economic growth. Strengthening cooperation of these countries significantly contributes to the BRICS increasing influence. Since the crisis year of 2008 the BRICS members have been broadening and deepening their coordination in different policy spheres, different formats and at different levels.

To explore the BRICS capacity to contribute towards global health governance the article first considers the BRICS cooperation (its institutionalization, discourse, and engagement with other international institutions) with a focus on health issues. The authors then look into the BRICS members' national health systems, challenges and goals. In conclusion, the article asserts that as BRICS share common challenges nationally and globally they should build their health agenda and thus contribute to both national development and global governance development, committing to develop sustainable policy solutions, and cooperating with other actors to promote effective health governance.

Research Methods

The study employs quantitative and qualitative analysis drawing on the full set of the BRICS documents accumulated since the institution inception in 2008. The documentary evidence base includes 38 documents adopted at the leaders' summits and ministerial meetings. (Since BRICS inception 11 summits, 51 ministerial and 35 meetings in other formats have taken place). The data was used to carry out a study on several parameters. First, to explore the dynamics of institutionalization, the data on the number of meetings held in various formats and documents adopted on the BRICS ever expanding agenda has been compared.

Second, to compare relative significance and dynamics of priorities in the BRICS agenda content analysis of the BRICS discourse has been carried out on 11 broad policy areas present on the institution's agenda. In the content analysis a text unit could be earmarked as implementing only one of the 12 priorities, or uncategorized. Absolute data on the number of symbols denoting a certain priority in the text of the BRICS documents were obtained and translated into relative data calculated as the share of the priority in the total of all texts and expressed in percent. Comparative assessment was based on the relative data of a specific priority share in the total discourse.

Third, to assess BRICS capability for global governance the study has traced the institution performance of the global governance functions of deliberation, direction-setting, decision-making, delivery and global governance development. Deliberation was understood as face-to-face discussions of the members encoded

in the collective communiqués. Direction-setting was defined as collective affirmation of shared principles, norms and prescriptions. Decision-making was regarded as credible, clear, collective commitments with sufficient precision, obligation and delegation. Delivery was understood as stated compliance with collective decisions. Global governance development was perceived as BRICS capability to use other international institutions and create its own institutions as global governance mechanisms (Kirton, 2013, p. 37-39).

In the content analysis a text unit could be earmarked as implementing only one function. Absolute data on the number of symbols denoting a certain function in the text of the BRICS documents were translated into relative data calculated as the share of the function in the total of all texts and expressed in percent. Comparative analysis of global governance functions performance relied on the relative data of a certain function share in the total or annual discourse.

The data on the share of the function of global governance development in the discourse was substantiated by such indicators of BRICS engagement with international institutions as the number of references and mandates delegated by the BRICS to international multilateral institutions, and the number of instruments and institutions established by the BRICS.

The function of domestic political management is usually perceived as an increase in prestige and public opinion support that comes when a country's actions are publicly acknowledged in the collective documents (Kirton, 2013, p. 36). In the study another dimension is considered. BRICS actions which respond to the member long term priorities, may reap social and economic benefits, and are viewed as beneficial, are regarded as domestic political management.

BRICS Institutionalization and Health Dialogue Evolvement

After the first meeting on the sidelines of the G8 Hokkaido summit when the BRIC leaders agreed on further coordination on vital economic problems, including the financial sphere and food security, the institution's collaborative dynamics have been constantly increasing. Meetings of the BRIC finance ministers and central bank governors have become regular. At the first

meeting in S o Paulo on 7 November 2008 held just before the G20 finance ministers and central bank governors meeting the BRIC discussed possible scenarios of the financial crisis development, their countries' policy responses, and committed to continue to undertake all necessary steps to lessen the impact of the crisis on economic activity to sustain medium and long-term growth. In 2009 finance ministers met twice to coordinate positions in the G20. In Horsham (UK) finance ministers called to study the developments in the international monetary system, including the role of reserve currencies and the reforms of the international financial institutions. At the meeting in London the finance ministers and central bank governors set a target of 7% for redistribution of quotas in the IMF and World Bank in favour of developing countries. A practice of meetings for coordination of positions in the G20 and other financial institutions has been established. Finance ministers consult in standalone meetings and on the sidelines of the spring and annual meetings of the IMF and World Bank. So far 18 meetings have taken place and 5 documents have been adopted. Together with the format of cooperation at the level of ministers and deputy ministers of foreign affairs, which emerged before 2008, finance ministers meetings have become an important component of coordination on financial and economic agenda and preparation of BRICS summits.

In the sphere of agriculture and food security directions for cooperation set at the first summit in the joint statement on global food security, were elaborated in the Moscow declaration of the agriculture ministers on quadrilateral cooperation in the agricultural sector with particular attention to family farming. Despite the fact that only four agriculture ministers meetings took place, elements of accountability in this sphere were established, a working group was created, working procedures for cooperation were agreed, the BRICS Strategic Alliance for Agricultural Research and Technology Cooperation was established, and the Action Plan for cooperation in 2012-2016 was adopted.

Cooperation between trade ministers was launched in 2011. Since then six meetings have taken place. Establishment of a contact group for developing an institutional framework and concrete measures to expand economic cooperation both among the BRICS countries and between BRICS and other developing countries was

announced in the 2011 Geneva Declaration. The Strategy for the BRICS Economic Partnership has been drafted and is a subject of consultation between relevant stakeholders.

Health issues had not been included in the BRICS agenda until 2011. Under the Chinese presidency the BRICS policymakers explicitly recognized the forum's potential for developing national health systems and contributing to global health governance. Thus, in the Sanya Declaration adopted on 14 April 2011 the leaders for the first time committed to "strengthen dialogue and cooperation in the fields of ...public health, including the fight against HIV/AIDS" (BRICS Leaders, 2011). In the Action Plan adopted on the same day the leaders agreed to explore several new areas of intra state cooperation, including global health issues, and to host the first health ministers meeting in China in 2011 (BRICS Leaders, 2011). By the time of the Russian second BRICS presidency beginning four standalone health ministers' meetings have been held as well as three meetings on the sidelines of the 65th session of the World Health Assembly in Geneva, each adopting a communique.

At their first meeting on 11 July 2011 the BRICS ministers responsible for health adopted the Beijing Declaration emphasizing the importance of cooperation in the area of public health both within the BRICS and with other countries and international institutions. Highlighting the central role of the WHO in international health cooperation they stressed the need for its reform. The Beijing Declaration contains 13 commitments on different aspects of public health. The actions were primarily aimed at strengthening domestic health systems through technology transfer. Thus the parties prioritized "strengthening health systems and overcoming barriers to access for health technologies that combat infectious and non-communicable diseases, particularly HIV, TB, viral hepatitis and malaria; exploring and promoting technology transfers to strengthen innovation capacity and benefit public health in developing countries; and working with international organizations including WHO, the GAVI Alliance, UNAIDS and the Global Fund to increase access to medicines and vaccines". Recognizing the responsibility for health systems improvement in poorer countries the ministers pledged to "support and undertake inclusive global

public health cooperation projects, including through South-South and triangular cooperation” (BRICS Health Ministers, 2011).

The ministers agreed to institutionalize their dialogue on a permanent basis and launch cooperation of the BRICS Permanent Representatives in Geneva in order to “follow-up and implement the health related outcome of the BRICS summit” (BRICS Health Ministers, 2011). A technical working group was established to discuss proposals on further cooperation, including on setting up a BRICS technological cooperation network. It was decided that an opportunity of holding the next meeting in September 2011 in conjunction with the UN High Level Meeting on Non-communicable Diseases should be explored. Thus, the dialogue on health was rapidly institutionalized by the BRICS.

The global community welcomed the inclusion of health issues in the BRICS agenda. A telling example is Bill Gates’ report to the G20 leaders at the Cannes summit where he stressed the role of the rapidly growing countries, such as BRICS, in promoting development and strengthening public health (Gates, 2011). This statement was especially important as by early 2011 global health funding was dominated by the Gates Foundation and the US Government (Jenks et al, 2013, p. 71). Emergence of BRICS as an actor in global health governance was perceived by its key player as an opportunity to reduce the vulnerability of global health financing stemming from its dependency on a single source or nation.

The decision to hold health ministers’ meetings regularly was supported by the BRICS leaders at their summit in New Delhi in 2012. The leaders also highlighted that BRICS countries face a number of similar priorities in the area of public health such as ensuring universal access to health services, access to health technologies, including medicines, reducing costs and the growing burden of both communicable and non-communicable diseases. In this regard they supported the BRICS health ministers meetings institutionalization in order to address “common challenges in the most cost-effective, equitable and sustainable manner” (BRICS Leaders, 2012).

The intention of holding the next BRICS health ministers meeting in September 2011 on the sidelines of the UN High Level Meeting on Non-communicable Diseases was not realized.

However, cooperation on health issues among Permanent Representatives of BRICS countries in Geneva was launched as agreed in Beijing Declaration. On 22 May 2012, ministers of health of Brazil, China and South Africa, the Secretary of Health and Family Welfare of the Government of India and the Russian Permanent Representative to the UN Office in Geneva held a meeting on the sidelines of the 65th session of the World Health Assembly in Geneva. The participants reiterated the importance of technology transfer to strengthen developing countries' capacities; discussed the role of generic medicines in promoting universal right to health; and committed to develop cooperation in research and innovation among BRICS countries to improve public health systems. The technical working group meeting was announced, to be held within the next months to discuss a plan to advance BRICS cooperation on health issues and establishment of a technological cooperation network responsible for moving forward joint work on such priorities as "food, pharmaceuticals, health and energy as well as basic research in the emerging inter-disciplinary fields of nanotechnology, biotechnology, etc." (BRICS, 2012).

The BRICS representatives agreed to identify thematic work areas for each country to be discussed and promoted. Procedurally each country "had to identify a nodal officer for each area of work, to work with the lead officer of the country piloting the particular area of work and to come out with a program of work to advance the health related cooperation among BRICS countries, in particular the establishment of the network of technological cooperation" (Stuenkel, 2013). The outcomes of this work were intended to build a basis for the next BRICS health ministers meeting (BRICS, 2012).

As agreed in the Delhi Action Plan adopted on 29 March 2012 (BRICS Leaders, 2012), the second standalone BRICS health ministers' meeting was held on 10-11 January 2013 in New Delhi, focusing both on intra BRICS cooperation and collaboration with other countries. The ministers made 22 commitments, pledging to address the threats of non-communicable diseases, mental disorders, tobacco use, tuberculosis, malaria and HIV; strengthen effective health surveillance; develop bio-technology for health benefits; and contribute to the achievement of health-related Millennium Development Goals. They reiterated the priority of

technology transfer “as a means to empower developing countries”. Finally, the ministers reaffirmed their commitment on setting up a BRICS network of technological cooperation (BRICS Health Ministers, 2013a). Most of the Beijing Declaration commitments were confirmed by the BRICS health ministers at their New Delhi meeting.

In line with the mechanism agreed in Geneva the BRICS countries’ representatives identified thematic areas for further discussion and elaboration of the final communiqué in the reports presented in the first day of the meeting (AniNews.in, 2013). These main thematic areas included: strengthening health surveillance systems; reducing non-communicable disease risk factors through diseases prevention, health promotion and universal health coverage; strategic health technologies, with a focus on communicable and non-communicable diseases; medical technologies; invention and development of drugs (Pandey, 2013). Renewed commitments on establishing the technical working group and technological cooperation network indicated that there was scope for further progress on these issues. Nevertheless, notwithstanding slow progress and absence of tangible financial commitments BRICS cooperation on health was welcomed by the UNAIDS Executive Director. Addressing the meeting participants Michel Sidibe stressed the unique role of the BRICS countries in disseminating innovation and research in other developing countries and mentioned that “the BRICS are demonstrating how health is increasingly a tool of foreign policy and a vehicle for promoting global health and development for the entire world” (UNAIDS, 2013).

In spite of the health dialogue’s institutionalization and its potential value for the BRICS members, health was not on top of the 2013 BRICS Summit agenda in South Africa. BRICS leaders just noted the meetings of health ministers in Geneva and New Delhi and agreed to hold future ministerial and preparatory meetings in the framework of the South African BRICS presidency (BRICS Leaders, 2013).

At the same time, the BRICS held their second meeting of Permanent Representatives on the sidelines of the 66th session of the World Health Assembly in Geneva in May 2013, thus setting the

precedent for making the meetings regular. In a joint communiqué the BRICS countries' representatives reiterated the technical working group's focus on the five thematic areas, including, inter alia, strengthening health surveillance systems and reducing non-communicable disease risk factors. They also discussed the World Health Organization report on Monitoring Achievements of the Millennium Development Goals and agreed that in spite of the progress being made, much needs to be done if health-related MDGs are to be achieved by 2015. The BRICS stressed their resolve to "jointly promote access to affordable, safe, efficacious and quality medical products through the use of the Agreement on Trade-Related Aspects of Intellectual Property Rights" and reiterated their traditional commitment to support the WHO as a central institution coordinating the global health agenda. Finally, they emphasized again the importance of technology transfer as a way to strengthen developing countries' capacities in the area of public health (BRICS Health Ministers, 2013c).

As mandated by their leaders, the BRICS health ministers gathered on 6 and 7 November 2013 in Cape Town for a third standalone meeting. Again, the emphasis was on strengthening "intra-BRICS cooperation for promoting health of the BRICS populations" (BRICS Health Ministers, 2013b). In the absence of progress on establishing the BRICS network of technological cooperation, the ministers gave it another push. They also adopted the "BRICS Framework for Collaboration on Strategic Projects in Health". The document has not been made public at the time of writing this paper; however, some joint strategic projects in health were proposed by the ministers in their statements following the meeting. Thus, the Indian Minister of Health and Family Welfare Shri Ghulam Nabi Azad mentioned several initiatives: "management of non-communicable diseases, medical education, pharmaceutical sector, traditional medicines, health research, and... management of communicable disease like HIV, tuberculosis and malaria" (India. Ministry of Health and Family Welfare, 2013). With regard to global health governance the ministers reaffirmed the central role of the WHO in promoting global health, emphasized the importance of supporting maternal and child health, and called on the United Nations member states to "give due consideration

to health as an important issue in the discussions of the post-2015 development agenda” (BRICS Health Ministers, 2013b). Dynamics of the BRICS institutionalization has been high. So far 97 meetings have taken place. Alongside the summits, the foreign and finance ministers meetings, there are 16 formats, including cooperation of health ministers, statistical offices, development banks and antimonopoly agencies. The BRICS have adopted more than 40 documents on their constantly broadening agenda. There is a tendency of increase in the number of standalone meetings, adoption of more documents, creation of working groups and other mechanisms of coordination.

This general tendency for BRICS rapid institutionalization is also observed on the health agenda. Four out of seven meetings were standalone, BRICS health ministers sought to promote their agenda organizing the work on thematic areas through the technical working group and the BRICS technological cooperation network. Taking into account that seven meetings on health resulted in seven documents, the quality of health dialogue is relatively high. Moreover, the number of meetings on health issues is the fourth highest of all the BRICS formats after the foreign ministers’, the finance ministers’ and the central bank governors’, and the leaders’ meetings.

The Place of Health Issues in the BRICS Discourse

In line with the institutionalization dynamics, the share of health issues in the BRICS discourse has been expanding.

Despite the fact that BRICS is frequently assessed by experts and practitioners as a political forum, economy (24% of the discourse) and finance (almost 20%) dominate the agenda. Member states themselves see BRICS as “a major platform for dialogue and cooperation in the economic, financial and development fields”, although the share of economy and finance issues has been decreasing as the BRICS agenda has broadened. The share of the discourse devoted to political and security issues is about 10% and includes coordination of the countries’ positions on UN reform, global challenges and threats, and consultations on crisis situations in the Middle East and North Africa, including the situation in Syria and the Iranian nuclear program. The share of political issues in the agenda is increasing since numerous crisis situations in the Middle East, North and West Africa need to be

addressed. Dialogue on development is strengthening. Substantial contribution towards shaping the BRICS agenda on development was made in the framework of the Brazilian presidency. In 2011 BRICS consolidated its dialogue on agriculture and food security. Environmental protection, issues of access to energy sources, clean technologies, renewable energy, energy effectiveness and energy security are also included in the BRICS agenda. Thus in 2011 BRICS reaffirmed their intention to strengthen cooperation in order to reach agreements in the framework of the Durban Conference, and to enhance practical cooperation on economic and social adaptation to climate change. Trade and investment cooperation has become an inherent part of the agenda as BRICS leaders consistently express their commitment to the rules of multilateral trading system.

Since 2011 when the BRICS launched their dialogue on health, its share in the discourse has been growing steadily, reaching the average of 9.93% in the forum total discourse (the shares of discourse devoted to the BRICS priority areas by summit are presented in Figure 1).

The rapid pace of health dialogue institutionalization has not yet been translated into tangible deliverables for global health governance, though the discourse has gradually been transforming from sheer deliberation to decision-making.

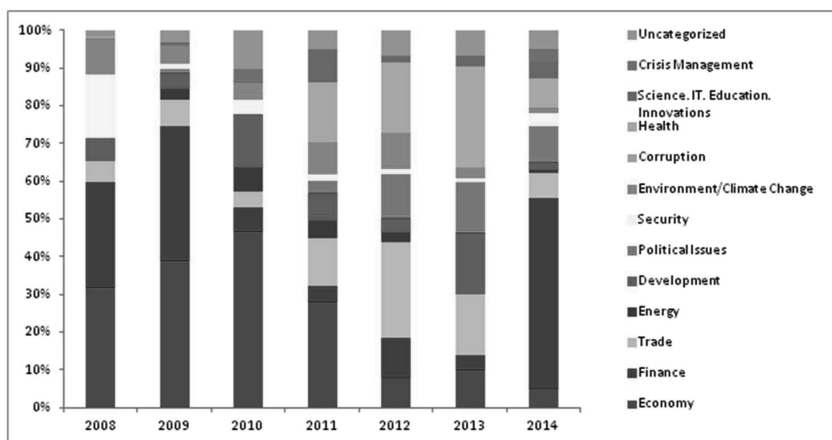


Figure 1. BRICS priorities, 2008-2014, share of characters, %

Global Governance Functions Dynamics: Time to Bridge the Gap between Deliberation and Actions on Health Agenda

With BRICS maturation, the balance of global governance functions of deliberation, direction-setting, decision-making, delivery and global governance development in the BRICS documents has changed.

Overall while the deliberation function share has been declining, shares of delivery and decision-making functions have been rising. The 2008 documents are dominated by deliberation (46% of the discourse) and direction-setting (almost 49% of the discourse) functions, while the share of decision-making amounted to only 5%. In 2009 the share of deliberation substantially decreased, and the shares of direction-setting and decision-making rose considerably to 57% and 18% respectively. In subsequent periods the share of the decision-making function continued to grow and reached 38.6% in 2011. Dropping to 21% in 2012, in 2013 the share of decision-making constituted 25%, and jumped to 61.3% in 2014. The share of delivery increased from 1.76% in 2009 to 4.01% in 2013 and dropped to 0.5% in 2014. Deliberation and direction-setting shares have declined to 18% and 20% of the BRICS 2014 discourse respectively.

The high proportion of the global governance development function in 2010 reflects the BRIC efforts to facilitate the reform of the IMF and World Bank governance to ensure a shift of voting power to emerging economies and developing countries. In addition, the dialogue on concrete steps towards establishing regional currency arrangements between the BRIC countries was launched in 2010. The BRIC members agreed to create agricultural information base system and initiated a number of new sectorial initiatives: cooperation through development banks, statistical institutions, competition authorities; work of the business forum and think tanks.

The balance of global governance functions in the BRICS discourse on health is similar to the general trends. While the share of deliberation has been steadily declining, the shares of direction-setting and decision-making functions have been rising. In 2013 the BRICS health ministers for the first time reported delivery on previously made commitments. The relatively stable share of the global governance development function reflects the BRICS

efforts to further institutionalize its dialogue on health through establishment of the technical working group and the BRICS network of technological cooperation. Comparative dynamics of the global governance functions in the whole BRICS discourse and discourse on health is presented in Figure 2.

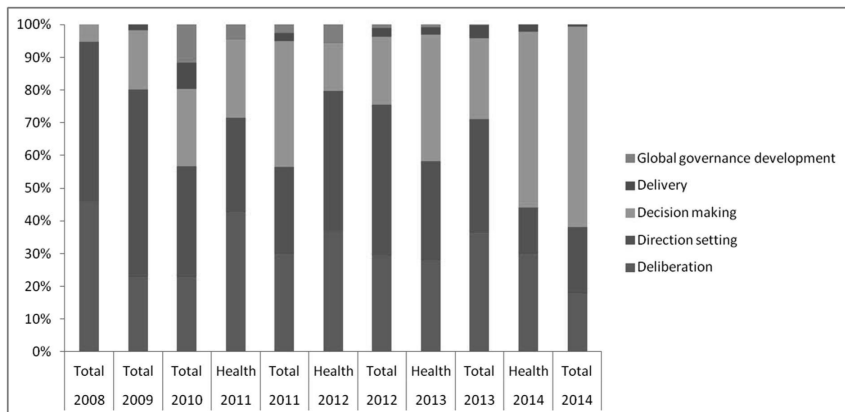


Figure 2. Implementation of global governance functions within the whole discourse and discourse on health in BRICS documents, share of characters, %

The number of concrete commitments¹ made by the BRICS leaders at the summits has been consistently increasing. The average number of commitments in 2009-2014 totalled 38.5, which is significantly lower than the G20 average for the period of 2009-2013. In Fortaleza the BRICS leaders agreed the highest number of commitments (68) in the history of the institution.

Despite the high dynamics of BRICS health dialogue institutionalization and its expanding share in the discourse, the number of concrete commitments made by the BRICS leaders at their

¹ A commitment is defined as a discrete, specific, publicly expressed, collectively agreed statement of intent; a promise by summit members that they will undertake future action to move toward, meet or adjust to an identified target. More details are contained in the G8 and G20 Reference Manual for Commitment and Compliance Coding (available at <http://www.g8.utoronto.ca/evaluations/compliancemanual-110922.pdf>).

summits remains low. The commitment to “strengthen dialogue and cooperation in the field of ... public health, including the fight against HIV/AIDS” was registered in the Sanya Summit (BRICS Leaders, 2011). At the summit in New Delhi the BRICS leaders made another commitment on health and mandated their health ministers to address the issues of “universal access to health services, access to health technologies, including medicines, increasing costs and the growing burden of both communicable and non-communicable diseases”, which they described as common challenges for all BRICS countries (BRICS Leaders, 2012). The 2014 summit also yielded only one commitment on health stating BRICS determination to ensure sexual and reproductive health and reproductive rights for all. *Thus, the BRICS leaders have made only three commitments on health issues so far, which constitutes around 1% of the total number of the BRICS commitments, being one of the lowest figures among all major issue areas.* At the same time, the number of commitments made by the BRICS leaders in other areas has been consistently increasing. Overall 15 commitments were registered in the BRIC Leaders 2009 Joint Statement, and 31 commitments were made at the summit in Brasilia in 2010. The BRICS agenda considerably expanded and in 2011 the number of commitments agreed by the leaders amounted to 38. In 2012 it dropped to 32, but in 2013 and 2014 rose significantly to 47 and 68 respectively. Compared to health, the dynamics of commitments in other areas has been more positive. Commitments on development, international cooperation, and international institutions’ reform were made at each of the BRICS summits. The BRICS also regularly make commitments on energy, climate change, macroeconomic policy, regional security and terrorism. One or two commitments were made in areas which are less conventional for the BRICS agenda, such as information and communication technologies, human rights, accountability, culture, sport, and nuclear non-proliferation. The dynamics of all BRICS commitments is presented in Figure 3.

There is an obvious gap between the BRICS deliberation and actions on health agenda, which has to be bridged, if the members wish to maximize their cooperation for strengthening their national health systems and promoting global health. The latter also requires productive engagement with relevant international institutions.

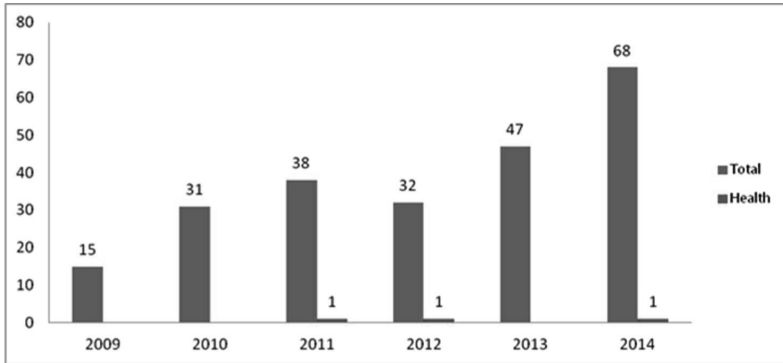


Figure 3. BRICS commitments, 2009-2014

Analysis of the BRICS performance on global governance development function was substantiated by the data on references to international organization in all documents. These included a list of 42 international institutions. The BRICS members consistently emphasize their commitment to multilateral diplomacy and cooperation with international and regional organizations. The most frequently mentioned institution in BRICS documents is the UN. BRICS countries stress its central role in addressing global challenges and threats, and call for a comprehensive reform of the UN including the Security Council. The G20 comes second in terms of the number references made in the BRICS documents, which is not surprising given that the BRICS members coordinate their positions on the G20 agenda priorities. Since the reform of the Bretton Woods institutions remains in the focus of BRICS countries, references to the IMF and the World Bank make up approximately 12% and 6% respectively. References to the WTO in the examined period documents amount to 10%. The number of references to other international institutions in the BRICS documents varies. 65 references have been registered in 2009 BRICS documents. The figure dropped to 31 in 2010, but then increased twofold in 2011 reaching 61. It fell again to 54 in 2012 and amounted to 104 during the South African BRICS presidency. In 2014 this figure peaked at 106.

Within the health policy area the intensity of the BRICS engagement with international institutions is very stable. Overall 48

references to the World Health Organization were registered in the period of 2009-2014. The number of references to other institutions involved in health governance, particularly the UN, has grown steadily during the examined period. Thus, health is an area where the BRICS countries frequently refer to other relevant international institutions contributing to developing global governance on health. However, this alignment of positions does not translate into engagement.

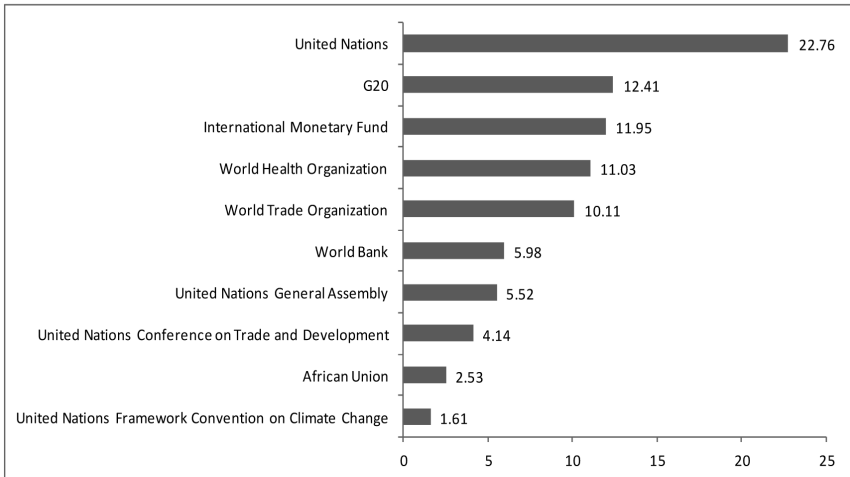


Figure 4. References to international institutions in BRICS documents, 2009-2014, share of the total, %

However, it should be noted that the BRICS coordination with multilateral institutions considerably differs from the engagement of the G8 and the G20 with international organizations. The G8/G20 engagement with international institutions is characterized by three modes of interactions: cooperation; delegation of mandates to implement decisions made at the summits; support of international institutions' actions or expression of a collective stance on specific issues. BRICS practices the latter type. Cooperation within the framework of key global governance functions or delegation of mandates to implement decisions made in BRICS summits has not been registered so far.

To enhance their impact on global health agenda, the BRICS member states should strengthen cooperation with international and regional institutions, including through consultations in deliberation, direction setting and decision making, securing tangible support of the BRICS actions and possible delegation of mandates to implement commitments.

BRICS Health Agenda: A Case for Domestic Political Management¹

The BRICS countries are critical stakeholders in globalization and Global Public Goods (Jenks et al, 2013, p. iv) including health. However, they still face significant health challenges of their own. Hence there is a predominance of the forum decisions aimed at building their national health systems capacities through intra BRICS cooperation. While not ducking the responsibility for participation in global health governance, the BRICS would make a major contribution to creating the global public good of health by ensuring effective, innovative and inclusive national health systems. They still have a long way to go in this regard. Despite increasing health expenditures, scaling up innovation and cooperation in recent years, the BRICS countries lag behind the OECD average in many aspects of healthcare, such as access to medical goods and services, inpatient and outpatient care, etc.

Notwithstanding rapid economic expansion of the recent years Brazil continues to suffer from the ramifications of inequalities. Disproportionate regional and ethnic concentration of poverty significantly limits vulnerable groups' (such as black population of the Brazilian Northeast) access to quality healthcare and undermines their nutritional security. In addition, Brazil is currently combating the spread of such ailments as HIV/AIDS, malaria, tuberculosis, as well as non-communicable diseases — diabetes, high blood pressure, etc. Lifestyle diseases like obesity and alcohol/substance abuse have become prominent in Brazil as well. The country has also been subject to frequent outbreaks of yellow

¹ The chapter uses the latest available data from the OECD Health at a Glance 2013 Report. The 2012 data on India and China, available in the OECD Health at a Glance: Asia-Pacific 2014 Report is not included to ensure data comparability across all BRICS members.

fever, dengue and dengue haemorrhagic fever, and Severe Acute Respiratory Syndrome (SARS) (UNHCO, Health Report Brazil). Despite these problems, however, life expectancy for both men and women increased by three years between 2000 and 2012, accounting for a faster than the regional average growth rate. Other key health indicators also show positive dynamics — maternal and infant mortality are declining to the regional average values, access to clean water and sanitation is being improved (WHO, 2015). In 2011 Brazil's total health expenditure was at 8.9% of GDP — the highest among the BRICS countries and close to the OECD average of 9.3% of GDP (OECD, 2013). Per capita health expenditure has risen from \$940 in 2009 to \$1043 in 2011, which within the BRICS was second only to Russia's result (Global Health Strategies Initiatives, 2012). However, it is still far below the OECD average of \$3322 (OECD, 2013). A constitutional obligation in domestic policy, healthcare is one of the focus areas of Brazil's international cooperation. The country's foreign health assistance amounts to one-sixth of its total international assistance (which is estimated at \$400 million — \$1.2 billion in 2010). Brazil mainly engages in technical assistance activities on such issues as HIV/AIDS prevention and treatment, food security and access to healthcare in South America, the Caribbean and lusophone countries drawing on its national experience (Global Health Strategies initiatives, 2012).

Russia's population has been in decline since 1990, when it peaked at 148.3 million (World Data Bank, Russian Federation, 2015) This trend was caused by a fall in fertility and birth rates, together with a high death rate. While the first two are common to other countries going through social, economic and political transition, the death rate in Russia has been significantly higher. Heavy alcohol and tobacco consumption played a key role in the life expectancy decline in the early 1990s. The figures for deaths caused both by non-communicable (including cardiovascular), and communicable diseases (infectious and parasitic diseases, tuberculosis) have increased since 1990. The figures for deaths caused both by circulatory diseases have increased from 618.7 per 100,000 people in 1990 to 801 in 2009. Communicable diseases death toll has also increased — infectious and parasitic diseases caused 12.1 deaths per 100,000 people in 1990 while in 2009 this

figure amounted to 24.0 per 100,000. Tuberculosis was a cause of death for 7.9 in 100,000 people in 1990, and for 16.8 per 100,000 in 2009 (Popovich et al., 2011). HIV/AIDS remains a threat — in 2009 HIV/AIDS prevalence rate among adults amounted to 1% (CIA, n. d.). However, with increased health spending by the government, there are also signs of improvement in the overall health situation in Russia. Average life expectancy increased by six years in the period from 2000 to 2012. Infant and maternal mortality rates are declining. Since 2009 population has been growing steadily though slowly (World Data Bank, Russian Federation, 2015). Russia spent 6.2% of GDP on health in 2011 (OECD, 2013) — an improvement over 5.4% of GDP allocated on healthcare in 2009 (OECD, 2011). Substantially behind Brazil (8.9%) and South Africa (8.5%), as well as the OECD average of 9.3% of GDP, Russia still has the highest per capita health expenditure among the BRICS countries — \$1316 in 2011 (OECD, 2013). This figure has risen since 2009, when it amounted to \$1040 (Global Health Strategies initiatives, 2012). However, it is just about one-third of the OECD average (\$3322).

Health is one of the priorities in Russia's international assistance actions. In 2007-2011 more than 28% of Russia's ODA was disbursed in this sphere. However, the level of health spending is quite volatile ranging from 104.2 million US\$ in 2007 (50% of total ODA) to 61.2 million US\$ in 2011 (13%) (UK G8 Presidency, 2013).

India has undergone extraordinary socioeconomic and demographic changes during the second part of the 20th century. The country's total population has almost tripled, while urban population increased 4.6-fold between 1951 and 2001. In recent decades India has demonstrated a steady increase in a number of public health indicators: life expectancy at birth has risen from 58.5 years in 1990 to 66.3 years in 2012, access to drinking water reached 93% (OECD, 2014). However, despite admirable progress in addressing communicable diseases such as polio, changes in Indian society and lifestyles led to a surge in non-communicable diseases, which are already responsible for about 53% of all deaths. Up to 64% of the country's population, especially in rural areas, still suffer from lack of access to adequate sanitation (OECD, 2014). Inequality is a great concern in India. High gender inequality results in elevated incidence of selective gender abortions, which caused

the female-to-male ratio in the 0–6-year age group to decline from 0.945 in 1991 to 0.914 in 2011. Maternal, new-born and child death figures in India are among the highest in the world. Although infant mortality rates have declined from 83 per 1000 live births in 1990 to 44 in 2011, and maternal mortality ratio has reduced from 570 per 100,000 live births in 1990 to 212 in 2007–2009, both indicators remain high in comparison to the other BRICS countries (WHO, 2013b). Insufficient budgeting exacerbates the situation. In 2011, India's total health expenditure to GDP ratio was the lowest within the BRICS at 3.9% (OECD, 2013). This indicator has experienced a decline since 2009, when it amounted to 4.2% of GDP (OECD, 2011). India also has the lowest per capita health expenditure among the BRICS countries — \$141 in 2011 (OECD, 2013), a small improvement over the 2009 result of \$130 (Global Health Strategies initiatives, 2012).

Facing serious challenges at home, India does not prioritize health within its foreign development assistance agenda. Health assistance amounts to a small fraction of the total foreign development assistance expenditure (approximately \$600 million in 2010) and includes a limited number of bilateral projects focused on infrastructure, human resources, capacity building and education (Global Health Strategies Initiatives, 2012).

China has experienced strong productivity and economic growth, significant demographic change and socioeconomic transformation since the launch of the 1978 reform. The country has made great progress in improving people's health, particularly in the control of communicable diseases. However, major outbreaks of HIV/AIDS, hepatitis and tuberculosis as well as the importation of serious non-endemic diseases remain a risk in the environment of ever-growing mobility of people and goods. Thus, control efforts for these diseases are important issues for China (WHO, 2013a). Despite 30-fold rise in health spending over the last 20 years (5.2% of GDP in 2011) (OECD, 2013), changing lifestyles resulted in a sharp increase in deaths caused by non-communicable diseases, namely malignant neoplasms, heart diseases, cerebrovascular diseases and chronic lung diseases, responsible for a majority of deaths in China. Regional inequalities remain a detrimental factor in public healthcare. For example, the maternal mortality ratio in

the country's western regions is still higher than in eastern and central China. Rapid industrialization has caused environmental damage, such as air pollution, water contamination, and soil pollution — resulting in health problems and eventually increasing the prevalence of certain diseases (WHO, 2013a). As China's rapidly growing urban areas experience high environmental pressures from air-polluting industries, lung cancer becomes one of the most frequent causes of cancer fatalities — up to 30 percent (OECD, 2014a). Alcohol consumption is increasing at rates above global average (from 3.4 liters per capita annually in 1990 to 5.8 in 2010), which is also attributed to the country's fast economic growth and elevated household income level. To tackle with these problems China has increased its total health expenditure from 4.6% of GDP in 2009 (OECD, 2011) to 5.2% in 2011 (OECD, 2013). This represents a largest absolute increase in health spending among the BRICS countries. Per capita health expenditure also surged from \$310 (Global Health Strategies initiatives, 2012) to \$432 during the same period (OECD, 2013). Both figures, however, remain far below the OECD average.

China's total foreign assistance expenditure was estimated at \$3.9 billion in 2010. However, health spending comprises only a limited amount of that sum. China's health assistance focuses on health infrastructure, human resources development and malaria control in Africa and South East Asia (Global Health Strategies initiatives, 2012).

South Africa is the largest and the most industrialized economy on its continent. However, it still experiences setbacks in public health due to the legacy of apartheid. Despite the fact that South African spending on medical services is almost 10 times higher than the regional average, inequalities within the country persist — a number of health indicators, such as, access to clean drinking water, sanitation and childcare are significantly lower in rural areas than in urban ones (UNHCO, Country Profile South Africa). HIV is a huge problem for South Africa — HIV/AIDS prevalence among adults is one of the highest in the world at 17.3 percent as of 2011 (CIA, n. d.). Infectious diseases are responsible for a majority of deaths in South Africa (UNHCO, Country Profile South Africa). The country has the lowest life expectancy among the BRICS countries — 51.6

years (Global Health Strategies initiatives, 2012). In 2000-2012 average life expectancy increased only by one year, compared to the regional average of seven years. In terms of maternal and infant mortality rates South Africa fares much better than its neighbours, but much worse than most of the BRICS members, except India (WHO, 2015b). South African Republic spent 8.5% of GDP on health in 2011 (OECD, 2013). The ratio has been stable since 2009 (OECD, 2011). Per capita health expenditure has risen from \$860 in 2009 (OECD, 2011) to \$942 in 2011 (OECD, 2013). South African healthcare system faces significant funding gaps, with only 56% of those in need having access to medicines.

However, despite domestic problems South Africa does allocate resources to health assistance — in 2006 it pledged \$20 million over 20 years to the GAVI Alliance. The country continues to collaborate on health-related initiatives through IBSA (India, Brazil, South Africa), including a partnership with India in the area of HIV/AIDS, tuberculosis and malaria vaccine research (Global Health Strategies initiatives, 2012).

Similar socioeconomic processes, which have defined the pattern of the BRICS countries' development for several decades, condition a number of common health challenges they face. Among them are: regional inequalities in access to and quality of healthcare, high incidence of non-communicable and lifestyle diseases, and HIV/AIDS. Given these countries' sizeable populations, successful resolution of their domestic healthcare problems would be a significant contribution to global health and development. Shared challenges are a good foundation for consolidating cooperation to help build sustainable national healthcare systems and use the institution potential for domestic political management.

Conclusion

The BRICS recognize the value of their cooperation for resolution of shared challenges. The analysis indicates that the BRICS dialogue on health has positive dynamics. The members have institutionalized their cooperation on health through regular ministerial meetings, adoption of specific action plans and creation of special working mechanisms and institutions. The dialogue is maturing moving from deliberation to direction-setting and decision-making. The share of the discourse devoted to health is

steadily growing. However, commitments are made mainly by the ministers. Engagement with relevant international organizations is limited to the expression of a collective stance on specific issues or support of certain actions and does not include substantive cooperation through consultations and delegation of mandates. To make a tangible contribution to global health governance the BRICS should elevate health agenda to the leaders' level, strengthen decision-making and delivery, and change the mode of their cooperation with relevant institutions from expressing their collective stance to productive cooperation involving the relevant institutions such as the UN and the WHO in the full chain of global governance functions.

With only one leaders' commitment pledging to ensure sexual and reproductive health, the Fortaleza summit has not made a breakthrough in putting health on top of the institution agenda. However, a positive trend can be detected given the highest number of socioeconomic commitments in the BRICS history and a mandate to National Institutes of Statistics and the Ministries of Health and Education to develop joint methodologies for social indicators. This is another small step towards building BRICS cooperation on health and bringing health firmly into the institution agenda.

Table 1. BRICS commitments, 2008-2014

Issue Area	Number of commitments										Share of commitments, %									
	2009	2010	2011	2012	2013	2014	Total	2009	2010	2011	2012	2013	2014	Total						
Energy	5	9	1	2			17	33.33	29.03	2.63	6.25	0.00	0.00	7.36						
Finance		3	1			6	10	0.00	9.68	2.63	0.00	0.00	8.82	4.33						
Climate change		1	6	3	1	1	12	0.00	3.23	15.79	9.38	2.13	1.47	5.19						
Macroeconomic Policy		1	5	1	5	7	19	0.00	3.23	13.16	3.13	10.64	10.29	8.23						
Trade		3	5	9	4	4	25	0.00	9.68	13.16	28.13	8.51	5.88	10.82						
International Cooperation	1	2	5	3	6	8	25	6.67	6.45	13.16	9.38	12.77	11.76	10.82						
Socioeconomic Development	1	1	3	2		7	14	6.67	3.23	7.89	6.25	0.00	10.29	6.06						
Natural disasters	1	1	1		11	11	32	6.67	16.13	2.63	9.38	23.40	16.18	13.85						
Food and Agriculture	3		1	1		1	6	6.67	3.23	2.63	0.00	0.00	0.00	1.30						
Information and Communication			2			1	3	0.00	0.00	5.26	0.00	0.00	1.47	1.30						
Science and Education	1	1	1			2	5	6.67	3.23	2.63	0.00	0.00	2.94	2.16						
Health			1	1		1	3	0.00	0.00	2.63	3.13	0.00	1.47	1.30						
Human rights			1		1	2	4	0.00	0.00	2.63	0.00	2.13	2.94	1.73						
Accountability			1				1	0.00	0.00	2.63	0.00	0.00	0.00	0.43						
Regional security	1	1	4	8	6	6	20	6.67	0.00	2.63	12.50	17.02	8.82	8.66						
Terrorism			1	1	2	2	6	0.00	0.00	2.63	3.13	4.26	2.94	2.60						
Culture		1				3	4	0.00	3.23	0.00	0.00	0.00	4.41	1.73						
Sport	1	1					1	0.00	3.23	0.00	0.00	0.00	0.00	0.43						
IFI Reform	1	2	1	2	8	1	15	6.67	6.45	2.63	6.25	17.02	1.47	6.49						
Nonproliferation					1		1	0.00	0.00	0.00	0.00	2.13	0.00	0.43						
Crime and Corruption						4	4	0.00	0.00	0.00	0.00	0.00	5.88	1.73						
Environment						1	1	0.00	0.00	0.00	0.00	0.00	1.47	0.43						
Total	15	31	38	32	47	68	231	100	100	100	100	100	100	100						

CHAPTER 4

TRADE INTEGRITY OF THE RULES-BASED TRADE REGIME AND BRICS ROLE

BRICS Economic Cooperation in Post-Bali Era

*Zhao Zhongxiu*¹

Abstract

BRICS economy and the intra-BRICS trade growth have maintained its momentum compared with world level in the past 15 years. Currently, BRICS economic cooperation has entered into a new stage, where intra-BRICS trade reached a stable growth, recent WTO Doha negotiation encounter impasse and on-going negotiation on mega-agreements is in flourish, BRICS need to push forward the current WTO trade negotiation, while explore more opportunities for further economic cooperation in different fields.

Keywords

BRICS, Economic Cooperation, WTO.

The BRICS cooperation has come into the centre of world's attention since its inauguration in 2006. This cooperation has been evolving and culminated in 2009 with the first BRICS summit held in the context of global financial crisis. Since then, BRICS has been gradually developed into a multi-level mechanism for member countries in international politics and global economy. With the guidance by BRICS Summits, and support by BRICS ministerial meetings, intra-BRICS economic cooperation has born

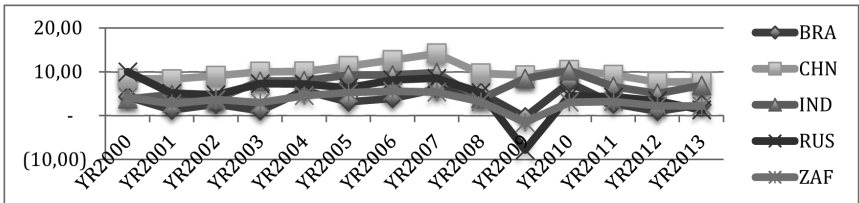
¹ University of International Business and Economics

fruits in various areas. By pushing forward the IMF quota and governance reform, strengthening multilateral trading system and advancing Doha Round negotiations, BRICS keeps on improving global economic governance. One noticeable milestone is the establishment of the New Development Bank and the Contingent Reserve Arrangement. As a result, the voice and representation of BRICS and other emerging market and developing countries have increased.

Stable Development of BRICS Economy

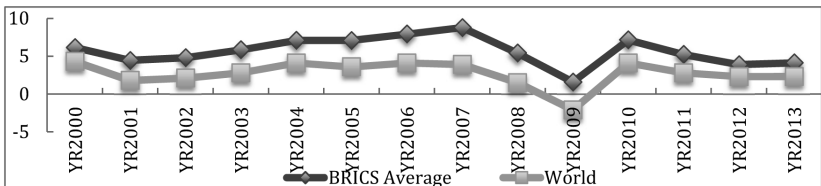
BRICS economic development has been in line with the world tendency, but maintained a relatively higher level for the past 15 years, as shown in Figure 1 and 2. Also, intra BRICS trade has been increasing steadily. However, trade volume tend to maintain at around 350 billions from 2011 to 2013. This situation underlines great potentiality that calls for joint effort by all BRICS to initiate new cooperation scheme to further stimulate their economic growth.

Figure 1 BRICS GDP Growth Rate (Change from the Preceding Year)(%)



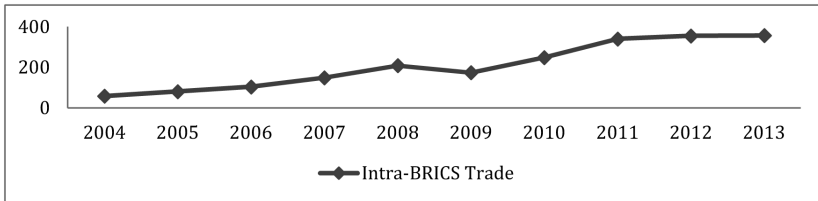
Data source: World Bank Databank

Figure 2 BRICS Average GDP Growth vs World (Change from the Preceding Year) (%)



Data source: World Bank Databank

Figure 3 Intra-BRICS Trade (billion dollars)



Data source: UNCTAD, <http://comtrade.un.org/data/>

Challenges for the BRICS Economies

BRICS in recent years have come up with similar external stress from the global economy. High possibility of higher interest rates in U.S. in 2015 has already surge the dollar exchange rate. This is especially true for BRICS members, indicating higher borrowing costs and a possible outflow of funds to the U.S. Strains in the debt repayment capacity especially in energy sector may become more evident in Brazil and South Africa, as well as in countries reliant on oil revenues. The sharp dollar appreciation entails additional risk management for corporations and countries with large foreign currency debts.

The “new normal” theory was elaborated by Chinese President Xi Jinping at the Asia-Pacific Economic Cooperation (APEC) in Beijing. “A new normal of China’s economy has emerged with several notable features. First, the economy has shifted gear from the previous high speed to a medium-to-high speed growth. Second, the economic structure is constantly improved and upgraded. Third, the economy is increasingly driven by innovation instead of input and investment.”¹ The essence of the “new normal” is not just about speed. It is more relevant to an improved economic structure that relies more on the tertiary industry and consumption demand, and innovation. China’s planned reforms are far-reaching and have the potential to transform the economy. The reforms could enhance

¹ Seek Sustained Development and Fulfill the Asia-Pacific Dream, Address by Chinese President Xi Jinping To the APEC CEO Summit, 9th November, 2014. Ministry of Foreign Affairs of the People’s Republic of China Website: http://www.fmprc.gov.cn/mfa_eng/topics_665678/ytjhzzdrsclrdrfzshyjxghd/t1210456.shtml

welfare by boosting private consumption and making growth more sustainable, although the economy could initially slow down to some extent. While the near-term impact on the rest of Asia is generally expected to be small, most economies in the region could benefit from the rising consumption in China.¹

Sharp decline in oil and other commodity prices have had impact on South Africa, where growth is held back by mining strikes and electricity supply constraints in 2014. South African has made efforts to be integrated into global value chains, manufacturing, agriculture and agri-business, and to a lesser extent, transport, tourism, and textiles, have benefited the most from deeper integration.²

The impact of the recent sharp drop in commodity prices on Latin America's major economies will have important implications for their fiscal and external positions going forward. Several commodity exporters including Brazil will likely experience a significant and persistent drop in fiscal revenues. Historical evidence suggests that the deterioration in trade balances will be relatively moderate and short lived.³ However, external adjustment typically does not appear to be driven by a rise in non-commodity exports, but rather by acute import compression. Brazil, for instance, had lost about one-third of their boom-period CTOT⁴ gains by mid-2014, ranging from 1 percent of GDP to 3 percent of GDP in the same period.⁵

¹ IMF Regional Economic Reports: Asia's Momentum Is Set to Continue, Last Updated: October, 2014, website at : http://www.imf.org/external/pubs/ft/reo/2014/apd/eng/c1_0414.pdf

² IMF Regional Economic Reports: Sub-Saharan Africa Navigating Headwinds, April, 2015, website at: <http://www.imf.org/external/pubs/ft/reo/2015/afr/eng/pdf/sreo0415.pdf>

³ The Commodity Price Bust: Fiscal and External Implications for Latin America, <http://www.imf.org/external/pubs/ft/reo/2015/whd/eng/pdf/chap3.pdf>

⁴ The CTOT is a chained price index. It is constructed by weighting changes in prices of individual commodities by their (net) export value, normalized by GDP. A given increase (drop) in CTOT can then be interpreted as an approximate gain (loss) in GDP terms.

⁵ The Commodity Price Bust: Fiscal and External Implications for Latin America, <http://www.imf.org/external/pubs/ft/reo/2015/whd/eng/pdf/chap3.pdf>

In India, the growth forecast is broadly unchanged, however, as weaker external demand is offset by the boost to the terms of trade from lower oil prices and a pickup in industrial and investment activity after policy reforms.¹

So there is great necessity for BRICS to stay together and explore for further economic cooperation to secure stable economic growth. For China's part, structural adjustment policies are implemented and with the "One Belt, One Road Strategy" (Silk Road Economic Belt and Maritime Silk Road Strategy), this could be very possible to evolve into a "One Belt, One Road +" strategy and become compatible with other BRICS members economic development to serve as the platform to deepen the BRICS cooperation.

The Mega-agreements and WTO in BRICS Perspective

While BRICS countries were still beginning their participation on the multilateral trading system as members of the WTO, major players such as the United States and the European Union were changing their attention from the WTO to the negotiations of preferential trade agreements, where negotiations of the Doha Round were at an impasse, despite the success of the Bali Ministerial.²

The difference between traditional trade and supply-chain trade is the one reason why the current mega-agreements diverge from the WTO trade negotiation. Traditional trade means selling into one nation the goods that were made in another nation; thus is mostly about selling things internationally. Supply-chain trade arises when high-tech firms combine their know-how with low-wage labour in developing nations, thus is mostly about making things internationally, although international selling is also important.³ As such, the basic deal in supply-chain cooperation is not "I will keep my

¹ IMF World Economic Outlook Update: Cross Currents. January, 2015. Website: <http://www.imf.org/external/pubs/ft/weo/2015/update/01/>

² In the field of international trade, Brazil, India and South Africa were founding members of the GATT. China acceded to the World Trade Organization — WTO in 2001, after 15 years of negotiations. Russia has only acceded to the organization in 2012, after 19 years of negotiations, becoming the last big economy to enter the WTO.

³ Richard Baldwin, WTO 2.0: Global Governance of Supply-chain Trade, Policy Insight No.64, December 2012, website at http://www.cepr.org/sites/default/files/policy_insights/PolicyInsight64.pdf

market open if you keep yours open”, but rather “I will offshore my factories and technologies if you assure my tangible and intangible assets are protected”. And that is why investor-state dispute settlement in TTP and TTIP is so important. However, for China and other BRICS members, their top priorities in trade negotiation centres more on the market accession and tariff reduction rather than investor protection. This kind of difference in negotiation priority explains well of the very existence of the current mega-agreements.

The new rules and disciplines underpinning the rise of supply-chain trade have been and continue to be written outside the WTO — primarily in deep mega-agreements. Efforts to harmonize these new disciplines are taking place in mega-regionals (for instance, the on-going negotiation of the Trans-Pacific Partnership — TPP and the Transatlantic Trade and Investment Partnership — TTIP) and mega-bilaterals that are under negotiation or discussion. As the Doha Round is unlikely to conclude before 2020 and WTO engagement in supply-chain issues is unlikely before it does, world trade governance particularly on supply chain trade is headed for fragmentation. Specifically, supply-chain disciplines will be harmonized by mega-regionals and mega-bilaterals that will, on current trajectory, exclude China and other BRICS members.

(1) Mega-agreements and BRICS

The US and the EU for decades have led the negotiations under the multilateral trading system. With the enlargement of the WTO and the accession of several developing countries, the negotiations became more complex. The active participation of Brazil and India during the Doha Round, especially in agriculture, leading the developing countries and opposing the propositions of the US and EU is a good example of how the “old quad” (US, EU, Canada and Japan) lost its importance and gave place to the “new quad” (US, EU, Brazil and India with China as a recently acceded member). This created a new geometry of negotiating power, given more influence to developing countries, and introducing difficulties to the US and the EU to impose their position in multilateral negotiations as happened in all GATT negotiations.

The attention of the US and EU was, thus, drawn to the preferential sphere, where they could negotiate individually with other trade partners, achieving to establish new market access and

drafting new trade rules. This movement helped the proliferation of preferential trade agreements that is seen today.

These agreements often present rules that go beyond the WTO framework (WTO-plus rules) as in services or intellectual property or that deal with subjects outside the scope of the organization, such as environment, labour clauses, competition and investments (WTO-extra rules). Each major player presents its own model of rules regarding the main issues of international trade, proposing such framework to its trade partners and, thus, expanding the application of rules that answer to their interests, in a clear exercise of domination by the rules. The situation raises more concern with the launch of the two called mega-agreements: TPP and TTIP.¹ The agreements propose numerous WTO plus and extra rules such as enhanced intellectual property protection, regulation of e-commerce, competition rules, liberalization and protection of investments, regulation of trade related aspects of state owned enterprises, provisions on small and medium sized enterprises, rules of international supply chains, amongst other themes.²

With the mega-agreements and the deadlock of multilateral negotiations, the position of BRICS in international trade is threatened. The countries that form the BRICS are outside the negotiations of the mega-agreements and, consequently, of the market liberalization that will be achieved and the negotiation of new rules for 21st century trade. BRICS will have to adapt to a number of the requirements established by these two agreements without having participated in the drafting of such rules, and thus, without being able to impose its own interests and perspectives in the regulation of such themes.

WTO and BRICS

Now, BRICS are already a political reality and the BRICS display a solid political unity in favour of reforms in the rules

¹ See more details at <https://www.dfat.gov.au/fta/tpp/> ; <http://ec.europa.eu/trade/policy/countries-and-regions/countries/united-states/>

² Fergusson, I.; Cooper, W.; Jurenas, R.; Williams, B., The Trans-Pacific Partnership Negotiations and Issues for Congress, Congressional Research Service Report for Congress, junho de 2013, p. 47-48 and Interim Report to Leaders from the Co-Chairs EU-US High Level Working Group on Jobs and Growth, June 2012.

and structures of the existing international order. However, the WTO remains as the only forum where the BRICS may exercise their pressure and influence international trade governance. It is the one international trade forum where all five countries participate, allowing all five countries to coordinate their positions, strengthening their power of bargain. Under the WTO, the BRICS will be more able to make their interests on the drafting of new trade rules prevail.

Reforming the multilateral trading rules in order to level the playing field and to reflect a new balance of power, interests, and views is the challenge and main objective of the Doha Round and a necessary step for the WTO as an institution. The current deadlock in negotiations underscores the linkages between geopolitical transformations and the multilateral trading system.¹ Doha Round was caught in the middle of a tectonic shift in the global balance of economic power. The rise of China, Brazil and India, among other emerging countries, had an impact on the WTO negotiations and affected the negotiating structure and processes.

An important development in recent times is the coordination among the BRICS in the WTO discussions. The BRICS held trade ministerial meetings in Sanya (April 2011) and in Geneva during the 8th WTO Ministerial Conference (December 2011), the ninth ministerial conference in Bali, Indonesia (December 2013), Sixth BRICS Summit in Fortaleza, Brazil (July, 2014). From these occasions, it is possible to identify an emerging BRICS' outlook on international trade policy:

(i) Recognition of due rights, equal opportunities and fair participation of all countries in global economic, financial and trade affairs; The centrality of the multilateral trading system and the vital role of the WTO as the guardian of the international trade regime; the need to strengthening and reforming the current international trade regime through the conclusion of the

¹ Braz Baracuhy, Brazilian diplomat-Embassy of Brazil to China, Former WTO Doha Round Negotiator in Geneva, *The Geopolitics of Multilateralism: the WTO Doha Round Deadlock, the BRICS, and the Challenges of Institutionalized Power Transition*, website at: <http://www.crp.polis.cam.ac.uk/documents/working-papers/crp-working-paper-4-geopolitics-of-multilateralism.pdf>

Doha Round to address in particular the concerns and interests of developing countries.

(ii) Support the WTO dispute settlement system as a cornerstone of the security and predictability of the multilateral trading system and support BRICS ongoing dialogue on substantive and practical matters relating to it, including in the ongoing negotiations on WTO Dispute Settlement Understanding reform.

(iii) Recognition of the importance of Regional Trade Agreements, which should complement the multilateral trading system, and of keeping them open, inclusive and transparent, as well as refraining from introducing exclusive and discriminatory clauses and standards.

(iv) Recognition that the BRICS should play a leading role in South-South cooperation and aid-for-trade initiatives; the continuous development of an institutional framework and concrete measures to expand economic cooperation both among BRICS countries to further expanding economic, trade and investment ties and between BRICS countries and all developing countries, within a South-South perspective;

The BRICS should reactivate the WTO as the major negotiation forum for international trade regulation. The Ministerial Conference of Bali was an important achievement that may help this goal. The conference approved the first multilateral agreement since the creation of the WTO. Even though what was agreed in Bali represents just a small part of the Doha package, its success gives a boost to multilateral negotiations.

Suggestions

The mega-agreements would cause significant losses for the economies that are not part of these agreements, which will suffer from losses in their exports and imports and will be isolated from the creation of rules for new important trade issues. In the meanwhile, the WTO, which allow all countries to benefit from increasing larger market access and from the development of consensus based international trade rules, is the priority for BRICS in the current world trade governance. This reactivation of the WTO should also be considered a priority for the BRICS foreign trade policy. The momentum is favourable, since the post-Bali agenda is being

discussed, allowing the BRICS to influence the decision on the new themes of international trade regulation.

Under this scenario, the future for the BRICS economies needs to find new driving forces through in-depth cooperation. Large domestic market is one advantage that BRICS can leverage on. Through closer economic cooperation, BRICS can start by identify their respective important export and import field. They all have different factor endowment, and thus the partnership can be complementary. For the mega-agreements side effect on BRICS, China and other BRICS members may counter this exclusion by joining together to form a closer economic partnership by continuously attract offshored factories with their large international market.

Forwarding pragmatic cooperation among BRICS. The best example is the establishment of BRICS New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA), two initiatives designed to facilitate infrastructure investment and prevent external shocks respectively. Besides, there're over 20 more areas of cooperation, ranging from finance, trade, science & technology, to public health, agriculture, culture and people-to-people contact. As a result, the linkage that bounds BRICS countries together has been significantly tightened, which will in turn greatly unleash the collective potentials of the five countries and benefit their people to the same extent. Efforts made by BRICS countries to further their cooperation have been paying back. Today, the five countries have turned the investment concept into a new type of cooperation among emerging economies, which has significantly lifted their collective status in the international arena.

Take China's recent strategy for instance. The vision for a "One Belt and One Road Strategy", allows the countries involved to create a three-dimensional and multi-layer transport network that connects them via land, sea and air. That includes the New Eurasian Continental Bridge, which is regarded as the "modern Silk Road", the China-Singapore Economic Corridor that runs through the Indo-China Peninsula and the Bangladesh-China-India-Myanmar Economic Corridor that connects China to South Asia. Through this strategy, China and all other BRICS can be better connected and this transportation network will help to speed up the intra trade

growth in the short future. Also, energy cooperation, goods and service trade, and economic cooperation among BRICS members will be speed up. This BRICS version of “One Belt and One Road Plus Strategy” will be part of BRICS grand economic cooperation.

Proposals for the BRICS economic cooperation at multilateral trade regime could include:

(i) Improvement of market access of goods and services, as well as reduction of subsidies in agriculture at WTO. Agriculture still presents higher tariffs and more flexible rules to subsidies, which harms agricultural exports. The granting of subsidies, because it affects all exporters, independently of their origin, is traditionally dealt on the multilateral level. The agricultural market is of great interest for the BRICS and the WTO constitutes the ideal forum to discuss the reduction of barriers to these exports.

(ii) Enhancement of the transparent mechanism regarding PTAs. The WTO needs to better study each clause of the several PTAs currently in force, analyse the compatibilities and incompatibilities amongst them and with WTO rules, and discuss mechanisms to assure coherence of international trade rules, avoiding the negative impacts of fragmentation.

(iii) Improvement of the mechanisms of notification and special trade concerns in the Technical Barriers to Trade Committee and Sanitary and Phytosanitary Committee. These mechanisms are important to the transparency of these non-tariff barriers, which frequently constitute significant obstacles to international trade. Special attention should be given to the issue of private standards that require new transparency mechanisms in order to avoid negative impacts on trade.

New Paradigm of International Cooperation

*Elena Rogatnykh*¹

Current situation in world development differs a lot from the pattern we all got accustomed to in the previous centuries. There are several main factors that contribute to the crucial change of

¹ Russian Foreign Trade Academy

our world. The most important factors are population growth, environment degradation, the increase in the number of sovereign states in the world, formation of the multipolar economy and global threats development. These new features of our global development clearly indicate that world economy is facing development paradigm shift. This shift is a great challenge for everybody because it will be necessary to answer a lot of different questions of twenty first century. And one of those questions will be about the future development of multilateral international cooperation.

The basic multilateral economic institutions, such as the International Monetary Fund and the General Agreement on Trade and Tariffs, were established after the Second World War to stabilize different spheres of international economic relations. Nowadays they continue to play a key role in forming the rules of international cooperation. But the world is changing and this makes it necessary for these institutions also to change and develop to meet the modern requirements.

The WTO did a lot to improve predictability and stability of international trade, to make rules of trade more clear and transparent. Due to GATT activity trade barriers were significantly reduced, foreign markets became more open, and all these measures resulted in boosting international trade. But in many ways this was a story of the 20th century. The latest round of negotiations among the WTO members — the Doha Round — is far from success. The negotiations were supposed to be concluded not later than 1 January 2005. But now, ten years later, the work is still in progress. The main reason of this long work is that it is very difficult for participating parties to overcome existing contradictions. It is evident that not all the WTO basic ideas meet the requirements of many members nowadays. So we have the question: what directions should the WTO develop in the XXI century to promote the welfare of the people in the world? The answer to this question is important for every country. BRICS countries are not an exception.

We can see that BRICS countries worked out the practice of coordinating their positions in international organizations. Some common approaches to the WTO activity could be put forward as well.

My point is that it is high time to think over once more the idea of fair trade and fair competition. Fair competition could exist among

equally developed economies. It is very difficult to speak about fair competition between an economy with well-established production structures and an economy that is just starting development. This is a real problem. Many emerging economies worked out their own ambitious strategies of economic development. But very often it is practically impossible to create competitive national production without serious government support of different nature. In many cases such support could be treated by the WTO rules as violation of fair competition. At the same time no one has the right to deprive a country of the right to development. Developing countries should have a chance for creation and development of their technological capacities.

In order to meet the requirement of current situation BRICS countries could launch a discussion about the legitimacy of the support of national producers in the situation if the country officially launches national programs of this or that sector development. The opportunity to help and protect the development of national production activities within limited period of time will not destroy multilateral trade system, but it will be a fair case — fair case for development for everybody. It could be a real contribution of BRICS countries to the development of New Paradigm in International Cooperation.

Trade: Integrity of the rules-based trade regime and BRICS' role: central role of the WTO, possible creation of a BRICS-wide market, cooperation within the WTO, G20 and regional economic structures.

Trade Policy, the WTO and Productive Transformation Strategies in a Context of Regional and Bilateral Trade Agreements: Perspectives from South Africa

*Nicolette Cattaneo*¹

Abstract

The BRICS countries need to be innovative in linking trade, industrial and technology policies for catch-up and development, particularly with the broadening of WTO rule-making to areas

¹ Rhodes University

like services, investment, intellectual property protection and government procurement. This paper explores South Africa's current policy approach on some of these issues and the lessons that can be learnt for moves to promote deeper economic cooperation within the BRICS grouping. The paper argues that the BRICS countries should give pressing attention to the implications for development policy space of the proliferation of regional and bilateral agreements arising from the WTO Doha impasse and the potential impact of the ongoing 'mega-regional' FTA negotiations. In this environment, the expansion of trade and investment relations among the BRICS countries must take careful account of the development policy goals and imperatives of the partner states.

1. Introduction

The drafting of a new Trade Policy and Strategy Framework for South Africa in 2009-2010 coincided with a series of major events in the world economy, including the international financial crisis and significant shifts in the balance of economic power globally. The emergence of China, India and Brazil as major players in the global economy, and the resulting impact on the balance of power in groupings such as the WTO and the G20, has fostered renewed interest in emerging market developing countries and South-South economic cooperation. In this context the BRICS grouping has consolidated its presence through the formalisation of a number of institutional arrangements in the last two years, including the New Development Bank, the Contingent Reserve Arrangement, the BRICS Business Council and the Think Tanks Council. The BRICS countries are developing an agenda to promote deeper economic cooperation within the grouping and have released joint position statements on a number of key areas related to the global economic and financial architecture. Prominent among these are the 2012-2014 Summit statements which express frustration at the slow pace of reform of the IMF and World Bank, and strongly criticise the impact on emerging market economies of the monetary policy response of developed countries to the global crisis.¹ At the

¹ See, for example, the Fourth Summit: Delhi Declaration and Action Plan, 29 March 2012. [Online] Available at <http://brics6.itamaraty.gov.br/category-english/21-documents/68-fourth-summit>

Sixth Summit in Fortaleza, a BRICS perspective on international investment agreements emerged, and there is ongoing work on the development of a BRICS agenda for reform of the WTO and a revision of key WTO Agreements.¹

Notwithstanding their growing influence, it is evident that in the current global environment the BRICS and other developing countries need to be innovative in linking trade, industrial and technology policies for catch-up and development, particularly with the broadening of WTO rule-making to areas like services, investment, intellectual property protection and government procurement. Signs of a re-balancing of economic power globally have been accompanied by the emergence of a number of trends and challenges, including the proliferation of regional and bilateral agreements arising from the WTO Doha impasse, an inclination towards plurilateral agreements and the potential impact of the “mega-regional” FTA negotiations. This paper explores South Africa’s current trade and industrial policy position and its underlying rationale in this environment, including the country’s policy approach on some of the new generation trade-related issues and the trends and challenges noted above. It then considers the lessons that may be learnt from these perspectives for moves to promote deeper economic cooperation within the BRICS grouping as well as emerging BRICS positions and contradictions in some of these areas.

2. South Africa’s trade policy and strategy framework

Trade and industrial policy in South Africa has, since the late 2000s, been informed by the Department of Trade and Industry’s 2007 National Industrial Policy Framework (NIPF) (Zalk, 2014). The goals of the NIPF include the diversification of the country’s productive structure towards non-traditional tradable goods and services that are competitive in export markets as well as against imports, the development of a more labour-absorbing industrialisation trajectory that facilitates the inclusion of previ-

¹The statement on international investment agreements is available at <http://brics6.itamaraty.gov.br/category-english/21-documents/227-brics-perspective-on-international-investment-agreements> . On BRICS and the WTO, see, for example, Thorstensen and Oliveira (2014) and FGV, IPEA and SAIIA (2014).

ously disadvantaged people and poorer regions, and support for the development of Africa's industrial capabilities (the dti, 2007a: 7). The NIPF document recognises the need for the alignment and coordination of a range of policy areas in order for industrial policy to be effectively implemented. These include appropriate macroeconomic and regulatory policies, relevant skills and educational policies, infrastructure development and a supportive technology policy, as well as coordination with other areas of social policy (the dti, 2007a: 8-9).

In the NIPF, trade policy is viewed as an instrument of industrial policy. Tariff policy, in particular, is aligned with sector targeting priorities set out in the annual rolling Industrial Policy Action Plans (IPAPs). The approach involves the review and reduction of tariffs on critical inputs into downstream manufacturing and, where appropriate, their retention or use in strategic value adding or employment-creating IPAP sectors, within the limits set by South Africa's WTO, regional and bilateral obligations. In such a framework, generalised across-the-board unilateral or bilateral tariff liberalisation would not be favoured. Other aspects of the tariff regime under review include addressing some of the historical complexities of South Africa's tariff structure and a critical assessment of the costs and benefits of further simplification and rationalisation of the tariff book.¹ Furthermore, tariff determinations in the revised trade policy are less ad hoc, and are based on more detailed sector investigations that consider a range of factors affecting the entire supply chain. The NIPF further indicates that export promotion and diversification strategies, as well as foreign direct investment promotion, should be in line with industrial policy goals (the dti, 2007a: 29).² Alongside the strategic use of tariffs, therefore, the potential use of export taxes is envisaged to encourage local beneficiation.

The Department of Trade and Industry's 2010 Trade Policy and Strategy Framework (TPSF) document (the dti, 2010a) has two key aspects. Firstly, it proposes a developmental trade policy in support of the country's industrial policy framework. The

¹ The latter is considered further in Section 2.2 below.

² Investment policy is discussed in Section 2.3.1.

document reinforces the “strategic tariff policy” outlined in the NIPF whereby tariff policy is informed by industrial policy and pursuant to the government’s national development objectives. The major development goals are identified in the trade policy document as, inter alia, employment creation, economic growth, poverty reduction, industrial development and restructuring, and the promotion of high value added exports (the dti, 2010a). The second key aspect of the 2010 TPSF is the simultaneous pursuit of a policy of “strategic integration into the global economy”. The objective is to participate in the world economy while preserving sufficient policy space to pursue domestic development goals. There are bilateral, regional and multilateral dimensions to this position, a number of which have been elaborated in a subsequent TPSF update (the dti, 2012).

At the multilateral level, South Africa is committed to the conclusion of the Doha Round on the basis of the development mandate, with the principles of special and differential treatment (SDT) and less-than-full-reciprocity (LTFR) underlying commitments made by developing countries (the dti, 2012; Ismail, 2012b). The TPSF documents note that lack of progress on the question of agriculture and increasing pressure on emerging economies for greater market access commitments in industrial tariffs and services contributed to the impasse in negotiations from 2008. South Africa’s negotiating objectives in the Doha Round are specified as the improvement of market access for developing country exports, the elimination of agricultural subsidies by developed countries, the re-negotiation of agreements that foster imbalances in the rules-based trading system and the appropriate application of SDT to allow developing countries policy space to address their development concerns (the dti, 2010a: 33).

The Doha impasse has resulted in a number of trends and challenges that are highlighted in South Africa’s TPSF update. These include the pursuit of plurilateral agreements that South Africa and most other WTO members oppose on the basis that they erode multilateralism, and lack transparency and inclusiveness. Another aspect relates to policy prescriptions associated with the emergence of global value chains, particularly services liberalisation and trade facilitation. It is argued that participation

in GVCs should not be divorced from industrial policy and broader development goals.¹

At the regional level, South Africa (as a member of the Southern African Development Community) is engaged in negotiations towards a Tripartite FTA (T-FTA) between the three regional blocs of SADC, the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA). The T-FTA, which is due to be launched in June 2015, will begin as a trade-in-goods agreement based on three pillars: market integration, infrastructure development and industrial development. This is in line with South Africa's "developmental integration" approach to regional economic integration on the continent (the dti, 2012, Davies, 2011: 9-10).² The T-FTA is set to form one of the blocs of a continental free trade area envisaged in the African Union's integration agenda (Cattaneo, 2011c).

Also on the regional front, South Africa is working with its Southern African Customs Union (SACU) partners on a five-point work programme that seeks to address some of the outstanding issues regarding the implementation of the 2002 SACU Agreement. The five areas of work are specified in the TPSF update as regional industrial policy, the revenue-sharing formula, trade facilitation, SACU institutional development and trade negotiations with third parties (the dti, 2012: 23-24). As far as SADC is concerned, the TPSF favours the consolidation of the SADC FTA and a focus on sectorial cooperation, infrastructure and industrial development, easing non-tariff barriers, trade facilitation and simplifying rules of origin (the dti, 2012: 24). It is evident that South Africa is cautious about moves to deepen SADC into a customs union as initially laid out in SADC's integration agenda, the Regional Indicative Strategic Development Programme (RISDP). In terms of the RISDP, a SADC customs union was due to be launched in 2010, a common market by 2016 and a common currency and monetary union by 2018.³

¹ This debate is considered further in Section 3.2.

² The rationale for this approach is explored in Section 2.4.

³ Note that all SACU countries are SADC members, but have a deeper level of integration among themselves (a customs union within an FTA). There is therefore no inherent conflict between SACU and SADC as such, although the implications of the EU-Economic Partnership Agreement negotiating configurations cross-cutting existing regional blocs require careful study.

The South African Minister of Trade and Industry has referred to the further development of customs unions as premature and as constraining countries' capacity to "use tariffs as instruments for industrial development" (Davies, 2011: 9-10).¹

Similar concerns govern the TPSF approach to inter-regional and bilateral trade agreements with partners outside the continent. The strategic approach at this level is to negotiate preferential trade agreements (PTAs)² that may initially be fairly limited, but then provide an institutional basis from which to develop and consolidate further relations. Examples include the 2009 SACU-MERCOSUR PTA and the proposed SACU-India PTA. This approach explicitly recognises the need to structure trade and investment relations with developing countries in ways that are sensitive to industrial development and employment goals. The emphasis is on reducing non-tariff barriers, investment and export promotion, technology cooperation and SME development (the dti, 2012: 25). Of major concern for South Africa is the replication of traditional North-South trading patterns in the country's trade with emerging economies. Exports are dominated by commodities and low value added products, while imports comprise higher value added manufactured goods (Bezuidenhout and Claassen, 2013). With the growing significance of China and India as individual trading partners, South Africa has signalled its concern about the implications of these trade patterns for its industrial development goals.

This concern is reflected in the Comprehensive Strategic Partnership Agreement signed in August 2010 between South Africa and China. In the economic sphere, the Agreement resolves to improve the structure of trade between South Africa and China in order to achieve a more balanced trading relationship that promotes trade in higher value-added manufactures. To facilitate this process, China will encourage investment in the South African

¹ In a customs union, countries adopt a common external tariff against external trading partners, losing significant autonomy over national trade policy. In an FTA or PTA, each country retains its own trade restrictions against other countries.

² In a PTA, tariff concessions are exchanged but there is not yet free trade. Contemporary PTAs often now include annexes or chapters on issues such as trade facilitation and other areas of economic cooperation.

manufacturing sector to develop value-added production within the country. According to the Agreement, key focus areas for cooperation include green economy sectors, agro-processing, skills development and industrial financing (Beijing Declaration, 2010). In addition, cooperation in infrastructure projects including roads, railways, ports, airports and power generation will be promoted.

From South Africa's perspective, therefore, strategic integration into the global economy should support industrial policy at each level by harnessing trade and investment relations to improve market access for South African products and firms. In this regard, other African countries have long been a key destination for the country's manufactured exports and the emphasis on this market continues in South Africa's post-2009 trade policy documents¹. There is also a debate about the nature of trade with traditional (EU) relative to emerging economy partners. Bezuidenhout and Claassens (2013) find that trade with the EU is more intra-industry in nature, while trade with emerging economies is more inter-industry. However, the trade data used is too aggregated for a suitable analysis of inter- versus intra-industry specialisation², and a more refined analysis is needed. For example, Mutambara (2013) examines intra-IBSA trade at a more appropriate level of disaggregation, and finds that while most trade is inter-industry, intra-industry trade opportunities do exist, with some potential for the type of trade expansion that could benefit industrial development and innovation.³

This discussion underscores the important point that trade expansion in and of itself does not equate to development (Reinert, 2008). This has implications for NAMA negotiations on industrial tariffs at the multilateral level, for developing country approaches to regional integration and bilateral trade agreements, and also for the prospects for moving towards a BRICS-wide market. South Africa's 2012 TPSF update highlights the importance the country

¹ Edwards and Lawrence (2012) argue that the TPSF does not give enough emphasis to relations with Africa and emerging economies, but this appears to be based on a reading of the 2010 TPSF, not the 2012 update.

² See, for example, Cattaneo and Fryer (2002).

³ See also Onyekwena et al. (2014).

attaches to its BRICS membership and outlines the main focal points of its economic engagement with its BRICS partners. These include reform of the global economic and financial architecture, including enhanced collaboration in the Doha Round, building trade and investment relations within the grouping that take account of industrial policy goals, and supporting BRICS engagement with the rest of Africa in ways that further the continent's development agenda (the dti, 2012: 25).

Notwithstanding the emphasis on Africa and the BRICS in the TPSF update, the continuing importance of trade relations with the EU and other developed country partners is highlighted. Current engagement with the US is concerned with securing an extension to the African Growth and Opportunity Act (AGOA), with South Africa working on the development of joint positions with other sub-Saharan African countries. A limited agreement between SACU and the US, the TIDCA (Trade, Investment, Development and Cooperation Agreement), focuses on trade and investment facilitation issues.¹

The 2012 TPSF update notes that outstanding controversies were hampering the conclusion of the SADC² Economic Partnership

¹ SACU negotiations towards an FTA with the US commenced in 2003. However the talks stalled over disagreement on the scope of the agreement, particularly with respect to trade in services, intellectual property rights and government procurement (Cattaneo, 2011c). A bilateral engagement between the US and South Africa, the Trade and Investment Framework Agreement (TIFA, 1999, amended in 2012), provides another framework for interaction on trade and investment promotion and facilitation issues.

² The divisive EPA negotiations in southern and Eastern Africa have taken place in three configurations that controversially cut across existing regional groupings. The SADC-EPA group includes the SACU countries plus Angola and Mozambique. The EAC-EPA grouping comprises Kenya, Tanzania, Uganda, Rwanda and Burundi. Most other SADC members fall into the ESA-EPA group. South Africa's own trade relations with the EU post-apartheid have been governed by the 1999 Trade, Development and Cooperation Agreement (TDCA). The TDCA was concluded prior to the revised SACU Agreement of 2002 under which SACU members undertook to negotiate future trade agreements as a bloc (Cattaneo, 2011c). South Africa's participation in the SADC-EPA negotiations will be important in attempts to harmonise the outcome of the SADC-EPA negotiations with the SACU common external tariff and the TDCA (Erasmus, 2014).

Agreement with the EU. Some of the main controversies in the EPA negotiations included the following: an MFN clause whereby if a trading partner accounts for more than 1% of world trade then the agreement with that partner must be extended to the EU; the legal definition of a party since the SADC-EPA configuration does not conform either to SACU or to SADC as a legal entity; the use of export taxes; and better access for South African agricultural products in the face of continuing EU subsidies. In addition, EU pressure for full and comprehensive EPAs covering investment, intellectual property rights, services, competition policy and even public procurement has also been extremely divisive.

The SADC-EPA negotiations were finally concluded in July 2014. The controversial MFN clause will evidently apply to new agreements concluded between the SADC-EPA group and Brazil, China, India and the US (Erasmus, 2014). This has implications for future trade agreements between South Africa and most of its BRICS partners. On the other hand, by the end of the TDCA implementation period in 2012, 86% of South Africa's trade with the EU was to be duty-free. From South Africa's perspective, the problem with the MFN clause would then presumably only apply if South Africa wished to grant preferences to affected third countries in the 14% of products that are not covered by the TDCA or the EPA that replaces it. Limited use of export taxes by the SADC-EPA countries has been negotiated. However, discussions will evidently continue on a more comprehensive EPA that includes issues such as services, investment and competition policy.

South Africa's 2012 TPSF update also notes a number of challenges in relations with developed country partners. These include weak growth and demand conditions with their associated impact on South Africa's growth performance, new protectionist measures including standards and the destabilising impact of quantitative easing (the dti, 2012: 27).

This section has considered South Africa's Trade Policy and Strategy Framework outlined in the 2010 TPSF document and its 2012 update. The discussion indicates that the country's trade and industrial policy-makers favour the pursuit of a two-pronged strategy comprising a strategic trade policy in support of industrial policy and strategic integration into the global economy

in a way that preserves sufficient policy space to pursue domestic and regional development agendas. The 2010 TPSF document recognises that strategic global integration requires South Africa to develop a trade strategy on the so-called new generation trade issues. The 2012 TPSF update highlights the need for positions on recent trends and challenges in the global trading system, particularly moves towards plurilateral agreements at the WTO and the potential impact of the mega-regional FTA negotiations. Many of these issues affect the important nexus between trade, industrial and technology policies.

The Doha impasse and the contestation that has surrounded the negotiation of North-South trade and investment agreements including the EPAs with the EU and international investment treaties has also prompted a re-examination of economic integration agendas in Africa and elsewhere, and South-South cooperation more broadly. The next section considers the rationale underlying South Africa's strategic trade and industrial policy position with a focus on the changing landscape of regional and bilateral trade and investment agreements, as well as the multilateral setting. This discussion will facilitate an analysis of emerging BRICS positions in some of these areas and the lessons that can be learnt from the South African perspective for the possible creation of a BRICS-wide market and moves to deepen economic cooperation among the BRICS countries.

3. Strategic trade and industrial policy

Industrial policy and the strategic use of tariffs

South Africa's current trade and industrial policy position is based on a fundamental critique of orthodox trade theory and its policy prescriptions.¹ The orthodox approach to trade policy makes the case for trade liberalisation to improve static allocative efficiency and for dynamic gains from trade. However, static resource reallocation effects are of little interest in the development context (the magnitudes of the estimates are small,

¹ Zalk (2014) analyses the historical trajectory of South Africa's trade and industrial policy. He contrasts the current approach by trade and industrial policy-makers in the country with the extensive trade liberalisation and ad hoc supply side industrial policy measures that were a feature of the post-apartheid period up to 2007.

and the empirical methodologies are questionable and based on restrictive assumptions). In terms of dynamic effects, theoretical models linking trade liberalisation and growth provide ambiguous conclusions and the empirical literature has been subject to extensive critique.¹ A significant body of work indicates that there can be no presumption that liberalisation per se will necessarily accelerate growth. Balance of payments and employment effects may be severe, export responses may not be forthcoming and distributional impacts adverse (Zalk, 2014; Cattaneo, 2011a; Thirlwall and Pacheco-López, 2008). Further, it cannot be taken for granted that growth by itself will lead to significant employment creation or meaningful development.²

These critiques signify that orthodox trade theory provides an insufficient framework for considering questions of growth and development through industrialisation in developing countries. Consideration of the dynamic effects of trade must lead to a recognition of the notion of dynamic comparative advantage. This suggests that comparative advantage needs to be created, which in turn has important implications for trade and industrial policy.³ The re-organisation of production and trade in global value chains also calls into question traditional analyses of trade and investment and their associated policy prescriptions.

South Africa's trade and industrial policymakers have, since 2007, favoured a heterodox approach that recognises the longstanding argument that the type of products a country produces is of major importance for development (Chang, 2005; Reinert, 2008). Output and growth consequences differ significantly for increasing as opposed to decreasing return activities. Dynamic economies of scale and learning by doing provide a rationale for the strategic use of trade and industrial policy instruments in this setting. South Africa's Industrial Policy Action Plan explains the rationale underlying the policy's focus on a labour-absorbing

¹ See, for example, Taylor and von Arnim (2006); Ackerman and Gallagher (2008); Wade (2004a); Rodriguez and Rodrik (2000).

² See, for example, the review in Cattaneo (2011a).

³ See the debate between Justin Lin and Ha-Joon Chang (Lin and Chang, 2009).

industrialisation trajectory with an emphasis on value addition in manufacturing but a recognition of important forward, backward and side linkages to mining, agriculture and manufacturing-related services (the dti, 2014). This includes high growth and employment multipliers in manufacturing sub-sectors, the importance of manufacturing for the economy's export and balance of payments performance, innovation and productivity growth, as well as economy-wide linkages.

The current approach recognises that the transfer of production technology and other knowledge is not costless or immediate. Technologies are not "blueprints" that can be costless applied elsewhere. Time is needed for learning by doing, investment in developing technological capabilities and absorbing / adapting technologies (Khan, 2009). Chang (2005) argues that not all aspects of a strategic trade and industrial policy can be expected to succeed but that this is not an argument for avoidance. A significant literature emphasises the ways in which failure can be reduced through the strategic use of reciprocal control mechanisms and performance requirements to harness rents as well as FDI for development.¹ Amsden (2005: 230) argues that "[g]etting the control mechanism right, in conjunction with promoting science and technology, are twin pillars of a new industrial development strategy that may serve to energize still later industrializers".

Fine (2014, 2011) calls for an inductive approach to industrial policy, arguing that the nature of industrial policy differs by context, sector and country. Industrial policy should be inductively defined, rather than subject to a general definition that is then applied as a one-size-fits-all policy prescription. In this view, industrial policy is derived empirically from case studies of specific sectors of the economy. Policies have both horizontal and vertical dimensions, with horizontal policies prevailing across the economy and vertical policies pertaining to a particular sector and its linkages. This approach informs aspects of South Africa's Industrial Policy Action Plan.

However, the implementation of a strategic trade and industrial policy can be significantly constrained by a lack of coherence between

¹ See, for example, Chang, 2005; Amsden, 2005; Wade, 2004b; Di Maio (2009); Khan and Blankenberg (2009).

different aspects of economic policy-making, particularly with respect to the macroeconomic policy environment, as well as the political settlement in the country (the dti, 2014; Khan, 2009). This is a particular feature of the South African political economy (Zalk, 2014; Segatti and Pons-Vignon, 2013; Ashman et al., 2010). Different approaches across different departments, and the dominance of Treasury and the financial sector of the economy more generally, affect the ability to coordinate an effective industrial policy.¹

In addition, trade and industrial policy instruments are constrained to a variety of degrees by WTO rules, regional trade agreements and international investment treaties. Furthermore, the re-organisation of production globally has significant implications for the conduct of strategic trade and industrial policy. In this regard, Section 2.2 briefly considers policy space in the WTO, while international investment agreements and the globalisation of production are discussed in Sections 2.3.1 and 3.2 respectively.

Industrial policy instruments and policy space

Chang (2005: 14-24) and others have emphasised the continued relative importance of tariffs for many developing countries. WTO rules restricting the use of subsidies, fiscal constraints to the use of “permitted” subsidies and the continued importance of tariffs as revenue instruments for some countries support this position. However, in the NAMA (non-agricultural market access) negotiations in the Doha Round, developed countries have advocated a multilateral regime for industrial tariffs with a number of constraining features for trade and industrial policy (Akyuz, 2009; Chang 2005; Ismail, 2011). Extensive tariff bindings limit the scope for using trade policy for industrialisation. Bindings are not re-negotiable, and while trade remedies may be used to some extent, they are contingent and therefore unsuitable for designing an effective strategic tariff policy. Narrowing tariff dispersion across countries and across industrial products has implications for a country’s scope to differentiate between sectors in designing industrial policy.

¹ Critics of the National Development Plan (NPC, 2012), for example, have questioned whether the references in the Plan to the „developmental state“ are more than just cosmetic.

An alternative approach to the traditional one of straightforward tariff rationalisation is explored by Akyüz (2009: 156-161). The pattern of tariffs for industrial development will differ according to stage of industrialisation and the type of industry requiring infant industry protection during each phase. For example, at an intermediate stage of industrialisation, a country may have comparatively low tariffs on low-technology and high-technology products, with higher tariffs on medium-technology-intensive products. This means that tariff dispersion may necessarily be high across tariff lines at times and may be increasing or decreasing depending on stage of development. This has implications for the conventional approach of binding tariffs on a line-by-line basis. Akyüz (2009: 160-161) argues that inadequate policy space for industrialisation and future technological upgrading are likely consequences of the traditional approach. A balance is instead needed between multilateral discipline and policy flexibility. The use of an average bound tariff rate could facilitate this flexibility while encouraging the appropriate use of the tariff at the various stages of industrialisation.

Apart from tariffs, a wide array of trade and industrial policy instruments have been affected by WTO rules since the conclusion of the Uruguay Round: quantitative restrictions on both the import and export side; subsidies; local content schemes, export requirements and other trade balancing policies if they favour domestic over foreign firms (under the TRIMS Agreement); technology, industrial and health policies (under the TRIPS Agreement). Debate on the degree to which these are constraints typically relate to stage of development. Tariff policy may be used to the extent that there is leeway between applied and bound tariff rates, import restrictions can be implemented for balance of payments reasons or in response to an import surge, export taxes can be used on an MFN basis, while R&D, regional development and environmental subsidies may be permitted (Amsden, 2005; Di Caprio and Gallagher, 2006).

It is arguable that the implications for strategic trade and industrial policy of agreements such as TRIPS, TRIMS and GATS were not clear at the start of the Uruguay Round implementation period. However, by the launch of the Doha Round it was evident

that developing countries had ceded significant policy space in the Uruguay Round. Furthermore, according to Di Caprio and Gallagher (2006), R&D subsidies have become actionable since 1999, while performance requirements tied to the provision of subsidies are prohibited. There is less space for the strategic protection of designated sectors and increasing diversion of resources due to higher costs of compliance.

Di Maio (2009: 126-128) elaborates on a number of the constraints imposed by more stringent global rules than those faced before the conclusion of the UR, but cautions that more serious impediments arise as a consequence of North-South bilateral agreements in which developing countries are induced to undertake deeper obligations than those required at the multilateral level, particularly in areas such as services, intellectual property protection and investment policy. According to Shadlen (2005): in analysing contemporary development strategies, the most useful contrast is not between the alternatives that countries have under the WTO and the alternatives that countries had in the past under the WTO's predecessors, but between a constraining multilateral environment and even more constraining regional and bilateral environments that condition increased market access on the sacrifice of the very tools that countries have historically used to capture the developmental benefits of integration into the international economy.

Both the Doha impasse and the push by the EU and the US for WTO-plus provisions in North-South regional/bilateral trade and investment agreements are related to pressure from powerful lobbies in the North for greater market access into the larger emerging market developing economies in particular. In the face of saturated services markets at home and the re-organisation of production and exchange globally, this pressure from developed countries also extends to the procurement markets of developing countries. In a context of both trade and financial liberalisation, the so-called new generation issues such as trade in services, investment, intellectual property protection, public procurement and competition policy have all been subject to the discourse of liberalisation and "regulatory reform". From a developing country perspective, however, each of these issues plays a critical role in industrial policy and its articulation with other key policy areas.

Developing countries have resisted pressure to negotiate on investment, government procurement and competition policy in the Doha Round and the three issues were removed from the Doha Development Agenda in 2004 (Sandrey, 2006)¹. There has also been growing criticism and calls for the revision of GATS, TRIMS and TRIPS by developing countries. It is therefore in the context of plurilaterals, regional trade agreements and international investment treaties that most of these issues are now being taken forward by the developed countries.

“Trade facilitation” was the only one of the four “Singapore Issues” that remained on the Doha Development Agenda after July 2004. However, despite the eventual conclusion of an Agreement on Trade Facilitation at Bali, questions have arisen about the extent to which the trade facilitation agenda coheres with a „development agenda in the spirit of the Doha mandate or whether it forms part of a new trade narrative for further liberalisation by developing countries, especially in the field of services (see Section 3.2).

Trade policy and the new generation ‘trade-related’ issues

3.3.1. Investment policy

With the Doha impasse there has been a proliferation of international investment treaties and investment chapters in regional trade agreements. International investment agreements (IIAs) have become increasingly controversial because of the degree to which regulatory autonomy is eroded and the nature of investor-state dispute mechanisms that allow foreign firms to institute claims against host governments. IIAs can affect the coherence between FDI, industrial and technology policy, as well as important social policy objectives. For example, mineral beneficiation and industrialisation efforts may be affected via challenges to tax regimes, and policies to promote the developmental benefits of foreign investment, such as requirements to undertake joint ventures, procure inputs locally, transfer technology or support

¹ At the 1996 WTO Ministerial Conference in Singapore, working groups on investment, government procurement and competition policy were set up and the Council for Trade in Goods was directed to examine ways to promote the simplification of trade procedures, which became known as „trade facilitation”. The four issues together became known as the „Singapore Issues” (Sandrey, 2006: 4).

domestic R&D may be constrained (CCR, 2014: 2-3). Provisions that allow foreign firms to avoid compliance with domestic laws that local investors are subject to and that allow foreign firms access to a dispute mechanism that is not available to domestic firms indicate that IIAs permit more favourable treatment of foreign over local investors (CCR, 2014: 3; Stiglitz, 2013).

Gallagher (2010) explores the policy space available in IIAs to deploy capital controls in financial crises. He finds that trade and investment agreements can significantly affect a country's ability to use capital controls in times of crisis, particularly in the case of US agreements, but also where countries have made specific financial services commitments in the WTO General Agreement on Trade in Services (Gallagher, 2010: 1-2). In the case of the WTO, however, IMF-sanctioned safeguard provisions may exist and dispute resolution is state-to-state with a sanction mechanism that involves retaliation. In addition, countries that do not have financial services commitments under the GATS are free to use capital controls on both inflows and outflows. In the case of US trade and investment agreements, capital controls on both inflows and outflows are prohibited, there are no safeguard provisions, and there is an investor-state dispute resolution system under which host governments are liable to pay compensation to investors. By contrast, the provisions of the trade and investment agreements of capital exporters like the EU, Canada, Japan and China tend to allow safeguard measures in times of crisis and balance of payments difficulty or permit a country to implement its own domestic legislative provisions at such times, although investor-state dispute settlement still applies (Gallagher, 2010: 15-17).

Gallagher and Shrestha (2011) investigate the investor-state dispute mechanism prevalent in IIAs and its impact on developing countries. They note that empirical data on disputes does not reflect the many cases where treaty provisions are used to "discourage" developing countries from implementing developmental domestic policies or to "encourage" policy changes. Gallagher and Shrestha (2011: 8-9) find that developing countries are on the receiving end of most claims, far more than their share of world investment, and that US investor claims against developing countries have, on average, been three times higher than those against high income

countries. Claims have been targeted against public policies in developing countries and the costs have been high.¹

The provisions of trade and investment agreements are out of line with much current thinking and evidence on capital flows and the impact of capital account liberalisation, particularly since the global financial crisis. With respect to orthodox arguments for capital account liberalisation, Gallagher (2010: 3) notes that “the binding constraint for some developing country growth trajectories is not the need for external investment, but the lack of investment demand. This constraint can be accentuated through foreign capital flows because such flows appreciate the real exchange rate, thus reducing the competitiveness of goods and reducing private sector willingness to invest”.² Zalk (2014: 336-339) explains that in the case of South Africa this has led to a type of “Dutch disease” with an overvalued currency that has been coupled with resources being drawn away from domestic investment in manufacturing into a bloated financial sector.

A number of developed and developing countries have reconsidered their international investment treaties in recent years. According to CCR (2014: 1), reviews have occurred in Australia, Canada, Brazil, India, Norway, South Africa, the US and the EU during the past decade. While some countries have terminated or opted not to renew IIAs because they interfere with the attainment of domestic public policy objectives and because of disagreement with the investor-state dispute mechanism, others have argued that the IIA system could be reformed by reviewing the texts of agreements and the arbitration system. However, a number of countries, including South Africa, have found insufficient evidence that IIAs promote inward investment in excess of what would have occurred in their absence (CCR, 2014; Stiglitz, 2013).

¹ CCR (2014: 4) describes how the investor-state dispute resolution framework has become a “multi-billion dollar industry dominated by a small group of 20 law firms from Western countries”. The system is evidently institutionally fragmented with ad hoc processes, reports of secrecy, and the “same small group of lawyers rotat[ing] between representing claimants and respondents, and sitting on arbitration panels, raising serious concerns over conflicts of interest”.

² See Rodrik and Subramanian (2009) and Bizziwick et al. (2015) for more discussion.

South Africa adopted a new investment policy framework in July 2010. The purpose of the new framework is “to modernise and strengthen South Africa’s investment regime by implementing a series of policy measures that will ensure South Africa remains open to foreign investment, provides adequate security and protection to all investors, while preserving the sovereign right of the South African Government to pursue developmental public policy objectives” (the dti, 2010b). The Framework was a response to the country’s review of IIAs following the challenges experienced with existing bilateral investment treaties (BITs) and, in particular, the claim instituted by Italy and Luxembourg regarding Black Economic Empowerment provisions in the Mineral and Petroleum Resources Development Act (Woolfrey, 2013). A number of existing BITs have not been renewed and the country has developed a domestic legislative framework that protects both local and foreign investment, taking into account South Africa’s public policy goals. The system provides for a dispute settlement mechanism with domestic arbitration overseen by the South African judiciary (CCR, 2014; the dti, 2010b).

3.3.2. Public procurement

While a growing literature is emerging on the implications for development policy of multilateral and regional-bilateral rules in areas such as services, investment, competition policy and trade facilitation, less work appears to have been done on the impact of international rules and disciplines in the field of government procurement and, more specifically, on the use of public procurement as a policy tool in developing countries. This area is of significant interest, however, since procurement markets comprise as much as 15-20 per cent of GDP in both developed and developing countries (Weiss and Thurbon, 2006). For many countries, discriminatory public procurement is one remaining policy tool in a rapidly shrinking development policy toolkit. Public procurement policy also has important linkages with investment, innovation, industrial and social policies. In this context, the implications for development policy of increasing pressures for multilateral and North-South regional-bilateral commitments in the field of public procurement are worth considering.

The WTO Government Procurement Agreement (GPA) is a plurilateral agreement that few developing countries have signed. Only about a quarter of (mostly OECD) WTO member countries were signatories to the 1994 GPA. Developing country participation is largely limited to EU transition economies, however, there are a number of developing countries amongst the GPA observer nations¹, with China and Panama currently negotiating accession to the Agreement. There are no independent ACP or Latin American signatories at present, and Cameroon is the only African country with observer status. The most recent revision of the GPA entered into force in April 2014 and provides for expanded coverage of government entities and services, and a new provision on corruption. The new Agreement includes “improved transitional measures” to encourage developing countries to join.

As with the case of trade liberalisation more generally, there is often a presumption that open procurement markets are the appropriate benchmark for developing countries to strive towards (Cattaneo, 2011a: 24). From a development perspective, however, there is both a theoretical and empirical literature that considers public procurement as potentially “one of the most promising innovation and industrial policy tools of our time” (Kattel and Lember, 2010: 368-369). Weiss and Thurbon (2006: 703-705) explain how the US has actively used government purchasing both to promote domestic industry and as a tool of export promotion, emphasising the longstanding importance of public procurement in the US, Canada and Europe. Kattel and Lember (2010: 371) highlight the role of GP as a demand-side tool in East Asian development policies. Since 2010, South Africa’s Industrial Policy Action Plan (IPAP) has emphasised the leveraging of public procurement in designated sectors to increase domestic production, local content and employment as a key aspect of its industrial policy and for social redress (the dti, 2014).

Kattel and Lember (2010) identify public procurement for innovation (PPfI) as a demand-side instrument through which

¹ Observer developing countries include, amongst others, Argentina, China, Colombia, India, Indonesia, Malaysia and Turkey. See http://www.wto.org/english/tratop_e/gproc_e/memobs_e.htm#parties

government can create a market for goods and services that do not yet exist, thereby stimulating innovation and developing technological capabilities. This differs from a supply-side instrument like an R&D subsidy, and facilitates learning-by-doing in the production process. The idea of public procurement as both an innovation and industrial policy tool derives from an evolutionary economic perspective on the role of technology in development, in contrast to the traditional neoclassical view of technology as similar to “any other good”. In addition, the PPfI literature provides linkages to the development of green economy sectors, which is also a focus of South Africa’s current industrial policy. In developing countries, national and (South-South) regional frameworks are often underdeveloped in this area, and it is arguably important to formulate national and potential regional positions before engaging in negotiations on procurement policy in a wider context.

Development integration

In the light of the recent experiences of many developing countries in trade and investment agreements with developed country partners, the BRICS countries should carefully consider how to promote deeper economic cooperation among member states without reproducing some of the problems associated with the orthodox approach to economic integration. The development integration approach favoured by South Africa’s trade and industrial policy-makers views economic integration as an instrument of industrial policy in particular and development policy more generally. By contrast, the orthodox linear model of market integration (effectively amounting simply to regional liberalisation) provides an inappropriate framework for integration in the development context, particularly among countries at unequal levels of development (Cattaneo, 2012; Davies, 2011). Instead of an instrument of development, the traditional view often sees integration simply as a way to facilitate broader and deeper liberalisation and insertion of developing countries into a global free trade system. There is little analysis of the developmental impact of services and investment provisions of regional agreements, for example, or the effects of financial liberalisation and broader macroeconomic aspects, or broader political economy considerations and analysis of national and regional political settlements.

The market integration approach, based on a linear progression from a free trade area to a customs union, common market and economic union (with each step involving deeper liberalisation), can be critiqued with respect to the potential for polarised development, greater inequality and concentration of investment in more developed partners. In a developing country context, integration is not about static welfare effects but rather potential dynamic benefits of a larger regional market and other prospects for cooperation to promote industrialisation and development. Adoption of a linear model of market integration in pursuit of trade benefits is a short-sighted approach. The traditional model is also inappropriate for more developed economies which nevertheless have to deal with national inequality and poverty alleviation on a large scale.

Alternatives approaches include functional integration (or integration through project cooperation) and development integration (Mutambara, 2009; Davies, 1996). Development integration, favoured by South Africa's trade and industrial policy-makers, incorporates a regional industrial development policy as well as cooperation in transport and infrastructure as keys pillars, together with the development of South-South networks of production and trade, mechanisms to ensure equitable distribution of benefits, regional development banks, special payments mechanisms, asymmetric tariff reductions, appropriate investment flows geared towards development and collaboration in international forums (Cattaneo, 2012).

4. Recent trends and challenges

The Doha impasse and the trend towards plurilaterals in the WTO

Developing country trade negotiators have argued that there has been a steady erosion of the development mandate in the Doha Round since its launch in 2001. Lack of meaningful reform on agriculture has been coupled with increasing pressure on more advanced developing countries in particular to open markets in industry and services. South Africa itself faces the prospect of deep NAMA tariff cuts because of its historical "developed country" status in the Uruguay Round. Ismail (2012a) outlines a number of important reasons for the 2008 deadlock. Firstly, shifts in the

balance of negotiating power have meant that developing countries have been able to resist demands for additional market access beyond the 2008 texts, particularly through coalitions such as the NAMA11 and G20 agriculture grouping. In addition, US lobbies and other constituencies have argued that there is “not enough on the table” to encourage developed country negotiators to conclude the Round, coupled with a lack of consensus on trade policy direction in the US (Ismail, 2012a: 57-58).

Although a Trade Facilitation Agreement was concluded at the Ninth Ministerial Conference in Bali on December 2013, in addition to a limited package on LDC issues and food security, negotiators remain sceptical about whether the Bali meeting will lend new impetus to the Doha Round or see a deepening of the trend whereby developed country interests are prioritised relative to those of developing countries (Campbell, 2014). Ismail (2015) notes that there was division among developing country groupings on the Bali Agenda, with concern about whether an agreement on trade facilitation should be concluded on its own without significant progress on agriculture and other areas of interest. South Africa’s position was that the Bali package should be “rebalanced” to take better account of developing country issues, that detailed negotiations on texts should not proceed at the Bali meeting until this had occurred, and that an outline of the work programme that would follow should be provided, together with a clear endorsement of the Doha development mandate (Ismail, 2015).

Two emerging trends that have intensified as a consequence of the Doha impasse and the limited deal reached at Bali are the trend towards the negotiation of plurilateral trade deals at the WTO and the mega-regional FTA negotiations. After the 8th WTO Ministerial Conference in 2011, discussions began on a services plurilateral agreement at the behest of services sector groupings in the US and Australia in particular. Ismail (2012a) explains that the US and Australia favour non-MFN, single issue, plurilaterals like the GPA, whereas the UK and the EU prefer an MFN approach to plurilaterals where a sector agreement would be extended to all WTO members. Many developing countries argue that plurilaterals undermine the single undertaking by de-linking the negotiation process from agriculture and other DDA issues. Ismail (2012a)

reports that in 2012 the Ministers of Brazil, India and South Africa issued a statement criticising the plurilateral agenda. China, on the other hand, has shown an interest in participating in the services trade negotiations under TISA (the Trade in Services Agreement) and joining the GPA.

Trade facilitation and global value chains

Important technical work on the measurement of trade in terms of value added and GVCs by the OECD and WTO has been accompanied by a narrative that the emergence of GVCs “provides a compelling reason for countries to have more open trade policies” (Gurria, OECD, 2012, cited in Ismail, 2013b). The argument appears to be that given the re-organisation of production and trade in global value chains, more liberalisation will necessarily be better and will benefit all countries, both developed and developing. The South African position is critical of this narrative which is seen as a way to enhance a wholesale liberalisation agenda, extended to services and related to the growing financialisation of the global economy (Ismail, 2013a,b). Draper and Lawrence (2013) imply that South African policy-makers wish to “ignore” issues related to GVCs and development. They set out a number of “policy toolkits” to facilitate the attraction of GVC investment to sub-Saharan African countries. It is arguable, however, that the South African position in fact raises the GVC narrative as an important issue in the current global environment. In addition, a number of the recommended policies are already part of South Africa’s policy toolkit. In this context, developing countries need to consider imaginative ways of forwarding their trade and industrial policy agendas in the presence of GVCs. There is an extensive underlying related literature on power relations and industrial policy in the GVC context (see, for example, Milberg et al., 2014; Kaplinsky and Morris, 2014).

Both the GVC narrative and the plurilateral agenda appear to be related to growing pressure on developing countries to open their services sectors further to developed countries. South Africa undertook extensive commitments under the GATS in the Uruguay Round. For most countries, services liberalisation is more complex and sensitive than goods liberalisation due to the social nature of services and the involvement of factor movements. In mainstream

analysis, however, the tools employed to analyse services trade liberalisation are often the same as those used in the case of goods trade. However, careful sector research is needed to assess which services should be supplied within countries, internationalised within the region, or sourced internationally. A sector-by-sector approach and sequencing are important to avoid adverse consequences for the services sector itself, as well as the broader macroeconomy (Cattaneo, 2011b).

The mega-regional FTA negotiations

The so-called mega-regional trade negotiations include the TPPA (Trans-Pacific Partnership Agreement) and the TTIP (Trans-Atlantic Trade and Investment Partnership) as well as the RCEP (Regional Comprehensive Economic Partnership). The TPPA negotiations involve Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam. The TTIP negotiations are between the EU and the US, while the RCEP comprises 10 ASEAN members as well as India, China, Japan, Korea, Australia and New Zealand. These mega-regionals are introducing an agenda for regulatory convergence with some characteristics that go beyond some of the WTO-plus provisions seen in, for example, the EPAs and international investment treaties.

The TPPA negotiations involve a range of developed and developing economies and cover regulatory convergence in areas such as trade in goods and services but also investment, intellectual property protection and even the operation of state-owned enterprises. In terms of investment, the US is pushing for investor-state dispute settlement in financial services (Rosales and Herreros, 2014). A critique by the Australian Productivity Commission (2010) has argued that this approach will inhibit host country willingness to regulate and leave economies vulnerable in the face of financial crises. This concern is heightened when the US position on capital controls is taken into account. As discussed in Section 2.3.1 this position has already been problematic in BITS and other trade and investment agreements. In the TPPA negotiations, the US appears to aim to restrict the ability to use capital controls significantly: US positions appear highly ideological, placing freedom of movement for international capital above prudential regulation...and fail[ing]

to reflect the lessons learnt from the recent financial crisis (Rosales and Herreros, 2014: 13).

Pressure for increasing intellectual property protection in mega-FTAs is related to the strong US lobby in this area; provisions are highly controversial in terms of public health and industrial policy issues. With regard to the operation of state-owned enterprises, the US is proposing “competitive neutrality” between SOEs and private sector firms (Rosales and Herreros, 2014). This would affect (for example) loans on beneficial terms by DFIs and public procurement policies. Furthermore, agriculture is off the table in the mega-regionals, while US agriculture, banks and financial institutions benefit from massive subsidies and bailouts. These so-called “modern” agreements are selective, and focused on areas of interest to developed countries.

5. Lessons for the BRICS economic cooperation agenda

This concluding section examines emerging BRICS positions in some of these areas and the lessons that can be learnt from the South African perspective for the prospects of creating a BRICS-wide market and moves to deepen economic cooperation among the BRICS countries. The analysis involves an examination of BRICS statements and communiqués to obtain an understanding of evolving BRICS views and to explore any apparently contradictory positions. These views are then discussed in relation to the South African positions outlined earlier in the paper and their underlying rationale. The documents examined include the main BRICS Summit statements, joint communiqués of the BRICS Trade Ministers from 2012 to 2014 (BRICS, 2012a, 2013a, 2014a), the BRICS Trade and Investment Cooperation Framework (BRICS, 2013b), the BRICS Trade and Investment Facilitation Plan (BRICS, 2014b), the BRICS.

Statement on International Investment Agreements (BRICS, 2014c), the 2014 recommendations of the BRICS Think Tanks Council (BRICS, 2014d), as well as the Trade Ministers’ Statements on the side-lines of the 8th WTO Ministerial Conference in 2011 and the first G20 Trade Ministers’ Meeting in 2012 (BRICS, 2011b and 2012b). Statements made in 2013 by the BRICS Business and Trade Union Forums, as well as the BRICS Business Council, are also examined.

In its formative years critics referred to the BRICS grouping as simply “a political talk shop or club” trying to increase its global negotiating influence. Tisdall (2012) points to the lack of concrete outcomes between 2009 and the 2012 New Delhi Summit as the reason for this (largely western) perspective. While the group’s promoters argue that it will seek to create a new global political, economic and financial architecture in a multi-polar world, critics see the group as “fundamentally incompatible” as its members are in “strategic competition” with one another. However, in terms of economic governance issues there is arguably much common ground and practical developments during and since the 2013 Durban Summit have significantly altered the “political talk-shop” perception of the group. Notwithstanding the importance of BRICS cooperation on political and security issues and their overlap with economic issues, the focus of this section will be on prospects for coherent BRICS positions with respect to the global economic and financial architecture, as well as the nature of evolving BRICS cooperation in trade, investment and finance.

The joint statements of the BRICS Trade Ministers from 2012 to 2014 follow a common structure, with sections covering global economic developments, the state of play in the Doha Round, cooperation in other multilateral fora and intra-BRICS economic cooperation. The 2013 Durban joint statement includes a section on BRICS partnership to support Africa’s development agenda, in line with one of South Africa’s key focal points in its interaction with its BRICS partners, as outlined in its Trade Policy and Strategy Framework update document.

With respect to global economic developments, the statements all express concern about the difficult global economic environment, with particular reference to increasingly volatile capital flows and commodity prices. They also reiterate “the need to resist protectionist tendencies and to promote international trade as an engine of economic growth and development, while respecting the WTO consistent policy space available to developing countries to pursue their legitimate objectives of growth, development and stability” (BRICS, 2013a). The 2012 New Delhi statement goes further to pinpoint developed country agricultural subsidies as “undermin[ing] the food security and development prospects of

developing countries particularly LDCs” (BRICS, 2012a). The corresponding section of the 2014 Fortaleza statement uses the phrase “refrain from” protectionist tendencies, rather than “resist” protectionist tendencies, with a somewhat different inference. Nonetheless, the BRICS statements indicate clear common positions on developed country policy responses to the global crisis; on reform of global economic and financial architecture especially IMF; on the central role of the WTO and a greater role for UNCTAD.

BRICS cooperation at the WTO

Cooperation among some of the BRICS countries, specifically India, Brazil and South Africa, at the level of the WTO pre-dates the introduction of the BRIC acronym and the subsequent moves by the BRIC countries towards a political dialogue forum in the 2006 to 2008 period (Thorstensen and Oliveira, 2014; Ismail, 2015, 2012b). From 2003 the cooperation of India, Brazil and South Africa within the WTO context intensified, with the three countries playing a key role in the G20-Agriculture grouping (with China) and in the NAMA-11. Thorstensen and Oliveira (2014) provide a detailed analysis of individual and emerging BRICS positions across a range of trade policy issues within the WTO. They conclude that a convergence of interests is most likely among the BRICS countries in relation to NAMA, technical barriers to trade and SPS measures, services, investment and new themes such as exchange rates and food security.

BRICS positions on international investment agreements, plurilaterals and the megaregional FTAs

Whether there are coherent BRICS positions on plurilaterals, mega-regionals and international investment agreements is much less clear. The 2012 BRICS Summit statement states that the BRICS countries “do not support plurilateral initiatives that go against the fundamental principles of transparency, inclusiveness and multilateralism. We believe that such initiatives not only distract members from striving for a collective outcome but also fail to address the development deficit inherited from previous negotiating rounds”. However, direct criticism of plurilaterals is absent from the 2013 and 2014 Summit statements.

The BRICS statement on international investment agreements that was released following the 2014 Summit in Fortaleza

highlights the contribution that FDI can make to development “when integrated into national development strategies” (BRICS, 2014a). Paragraph 2 states that BRICS Member States note that International Investment Agreements may, depending on their formulation, promote investment liberalization and protect the rights of investors. Investment agreements should strike a balance between the protection of investors and the Government’s sovereign right to regulate in the public interest. In this regard, a robust national legal framework is conducive to the effective protection to both domestic and foreign investments.

While the first sentence of the paragraph seems almost deliberately to fall short of a direct criticism of IIAs, the rest of the paragraph highlights the essential problem with these agreements. Furthermore, Paragraph 3 states that “BRICS Members States call for further improvements of International Investment Agreements, including in their dispute settlement mechanisms”. This suggests that the BRICS countries agree that the investor-state dispute settlement system is flawed, although this is not stated explicitly. By contrast, South Africa’s investment policy statement of 2010 was more explicit in its criticism (see Section 2.4.1), not least because of the country’s experience of a claim instituted by a group of European investors against its Black Economic Empowerment regulations in mining.¹

Some discussions exploring the prospects for deeper economic cooperation among the BRICS countries have suggested that international investment agreements should be signed among the BRICS countries as a way of expanding investment relations within the group. Before considering such agreements, however, the BRICS countries should research the experiences of developing countries with such treaties, particularly those countries that have undertaken BITS reviews or had onerous claims laid against them.² It is important to ensure that the provisions of any such agreements do not infringe on public policy responsibilities of member states. Indeed, the final paragraph of the joint 2014 BRICS statement recommends that BRICS member states “build common approaches

¹ See Woolfrey (2013).

² See, for example, the discussion in Gallagher and Shrestha (2011).

in various multilateral dialogues on international investment policy”.

BRICS perspectives on deepening economic cooperation and the possible creation of a BRICS-wide market

The BRICS long-term strategy document makes reference to market integration among the BRICS countries in trade, investment and finance. It does not include any discussion of industrial policy. However, there has been much renewed discussion of industrial policy since the global financial crisis, both among policy-makers and across a range of international agencies, particularly UNCTAD, as well as the ILO. Given the importance that the BRICS communiqués attach to the role of UNCTAD, research and discussion on industrial policy in the BRICS context is important. Similarly, BRICS positions on strategic tariff policy are unclear (it appears to be most important to South Africa and India), and tensions are evident with respect to the use of trade remedies. There is an emphasis on the development of value added trade relations within BRICS, but no explicit discussion in the documents reviewed of how this is to be achieved.

Deepening BRICS economic cooperation and the possible creation of a BRICS-wide market will involve integration among countries at unequal levels of development. The discussion in Section 2.5 suggests that the traditional linear model of market integration provides an inappropriate framework for intensifying economic cooperation among the member countries. Functional and development integration provide alternatives to consider.

BRICS research is needed on the prospects for intra-industry trade specialisation within BRICS, examining trade and investment flows at an appropriate level of disaggregation, on the industrial policies of the member countries, and on the trade and industrial policy implications of GVCs and the trade facilitation agenda, as well as other “new” trade issues like services, investment and public procurement. A joint policy response is recommended on plurilaterals within the WTO, on mega-regional FTA negotiations and development policy space.

The question that arises is whether South-South developmental integration could be “an instrument” of trade and industrial policy in the BRICS context. In this regard, it should be noted that

regional policy and regional cooperation should not be equated with regional liberalisation. Appropriate national policies and regulatory frameworks are first required in some of the new trade areas under discussion in multilateral and regional-bilateral agreements. Development finance institutions become more critical in this environment, as does cooperation among individual BRICS development banks and the New Development Bank. The important question is how to extend the idea of a strategic trade and industrial policy effectively to the broader BRICS level to drive industrialisation and development.

CHAPTER 5

ICT AND INTERNET GOVERNANCE BRICS AS A COLLECTIVE LEADER

Digital Liberty, the Knowledge Commons and Some Challenges for the Governance of Information and Communication Technologies and the Internet for Brazil, Russia, India, China and South Africa (BRICS)

Rasigan Maharajh¹

Abstract

This paper explores the challenges posed by the current dynamics in the political economy of ICTs and the Internet for Brazil, Russia, India, China and South Africa (BRICS). The paper comprises four sections. After an introduction, which broadly defines the domains and identifies the focus of the paper, we turn our attention to an exploration of some of the contemporary dynamics in the political economy of ICTs and the Internet, including some aspects of ICTs, Internet infrastructures, global knowledge and culture, and the debate concerning the governance of the Internet. Section 3 provides a brief economic history of ICTs and the Internet in the BRICS with a particular emphasis on South Africa. The fourth and concluding section synthesises the paper and recommends a strategic orientation appropriate to the progressive objectives articulated by the BRICS in working together and seeking to realise a better world-order for all.

¹ Institute of Economic Research on Innovation, Tshwane University of Technology

Keywords

Information and Communications Technologies, Internet, Political Economy, Brazil, Russia, India, China and South Africa (BRICS), and Governance.

1.0 Introduction

That the world of today is qualitatively and quantitatively very different from that experienced a mere century ago appears incontrovertible. Interestingly, in 1837 Vladimir Odoevsky had already envisioned a very different scenario when he described the world in the year 4338. With a scenario horizon still 2,323 years ahead of us, Odoevsky foresaw a much better world where science, technology and innovation shrunk vast distances through connectivity: “Houses are connected by means of magnetic telegraphs that allow people who live far from each other to communicate”. Besides the Internet, Odoevsky also presented a vision of communications that largely resembles the contemporary practice of “blogging”: “The thing is that many households here publish such journals that replace common correspondence. Such journals usually provide information about the hosts’ good or bad health, family news, different thoughts and comments, small inventions, invitations to receptions” (ibid.). Underpinning such fantasies however was a very material and physical reality. In 1822, Charles Babbage demonstrated a scaled version of his Difference Engine, a mechanical computer composed of components such as brass gear wheels, pinions, ratchets, and rods. Just over a century from Babbage and just short of a century since Odoevsky, Alan Turing published a paper in 1936 which described an abstract digital computing machine which would be controlled by the machine’s operations by means of a programme of coded instructions stored in the computer’s memory and thereby establishing the principles of the modern computer. Now, seventy-nine years later and we inhabit a world awash with digital technologies and ubiquitous connectivity derived from advances in the fields of information and communications technologies (ICTs).

The United Nations Development Programme (UNDP) defines ICTs as “information-handling tools” that comprise mainly of a varied set of goods, applications and services that are used to produce, store, process, distribute and exchange information. The

early generation of ICTs included newspapers, radios, telephones and televisions. The subsequent generation of ICTs included computers, mobile telephony, satellites, wireless technologies, and the Internet. The next generation of ICTs have been speculated to advance along the trajectories of digital convergence and ubiquity. The International Standard Industrial Classification of All Economic Activities defines the ICT sector as enterprises concerned with the production of goods and services that “must primarily be intended to fulfil or enable the function of information processing and communication by electronic means, including transmission and display” (UN: 2008: 278). ICTs are also infrastructure technologies that “cut across all economic activities and have a wide range of applications, offering the potential for increased availability of information, new communication opportunities, reorganisation of productive processes and improved efficiency in many different economic activities” (UN: 2003).

The Internet is a worldwide system of interconnected networks and computers utilising the Transmission Control Protocol — Internet protocol (or TCP/IP). The origin of the term: Internet derives from “internetworking” which means interconnecting computer networks with gateways. Whilst the Internet generally acts as a means of transporting content (information), this role has changed with the times. The intangibility of information means that it possesses characteristics that are both non-fungible and non-rival, meaning that it is not consumed exclusively by a single person. Thus, the Internet of today allows for the multiplicitous (sic) replication of information and its copying.¹ Originally, only four host computers were connected together into the initial Advanced Research Projects Agency Network (ARPANET) at the end of 1969. In the current times, the Internet has become a critical prerequisite for many types of communication, information access, and participation in global cultural, social, political and economic processes. Because of its strategic role, the Internet could also be considered as a “component of the global digital divides that serve to amplify the differences between the privileged and underprivileged” (Graham: 2011).

¹ The author is grateful to Andrew Rens for emphasising this point.

The artefact that is the World Wide Web (WWW) was invented by Tim Berners-Lee as a mechanism to meet the demand for information sharing between physicists in universities and institutes around the world in 1989. According to the World Wide Web Consortium (W3C), “WWW is an information space in which the items of interest, referred to as resources, are identified by global identifiers called Uniform Resource Identifiers (URI).” The first website¹ was located at Conseil Européen pour la Recherche Nucléaire (CERN)² in 1991. CERN put the World Wide Web software into the public domain in 1993 and made the next release available with an open licence. According to Netcraft, there were 849,027,856 web-sites³ and 5,228,046 web-facing computers⁴ in April 2015 (2015). Whilst this large number represents massive log-scale growth, the monthly fluctuations are immense and a peak of one-billion⁵ websites on the internet was apparently achieved in September 2014 (ILS: 2015).

Working together, ICTs have combined into a global infrastructure of interconnected information and communications. Whilst technically discrete, it is important to note that “(a)ll computing systems, and therefore all web applications, and also all forms of media can be considered as social because they store and transmit human knowledge that originates in social relations in society. They are objectifications of society and human social relations” (Trottier and Fuchs: 2015: 5). The United Nations had warned, now almost twelve years ago, that “... technological research, innovation and capabilities remain concentrated in a limited number of countries. There is growing concern that many developing countries are being left behind, not able to participate

¹ <http://info.cern.ch/>

² The European Council for Nuclear Research was in 1952 with the mandate of establishing a world-class fundamental physics research organisation in Europe.

³ A unique hostname which can be resolved, using a name server, into an IP Address.

⁴ Computers acting as web servers on the internet.

⁵ This was ‘tweeted’ by @timberners_lee as “internetlivestats.com/watch/websites/ recently passed a billion websites by their count....” at 17h20 on the 16 September 2014.

in shaping these technologies and deprived of the benefits of technology and ICTs. Such marginalisation has led to serious inequalities within and between nations and created what has been termed the “digital divide” (UN: 2003: 4).

Expanding knowledge frontiers within the fields of computer science, electronic engineering, telecommunications and geoinformatics, amongst others, have helped shape competence areas such as data and information management, software engineering, and ICTs. Associated with this phenomenon has been the fairly explicit assumption that an increased diffusion of ICTs contributes to economic development, social connectivity and a redress of knowledge asymmetries. These potentialities, whilst generally realised in some parts of the world, are not universally shared nor equally developed. It therefore remains imperative to better appreciate the underlying dynamics of the political economy and the socio-economic forces that shape the digital paradigm.

In this vein, Evgeny Morozov warned against the folly of technological determinism (2013). This scepticism builds upon his earlier argument that the Internet does pose a double-edged sword dilemma (2011). Whilst there are revolutionary and progressive potentials embedded within ICTs and the Internet, countervailing threats to their realisation also pose a real and credible risk (*ibid.*). As evidenced by the courageous exposures by Edward Joseph Snowden¹ and the late Aaron Hillel Swartz², ICTs and the Internet are not free from the political economy dynamics within which they are located and the politics of empire that seeks to maintain and extend the historically determined global hegemony occupied by the core more mature capitalist economies of the world. As noted by Christian Fuchs, the “(p)roduction and use of digital media are

¹ Edward Snowden is currently residing in Russia under threat of criminal prosecution by the government of the United States of America (USA) for disclosing the scale and extent of espionage and surveillance perpetrated by that country’s National Security Agency.

² Aaron Swartz, an inductee onto the Internet Hall of Fame by the Internet Society, unfortunately committed suicide under threat of criminal incarceration by the federal authorities of the USA for his activism in promoting access to the information assets on the Internet. He published the *Guerrilla Open Access Manifesto* in 2008.

embedded into multiple forms of exploitation. The information society is first and foremost a capitalist class society” (2014). Significant civil society initiatives such as the “Association for Progressive Communications”¹ and “IT for Change”² continue to advance the struggle for progressive ICT and Internet governance reforms.

This paper explores the challenges posed by the current dynamics in the political economy of ICTs and the Internet for Brazil, Russia, India, China and South Africa (BRICS). The paper highlights the need for a global regulatory and governance regime that supports national actions and capability-formation to better harness the potential of ICTs and the Internet. The paper comprises four sections. Next we turn our attention to an exploration of some of the contemporary dynamics with ICTs and the internet considered within a political economy perspective, including some specific aspects of ICTs, Internet infrastructures, global knowledge and culture, and the debate concerning the governance of the Internet. Section three provides a brief economic history of ICTs and the Internet in the BRICS, with a particular focus on South Africa. The fourth sections concludes the paper and makes recommendations for consideration about some strategic options for BRICS under in its goal of realising a better world-order for all.

2.0 Contemporary Dynamics in the Political Economy of ICTs and the Internet

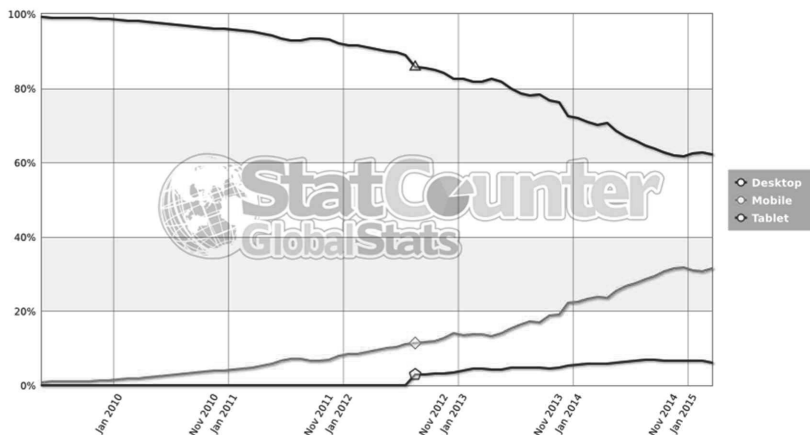
Globalisation has indeed ensured that our contemporary conjuncture is characterised by an increased integration of production, distribution and consumption through globalisation. In this period of immense change, intense rivalries are emerging between the more mature capitalist economies and the rapidly emerging developing countries of the world. Simultaneously, the world was also experiencing profound transformations in the organisation of work, and the generation of enterprise driven

¹ The APC is a pioneer organisation for ICT mobilisations and began in 1990.

² IT4C is a non-governmental organisation based in India that plays a significant role in advancing debates on the international governance regime for ICTs and the Internet. It has engaged variously with the BRICS, most recently in the Russia Internet Governance Forum in 2015.

largely by the accelerated diffusion of ICTs and the Internet. Indeed, it would appear that the Age of Information Technology comprising global digital telecommunications and ICT support networks, has operated as the fifth Techno-Economic Paradigm (TEP) of the end of the 20th Century (Perez: 2002). As noted by Perez, a TEP is “is a set of principles for the most efficient and adequate organisations and practices for using the potential of each technological revolution. It evolves and diffuses with each revolution making obsolete the practices and structures of the previous revolution and becoming the new “common sense” (Perez: 2014: 3). The logarithmic-scale rise in the ubiquity of the Internet has also witnessed the rise of competing technological platforms through which people access the WWW. Figure-One shows the decreasing share of desktop devices in the face of rising mobile services, including Tablet versions.

Figure 1: ICT Platforms (2009 — 2015)

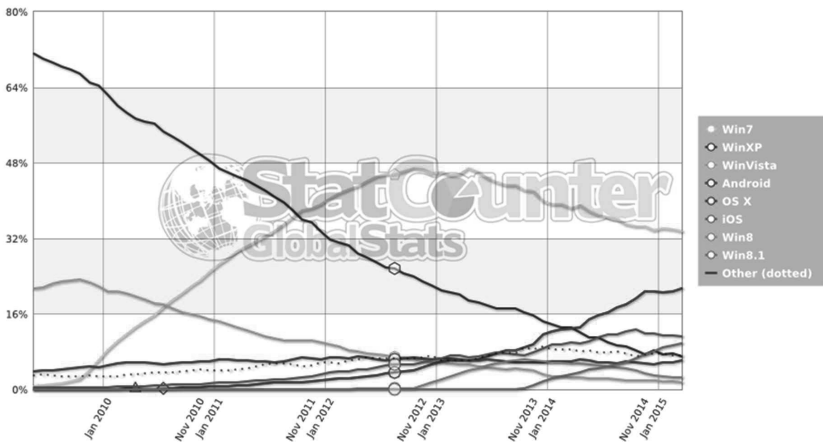


Source: Stat Counter Global Statistics: 2015

The rise of mobile platforms has also brought about significant changes in the total shares of competing operating systems. Figure-Two shows the eight main operating systems through which people access the Internet. This data also shows the persistence of the monopoly of the Microsoft Corporation which owns five of

the top eight operating systems (Win7, WinXP, WinVista, Win8, and Win8.1). The other three are Android which was developed by Google and the Apple Corporation’s OS X and iOS. Four of the eight are also Mobile Operating Systems as opposed to being Desk-top Operating Systems. Three transnational corporations essentially own the critical software that manages computers. This generalised oligopoly poses threats to interoperability and new entrants to the market.

Figure 2: Main Computer Operating Systems (2009 — 2015)

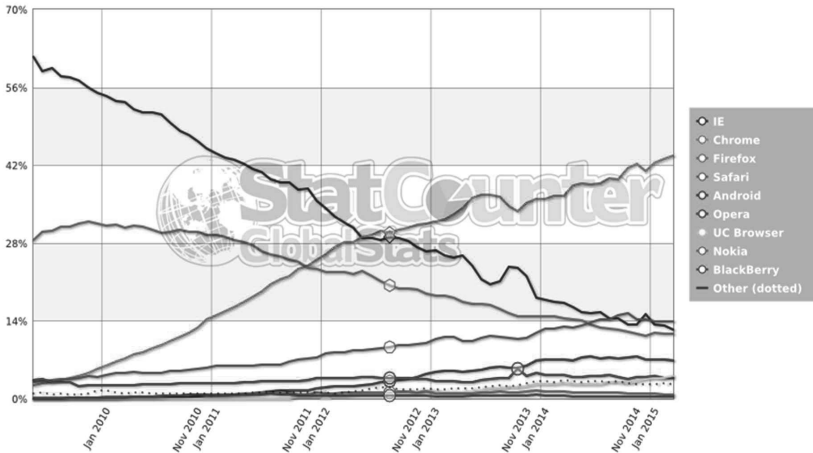


Source: StatCounter Global Statistics: 2015

“Browsers” enable access to the Internet. Figure-three shows the nine main browsers currently used globally. The dominance of the proprietary Microsoft product: Internet Explorer has decreased significantly. It was estimated that Microsoft had approximately 90% of the user-market in 2003. As noted by Glenn Pound, “(w)ith no serious rivals, and enormous profits, they had the resources to explore new ground. Their strategy was to develop their own counterparts to the standard web programming languages, languages that could only be read by their IE browser” (n/d). Resistance to this monopoly resulted in the establishment of the Mozilla Foundation which sought to counter this threat to innovation and return the web back to the open standards that it was founded

upon (ibid.). Mozilla’s Firefox clawed back at the monopolisation by Microsoft’s Internet Explorer. Subsequently, Google’s Chrome has experienced the largest growth in the recent past.

Figure 3: Main Browsers (2009 — 2015)

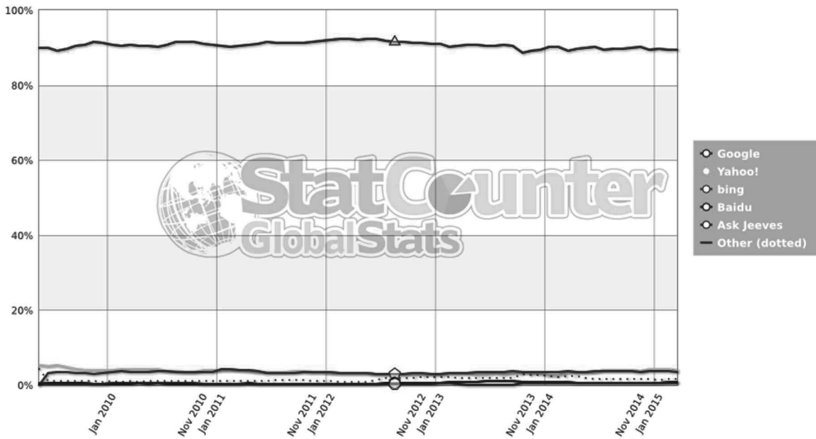


Source: Stat Counter Global Statistics: 2015

Google is one of the largest global transnational corporations. It is headquartered in Mountain View in the USA and is estimated to be valued at US\$133,400 million as at the end of March 2014.¹ The huge size is maintained and extended through its dominance of the market in Internet Search Engines. These are software systems designed to search for information on the WWW. Figure-four shows how the lead of Google appears unassailable. All other competitors are at less than ten percent. Whilst Google had a share of approximately 30% in China in 2010, it has dropped to 2% as Chinese web services companies such as Baidu, Haosou and Sogou have grown in popularity. In its domestic markets, Russia also has a strong alternative in the form of Yandex has nearly 41% relative to Google’s 50%. In India and South Africa, Google dominates performing over 95% of all Internet searches.

¹ Cf. https://investor.google.com/earnings/2015/Q1_google_earnings.html

Figure 4: Main Global Internet Search Engines (2009 — 2015)



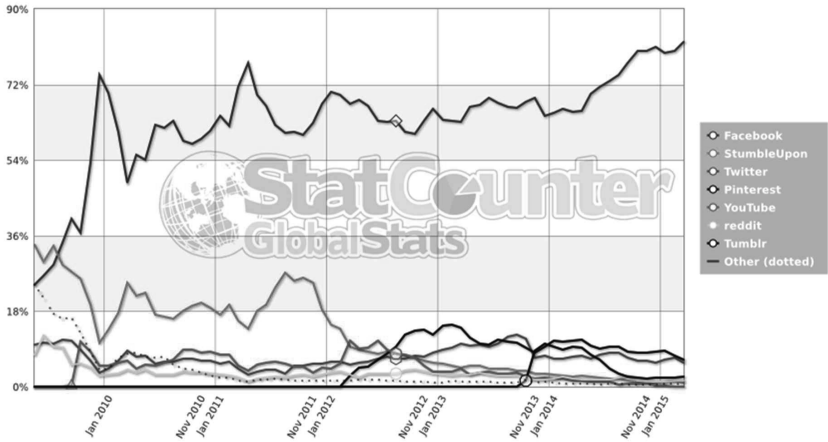
Source: Stat Counter Global Statistics: 2015

The growth and diffusion of ICTs and the Internet enabled the emergence of Social Media. Figure-five shows the most popular global social media sites. Seven of these sites were built using an English-language interface. StumbleUpon was larger than Facebook in 2009. By 2015 the situation had radically changed. Now Facebook is the main global social media website. It already holds over 80% of the market. Facebook had more than a billion users or 1/7 of the global population in 2015. With this market dominance, Facebook has also become a critical vehicle through which advertising is currently being sold. It can be seen that the logic of advertising revenue generation plays a large role in determining the strategies of the social media sites. So Taylor suggests that the “main source of Facebook’s profits is other firms” advertising expenditure; but this in turn depends on the surplus extracted from workers who produce “actual things” (2014). Fuchs utilises Marx’s concept of surplus value to argue that capital accumulation in this period is based on the infinite exploitation of presumes¹ who are sold

¹ An original formulation of this term is in Alvin Toffler’s blending of a producer and a consumer (1980) and the subsequent portmanteau of the terms professional and consumer. A fuller description and use of the term is found in Fuchs (2012a).

as Internet presume commodity to advertising clients (2010). For Fuchs therefore, the users of social media as part of the proletarian class that is exploited by capital (Ibid.).

Figure 5: Most Popular Global Social Media Sites (2009 — 2015)



Source: Stat Counter Global Statistics: 2015

Furthermore Taylor states the Internet has a distinctly “earthly” reality and can be decomposed into three different layers: physical infrastructure (cables and routers); software (code, applications); and content (2014). With respect to content, the current situation contrasts with the multiple distribution grids that previously diffused film, radio, telephony, and TV. These are now increasingly being carried on cable or wireless platforms that are monopolised by a handful of transnational corporations. According to Mark Surman, the Executive Director of the Mozilla Foundation, “(n)ever in the modern history of humanity have we seen the kind of narrow control on the distribution of cultural goods that we are seeing today” (Pound: n/d). As we move deeper into the 21st Century, just three main platforms: Android, Apple, Microsoft control how books, software, music, and movies are being consumed on the Internet. A smaller set of transnational corporations such as Amazon, AT&T, CBS, Comcast, Condé Nast, Disney, Facebook, Fox, Google, Reddit, Sony, Spotify, TimeWarner and Vice Media are

enjoined with the three to constitute the core enterprises defining the future of ICTs and the Internet.

Aron Swartz had argued that, “(i)nfornation is power. But like all power, there are those who want to keep it for themselves. The world’s entire scientific and cultural heritage, published over centuries in books and journals, is increasingly being digitised and locked up by a handful of private corporations” (2008). Access to digital information is mediated through the ICTs and the Internet. According to the UN, “while there is continuing diversification in Internet content and language, much still needs to be done to improve equitable access to content, especially in minority languages. At the end of 2013, there were an estimated 185 million active websites and 245 million Internet domains. Internet content has become linguistically more varied and automated translation is becoming more effective. The proportion of websites registered in developed countries has remained relatively constant, at about 80 per cent” (2015: 17). On a world-systems basis, most of the growth being experienced globally is originating in the fast emerging developing countries.

Much of the global infrastructure of ICTs and the Internet, both hardware and software, is owned by transnational corporations that originated in the USA. Whilst they continue to occupy physical space in North America, the actual registration of the companies have increasingly been shifting to territories which are considered as “tax-havens”¹. Figure-six reveals a “staggering amount of inequality in the geography of the production of academic knowledge” albeit through the coverage of 9,500 journals taken from the Web of Knowledge Journal Citation Reports (JCR). Whilst this does not represent the entirety of all published journals, the influence of the JCR, and its claims to provide a “systematic, objective means to critically evaluate the world’s leading journals,” means it does provide an important visualisation to appreciate the geography of academic knowledge (Graham et al: 2011).

Figure 6: The Location of Academic Knowledge (2011)

Figure-six shows that the USA and the United Kingdom (UK) published more indexed journals than the rest of the world

¹ Note on Amazon and tax liabilities in the UK



The Location of Academic Knowledge

Visualization and analysis by Dr. Mark Graham, Scott A. Hale and Monica Stephens in collaboration with Dr. Corinne M. Flick and the Comenco Foundation.

Journals published: 100 50 25

Average impact factor: 10.10 3.00

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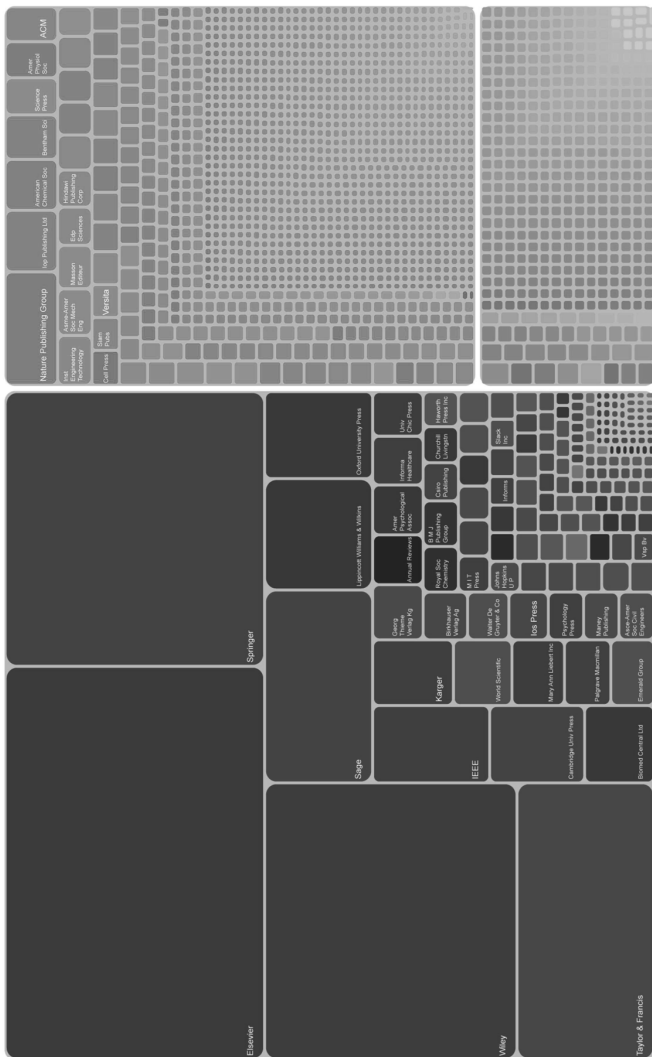
combined. Western Europe, in particular Germany and the Netherlands, also scored relatively well. Most of the rest of the world is scarcely represented in these rankings. This is starkly illustrated by the representation of Switzerland which is % the size of Africa yet is depicted as more than three times the size of an entire continent. Besides these few countries, the rest of the world is not only under-represented in these rankings, but also ranks poorly on average citation score measures. Despite the large number and diversity of journals in the USA and the UK, those countries manage to maintain higher average impact scores than almost all other countries. Figure-seven looks at the various publishers of scientific fields across the broad domains of the two cultures¹ sciences and social sciences.

Figure 7: Academic Knowledge and Publishers

Figure-seven shows how that a large number of publishers generated a large number of scientific journals. Despite the absence of linguistic and geographic diversity in academic publishing, there remained a surprising lack of concentration amongst journal publishers. Within the groups of publishers that focus only on journals in the sciences or social sciences, the publication of journals was distributed through many organisations and companies. The larger group of publishers that control both science and social science journals, on the other hand, were characterised by a greater degree of concentration and attention is drawn here specifically to “Springer, Wiley-Blackwell, Elsevier and Taylor & Francis control a large amount of the academic publishing market and all have relatively high average citation scores” (Graham et al: 2011).

As BRICS, we should be emboldened by the words of the late Aaron Swartz and recognise that “(w)ith enough of us, around the world, we’ll not just send a strong message opposing the privatisation of knowledge — we’ll make it a thing of the past. Will you join us?” (2008). Swartz was found hung to death on the 11 January 2013. In a statement issued by his partner and his family, it was noted that the death of Aaron Swartz was “... the product of

¹ A pun on the famous Rede Lecture by Charles Percy Snow (1959) “The Two Cultures and the Scientific Revolution,” Cambridge University, Cambridge.



Academic Knowledge and Publishers

Visualization and analysis by Dr Mark Graham, Scott A. Hale and Monica Stephens in collaboration with Dr Corinne M. Fleck and the Convoxa Foundation.

This map and other visualizations can be found on the OII visualization website at <http://www.oii.ox.ac.uk/viz/>

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a criminal justice system rife with intimidation and prosecutorial overreach. Decisions made by officials in the Massachusetts U.S. Attorney's office and at MIT contributed to his death. The US Attorney's office pursued an exceptionally harsh array of charges, carrying potentially over 30 years in prison, to punish an alleged crime that had no victims" (2013)¹. It is on this real experience that we shift our attention to the contemporary contestations over the international governance of the Internet.

The World Summit on the Information Society (WSIS) was organised by the International Telecommunication Union on behalf of the United Nations and took place in two phases: the first, in Geneva (2003), the second, in Tunis (2005). In the Geneva Declaration of Principles, the first phase of the Summit adopted a common vision and commitment to building a people-centred, inclusive and development-oriented information society. The second phase endorsed the outcomes of the first phase and adopted the Tunis Commitment and the Tunis Agenda for the Information Society, which addressed, inter alia, the themes of financial mechanisms and Internet governance. The latter declared that the "international management of the Internet should be multilateral, transparent and democratic, with the full involvement of governments, the private sector, civil society and international organisations. It should ensure an equitable distribution of resources, facilitate access for all and ensure a stable and secure functioning of the Internet, taking into account multilingualism" (WSIS: 2005: 6).

Virgilio Fernandes Almeida provided an apt metaphor to appreciate the current contestation over the complex domain of ICTs and the Internet when he argued that "We can see in a rainforest that we have many processes at many levels operating simultaneously to shape its development. The same is true for the Internet. We can't govern it but we can damage or even destroy it with certain actions" (2015)². Dilma Rousseff, the President of Brazil, in her speech to the 68th Session of the United Nations General Assembly on 24 September argued that "(i)nformation and communications

¹ <http://www.rememberaaronsw.com/memories/>

² Professor at the Federal University of Minas Gerais and chair of Netmundial conference at the UNESCO High-Level Governmental Dialogue, Tuesday, 3 March 2015.

technologies cannot be the new battlefield between States. Time is ripe to create the conditions to prevent cyberspace from being used as a weapon of war, through espionage, sabotage, and attacks against systems and infrastructure of other countries” (2013).

One of the software programmes exposed by Snowden was the USA government’s National Security Agency’s Treasure Map which provides a “near real-time, interactive map of the global Internet” and apparently uses “red core nodes” as visual indicators which outline the carriers and private networks which have already been accessed by the Five-Eyes¹. These red-signalled locations denote signals intelligence points-of-interest, and effectively comprise a visual map of network nodes currently or recently under surveillance. This software is also capable of mapping routers and end-user devices attached to the networks that they facilitate and instructs its analysts to “map the entire Internet” on a constant basis and at device-level detail (Müller-Maguhn et al: 2014).

The leaders of African Network Information Centre (AFRINIC), American Registry for Internet Numbers (ARIN), Asia-Pacific Network Information Centre (APNIC), Internet Architecture Board (IAB), Internet Corporation for Assigned Names and Numbers (ICANN), Internet Engineering Task Force (IETF), Internet Society (ISOC), Latin America and Caribbean Internet Addresses Registry (LACNIC), Réseaux IP Européens Network Coordination Centre (RIPE NCC) and the World Wide Web Consortium (W3C) met in Montevideo, Uruguay, to consider current issues affecting the future of the Internet in October 2013. These institutions are primarily responsible for the coordination of the Internet technical infrastructure globally. These ten organisations expressed “strong concern over the undermining of the trust and confidence of Internet users globally due to recent revelations of pervasive monitoring and surveillance” (ICANN: 2013).

The Montevideo Statement on the Future of Internet Cooperation “identified the need for ongoing effort to address Internet Governance challenges, and agreed to catalyse community-wide efforts towards the evolution of global multi-stakeholder Internet cooperation” and called for “accelerating the globalisation of ICANN and IANA functions,

¹ This is a reference to espionage agencies of Australia, Canada, New Zealand, the UK and the USA.

towards an environment in which all stakeholders, including all governments, participate on an equal footing” (ibid.). The government of the USA however argued that “(w)e believe it is wise to avoid excessive deliberation on issues known to divide participants beyond a distance that can reasonably be bridged in two days. For example, we would discourage meeting participants from debating the reach or limitations of state sovereignty in Internet policy. We are optimistic that NET mundial can meaningfully contribute to the development of Internet governance principles by focusing on those topics that enjoy broad support” (USA: 2014).

The 9th Annual Internet Governance Forum (IGF) was held in Turkey in September 2014. According to the UN, the IGF enabled “all stakeholders to exchange knowledge and ideas about the development of the Internet. ... Discussions in the main sessions focused on a number of themes, including policies enabling access, growth and development, network neutrality, the role of ICANN and the stewardship transition of the Internet Assigned Numbers Authority functions and the evolution of the Internet governance ecosystem, including the role of IGF” (2015: 20).

The continued inability for the multilateral system to generate an effective and binding global agreement has resulted in the emergence of initiatives driven largely from civil society. These include the following two processes that are being taken forward. First, the Internet Social Forum (ISF) was launched at the World Social Forum, 2015, in Tunis, through a workshop entitled “Organising an Internet Social Forum — A Call to Occupy the Internet”. The workshop gathered together over civil society organisations¹ and emerged with a call to hold an Internet Social

¹ Just Net Coalition, P2P Foundation, Transnational Institute, Forum on Communication for Integration of our America, Arab NGO Network for Development, Agencia Latinoamericana de Información, Alternative Informatics Association, Knowledge Commons, Open-Root/EUROLINC, SLFC.in, CODE-IP Trust, GodlyGlobal.org, Centre for Community Informatics Research, Development and Training, IT for Change, Association for Proper Internet Governance, Computer Professionals Union, Free Press, Advocates of Science and Technology for the People, Other News, Free Software Movement of India, Global Geneva, Solidarius (Solidarity Economy Network), All India Peoples Science Network, Institute for Local Self-Reliance — Community Broadband Networks, Digital Empowerment Foundation, and Instituto del Tercer Mundo.

Forum (ISF) and develop a People's Internet Manifesto. The ISF is intended as a space to vision and build the "Internet we want" and which would be underpinned by values of democracy, human rights and social justice. It is anticipated that the People's Internet Manifesto would stand for participatory policymaking and promote community media. It would also seek an Internet that is truly decentralised in its architecture and based on people's full rights to data, information, knowledge and other "commons" that the Internet has enabled the world community to generate and share.

Second, is the Web We Want campaign which has suggested five key principles: 1) Freedom of expression online and offline; 2) Affordable access to a universally available communications platform; 3) Protection of personal user information and the right to communicate in private; 4) Diverse, decentralised and open infrastructure; and 5) Neutral networks that don't discriminate against content or users (WWW Foundation: 2014). This campaign is apparently aligned with the vision of the UN's Declaration of Human Rights, is orientated towards social justice and seeks to generate a 'Magna Carta for the Internet' (Tim Berners-Lee: 2014). From these emergent alternatives in advancing a new international regime for the governance of the Internet, we turn to the ICTs and the Internet in the BRICS countries.

3.0 ICTs and the Internet in the BRICS

According to the Partnership on Measuring ICTs for Development "over 90 per cent of the world's population is now covered by mobile networks. The number of mobile subscriptions is almost equal to the world's population. Almost 50 percent of the world's people are estimated to be subscribers, while some 44 percent of households are estimated to have Internet access and some 39 per cent of people, to be Internet users" (UN: 2015: 3). Table-one provides summary ICT data that is officially hosted by the International Telecommunications Union (ITU) for the BRICS countries. Also included as a comparator is the USA, and all the data is normalised for population size. Whilst all the BRICS have a lower density of fixed-line telephone subscriptions in comparison to the USA, most BRICS have a higher level of Mobile-cellular subscriptions. This is indicative of the technological leap-frogging that characterises the international situation. With respect to

broadband subscriptions, most access is generated through mobile connections. Households with computers are very uneven and those with Internet access generally lower than the rates in the USA. The USA maintains an over-20% lead with respect to individuals using the Internet. The next section details the history of the Internet in the BRICS countries

Table 1: ICT Statistics for BRICS (2013)

	Fixed-telephone subscriptions	Mobile-cellular subscriptions	Fixed (wired)-broadband subscriptions	Mobile-broadband subscriptions	Households with a computer	Households with Internet access at home	Individuals using the Internet
Brazil	22.3	135.3	10.1	51.5	48.8	42.4	51.6
Russia	28.5	152.8	16.6	60.1	69.7	67.2	61.4
India	2.3	70.8	1.2	3.2	11.9	13	15.1
China	19.3	88.7	13.6	21.4	43.8	43.9	45.8
South Africa	9.2	147.5	3.1	25.2	25.8	39.4	48.9
USA	42.2	95.5	28.5	92.8	80	77.3	84.2
	per 100 inhabitants	per 100 inhabitants	per 100 inhabitants	per 100 inhabitants	(%)	(%)	(%)

Source: ITU (2015) ICT-Eye, Various Country Profiles as at April 2015.

The history of the internet in Brazil could be seen to have begun when Fundação de Amparo à Pesquisa do Estado de São Paulo (FAPESP) and the National Laboratory of Scientific Computing (LNCC) exchanged data packets with Fermilab in the USA in 1987 (Foureaux: 2010). The Universidade Federal do Rio de Janeiro (UFRJ) also successfully connected to the University of California in Los Angeles (UCLA) in 1988 and which enabled several other universities and research centres to also implement internet connectivity. The Brazilian Institute for Social and Economic Analysis (IBASE) created a basic email and electronic conferencing service called AlterNex to make possible the sharing of information among progressive non-governmental organisations

throughout the Brazil in 1989 (Albernaz: 2002). Altenex would also become a founding member of the Association for Progressive Communications (APC) whose vision remains “(a)ll people have easy and affordable access to a free and open internet to improve their lives and create a more just world” (APC: 2015). The Country Code Top-Level Domain .BR was also generated in 1989. From its roots in academia and progressive NGOs, the internet became a public infrastructure in Brazil in 1995. It was estimated that 107,822,831 individuals could access the Internet, via computer or mobile device, within the home where that individual lived in Brazil in 2014. That number represented 53.37% of the domestic population and 3.69% of the world population of internet users.

The All-Union Institute for Applied Automated Systems of the State Committee for Science and Technology (VNIIPAS) was a key organisation in advancing Russia’s internet development and tested links between Russia and Austria in 1982. A major internet connection between Moscow and Helsinki University was established by the National Research Centre Kurchatov Institute in 1990. The APC’s “GlasNet”¹ project also connected citizens of various cities onto the internet in 1991. Russia was added to USENET in 1991 through the domain name: kremvax.demos.su which paid tribute to a now infamous hoax perpetuated by Piet Beertema on 1 April 1984. Whilst the .RU Country Code Top-Level Domain was registered in 1993, the .SU domain continues to be used.

The Educational Research Network (ERNET) was established in India as a joint initiative of the Government of India’s Department of Electronics and the UNDP in 1986. The Country Code Top-Level Domain .IN was initially delegated to India in 1989. Videsh Sanchaar Nigam Limited (VSNL) introduced public internet access in India via dialup services in 6 cities on 15 August 1995. It was estimated that 243,198,922 individuals could access the Internet, via computer or mobile device, within the home where that individual lived in India in 2014. That number represented 19.19% of the national population and 8.33% of the world population of internet users.

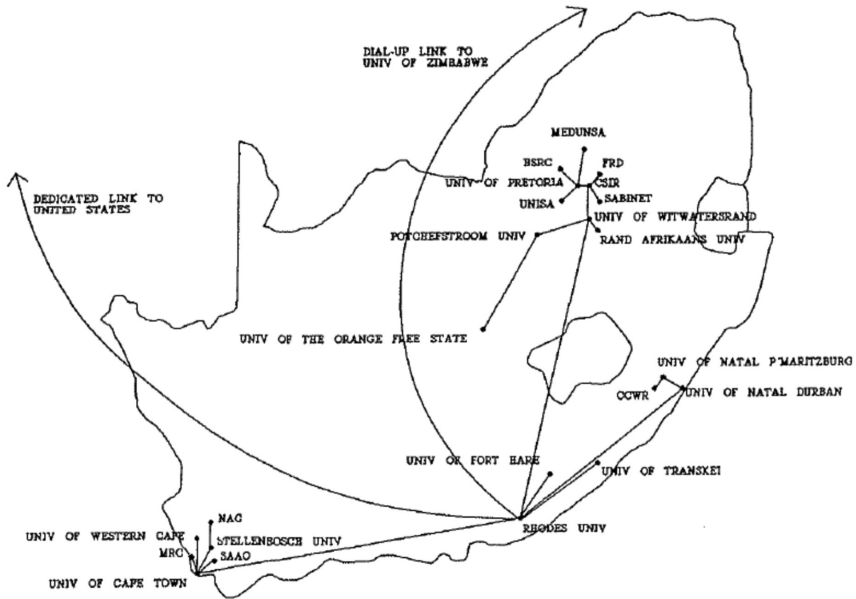
¹ The first non-profit, non-governmental telecommunications network established in the Soviet Union as a network for people there who have access to electronic communication equipment; typically a personal computer of some kind and a modem.

Whilst Tsinghua University began to provide email services in 1988, the Chinese Academy of Sciences (CAS) established its National Computing and Networking Facility of China (NCFC) project in 1989. The Country Code Top-Level Domain .CN was registered in 1990 and the NCFC connected to the Internet in 1994. It was estimated that 641,601,070 individuals could access the Internet, via computer or mobile device, within the home where that individual lived in China in 2014. That number represented 46.03% of the national population and 21.97% of the world population of internet users.

The South African telecommunications industry can be traced back to 1958 (Kaplan: 1989). This was a decade after the National Party became the government of the country and began establishing “grand apartheid”. The country’s route to the Internet was therefore mediated by the struggle of the majority of the country’s people against an illegitimate minority regime. By the 1980’s, increased domestic resistance to apartheid, in combination with external solidarity and a growing international movement for sanctions had isolated the white minority regime and created conditions of “dual power” in the country. In July 1986 a national state of emergency was declared and would remain in force until 1989. During this period, the country was effectively controlled through a National Security Management System through the State Security Council and had usurped even the tokenistic “Westminster” apparatuses of the government.

It was in the context of the escalation of the national liberation struggle that a decision was taken for the establishment of the internet by the Committee of University Principles and the Foundation for Research Development in 1987. With the country already experiencing international academic boycotts and under duress of more general sanctions, Vic Shaw admitted that “(t) his problem was overcome by the willingness of the Fidonet organisation, and particularly one of its “sysops” to provide a connecting node and thus to open up international networking to this part of Africa” (Shaw: 1992: 4). This network began operating in 1989 and the Country Code Top-Level Domain .ZA was registered in 1990. Figure-six shows this early Internet infrastructure in South Africa.

Figure 8: South Africa's UNINET-ZA Internet before 1994

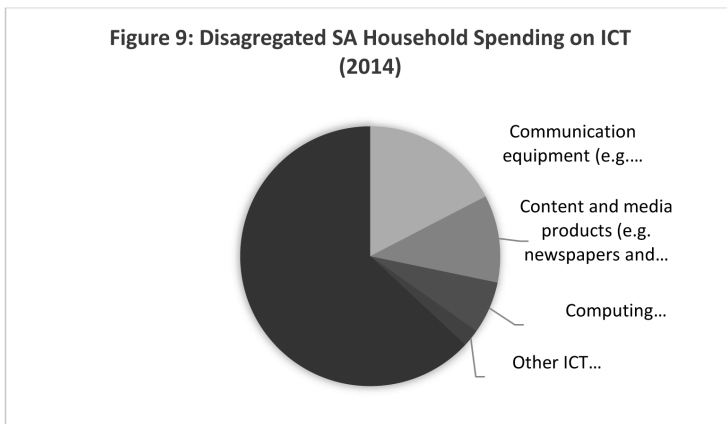


Source: Shaw (1992)

As noted by Adam and Gillwald, the reform of the sector in South Africa followed the following almost universal road involving “the revision of policy and regulatory frameworks, separation of postal telecommunications services, enacting of sector laws, creating autonomous regulatory agencies, privatisation of the state-owned telecommunications operator and liberalisation of the mobile and Internet sectors” (2013: 2-3). Charley Lewis has shown how the diffusion of the Internet took place under very difficult circumstances where the incumbent state utility, Telkom utilised its monopoly position to essentially retard the emergence of Internet Service Providers (ISPs) (2005). Lewis also recounts how Telkom itself miscalculates the future of the Internet and loses the opportunity to itself act as an early ISP (2005: 8). By 1997, an equity stake of 30% of Telkom South Africa was sold to a consortium of South Western Bell of the USA and Telekom Malaysia for US\$1.3 billion (Adam and Gillwald: 2013: 3). South

Africa’s reform of the sector apparently sought an “incremental, yet organic approach to ICT policy making with a focus on building blocks such as national educational capacity, infrastructure, content and public sector service delivery through ICTs” (Ibid.: 6). In assessing the results of this process, it was noted that the “political economy of structural reform remained sensitive to issues of power relationships, leadership, incentives and interests due to the revenue streams, employment and political implications of liberalisation and privatisation” (Ibid.: 10).

Notwithstanding the environmental and institutional constraints, Statistics South Africa, estimated that 24,909,854 individuals could access the Internet, via a computer or mobile device, within the home where that individual lived in South Africa in 2014. That number represented 46.88% of the domestic population and only 0.85% of the world population of internet users. It also showed that households in the country spent approximately R91.6 billion on ICT products in 2012. With total household expenditure amounting to R1,974 billion, ICT products and services constituted 4.6% of total household expenditure in 2012. On average, for every R100 spent by a South African household, R4.60 was therefore spent on ICTs. Figure-nine disaggregates the average South African household spending on ICTs.



Source: StatsSA: 2015

As shown in Figure-nine, more than half of the total [R2.90] of R4.60 expended, is allocated to securing telecommunications, broadcasting and information supply services such as pay-television subscriptions, cell phone airtime and broadband. Smaller portions are then utilised for the communication equipment (R0.80); content and media products (R0.50); computing machinery (R0.30); with the remaining R0.10 being then spent on other ICT items (StatsSA: 2015).

Statistics South Africa further estimates the direct contribution of the ICT sector to the country's GDP was R94.7 billion or 2.9% of total GDP in 2012 (ibid.). The largest contributor to total ICT GDP was telecommunications services which was valued at R64.8 billion or 2.0% of total GDP, followed by computer services at R7.3 billion or 0.2% of total GDP, and ICT manufacturing at R6.6 billion or 0.2% of total GDP (ibid.). ICT exports constitute only 2.8% of South Africa's total exports in 2012. These exports consisted mainly of telecommunications, broadcasting and information supply services, including knowledge services. The total value of the ICT exports was worth R26.8 billion, whilst nearly R105.7 billion's worth of ICT products were imported in 2012. ICT imports accounted for just over 10% of all imports in that year. The largest imported ICT product was radio, television and communications equipment, comprising 47.5% of all ICT imports. Thus, South Africa generated a large ICT trade deficit of R78.9 billion for 2012 and continues the country's role as a net importer of ICTs.

4.0 Conclusions

As Odoevsky had imagined more than a century ago, ICTs and the Internet hold the possibilities of enabling a better life for all of the world's population. For BRICS to play a more central role in the domain of ICTs and the Internet, requires the five constituent countries to pay more attention to the scientific domains underpinning them, being acutely aware of the technological trajectories currently being advanced and intervening in the global policy debates about global regulation and governance of ICTs and the Internet. We also need to better understand the role and use of these enabling instruments in global struggles for emancipation from the avarices of transnational corporations,

their political machinations of maintaining hegemony on world affairs and support substantive participatory democracies. As noted by Singh “...without systemic global responses to even the playing-field, if not control it, the disparate national and local level attempts at economic development and equity will never be enough” (2015a: 2).

The Durban University of Technology, the venue of the 5th BRICS Academic Forum, recently hosted a symposium entitled “Generation Open — The Promise of Open Access and Open Educational Resources” in October 2014. Emerging from the symposium was the following declaration: “We subscribe to the ideal of a Web which is a good basis for democracy and which resists balkanisation/fragmentation in the face of current concerns about surveillance. Yet we do want a Web that is safe for all: safe from intrusion, obstruction, manipulation and political interference. We expect a Web with “net neutrality” giving every user equal access to the bandwidth and ease of use available to big business and to governments. We also want an open Web which allows and promotes free expression and sharing of information and knowledge, but which protects personal privacy and curbs hate speech and child pornography. We want a Web that opens up and extends access to knowledge to the whole world population” (DUT: 2014). Such local articulations are important and necessary as they reaffirm the need to ensure net-neutrality.

Ensuring net neutrality requires the BRICS to intervene in the struggle to maintain a free and open Internet. Net neutrality is “an egalitarian principle as applied to a key building block and determinant of our new social systems, which the internet is. (Singh: 2015b: 14-15). This means that the rights of transnational corporations who seek to dilute the regulatory powers of multilateral institutions must be curtailed as this opens the possibilities of them establishing a tiered system through the slowing down of traffic to stifle competition and/or charging additional fees to speed up access and transmission. The transnational corporations and the resulting oligopolies must also be regulated to ensure that the digital commons is preserved as a global public good. Intellectual property rights must be used to ensure a transparent disclosure system that advances rather than

retards research and development. By the BRICS taking a positive stance towards “Open Innovation”¹ a strong international signal will be issued that encourages the generation of domestic capabilities and the building of local competences in critical ICT domains.

With the revolutionary role played by ICTs in connecting the world and the ubiquity of the Internet, ensuring universal access across all platforms from wired broadband to wireless connections beyond mobile telephony to include the internet-of-things must be realised as a global commons and public good. Redressing inequalities and safeguarding the citizens of the BRICS with respect to their privacy and civil liberties becomes paramount. This however must not be to the exclusion of the rest of humanity. The BRICS must ensure sufficient national, regional and global interventions that encourages local participation, advances and enhances multilateralism; and discourages unilateralism by historically hegemonic states that seek to reproduce the effective concentration and monopoly power occupied by their transnational corporations. The BRICS should enable a global governance regime for the internet whereby predatory practices will be discouraged. The BRICS as representatives of the majority of humanity must safeguard the Internet, ensure digital liberty, and expand our knowledge commons as a truly global public good for all.

Cooperation among BRICS on ICT Development and Internet Governance for Network Stability and Sustainable Development

*Guo Feng*²

I. Overview of BRICS in ICT Development and Internet Governance

¹ “Open innovation is the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively. [This paradigm] assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as they look to advance their technology” (Chesbrough et al.: 2006).

² Chinese Academy of Telecommunication Research

From the beginning of 21st century, Internet as the symbol of ICT development has become the global applicable infrastructure, which takes human society to the age of cyberspace and has been fostering innovation and prosperity.

Today over 3 billion people¹ are connected to the Internet. In a few more years, it is expected that there will be approximately 5 billion. Even more impressive is in mobile internet, cloud computing, Big Data, Internet of Things (IoT) in the past few years. In 2014, the global cloud computing market volume reached up to 150 billion USD². The momentum of development is speeding up. According to Cisco Visual Networking Index (VNI)³, by 2018, there will be nearly four billion global Internet users (more than 51 percent of the world's population), up from 2.5 billion in 2013. By 2018, there will be 21 billion networked devices and connections globally, up from 12 billion in 2013. Globally, the average fixed broadband connection speed will increase 2.6-fold, from 16 Mbps in 2013 to 42 Mbps by 2018. Globally, IP video will represent 79 percent of all traffic by 2018, up from 66 percent in 2013.

In the past several years, BRICS had witnessed fast development in ICT sector. Statistics from ITU shows that the Internet penetration of most of BRICS comes to 45% or even higher in 2013. Mobile penetration in Brazil, Russia and South Africa go beyond 135% from year 2013, which indicate that every 100 inhabitants in these three countries possess 135 to 152 cell phones or mobile devices. The total mobile subscribers in China and India are more than 2 billion which almost count for 30% of the world population.

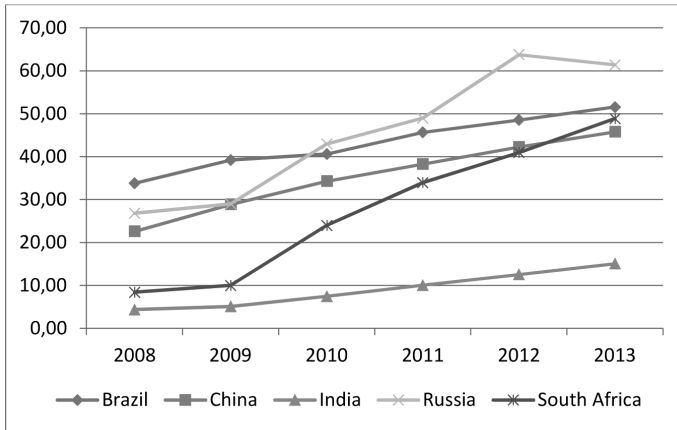
Along with the rapid growth of Internet and ICT, BRICS emerging as inelible forces in digital economy had been playing more important and active role in the arena of Internet Governance.

¹ Internet World Stats- <http://www.internetworldstats.com/stats.htm>
3,035,749,340 Internet users estimated for June 30, 2014

² Estimated from Gartner statistics

³ Cisco Visual Networking Index (VNI)- www.cisco.com/web/solutions/sp/vni/vni_forecast_highlights/index.html

CHART 1.1 Percentage of Individuals using the Internet of BRICS, 2008-2013

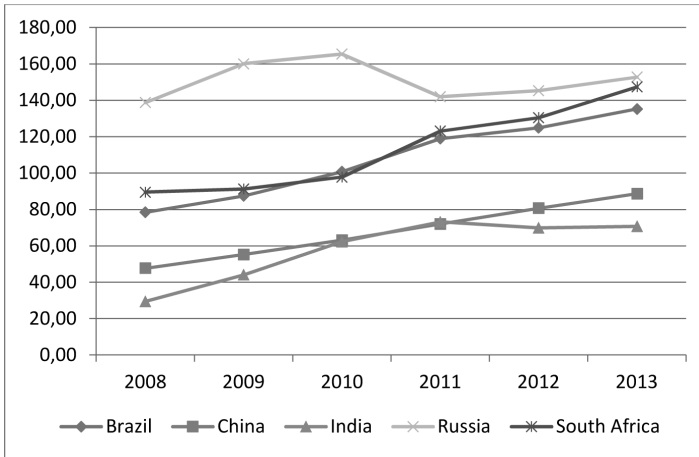


Source: ITU World Telecommunication/ICT Indicators database

BRICS were at World Summit on Information Society (WSIS)¹ in 2003 and 2005 and exert influences on the outcome of the important topics discussed such as ICT for Development, stability and security of Internet, critical Internet resources, which were reflected in Geneva Declaration of Principles, Geneva Plan of Action, Tunis Commitment and Tunis Agenda for the Information Society. In 2007 and 2008, Brazil and India had hosted Internet Governance Forum respectively.

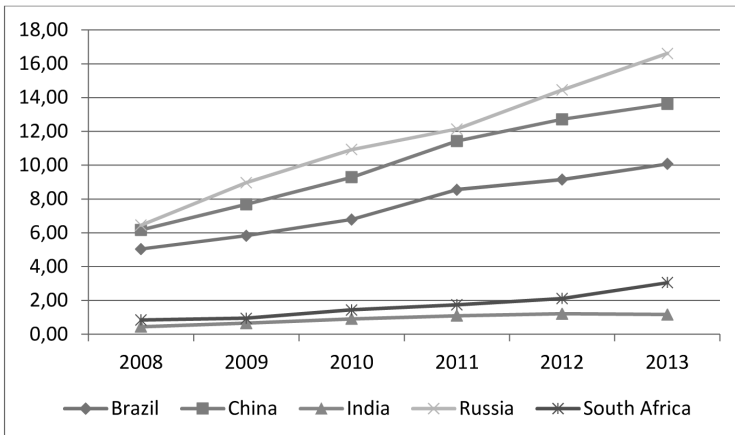
¹ The World Summit on the Information Society (WSIS) is held in two phases. The first phase of WSIS took place in Geneva hosted by the Government of Switzerland from 10 to 12 December 2003. The second phase of WSIS took place in Tunis from 16 to 18 November 2005. The objective of the first phase was to develop and foster a clear statement of political will and take concrete steps to establish the foundations for an Information Society for all, reflecting all the different interests at stake. At the Geneva Phase of WSIS nearly 50 Heads of state/government and Vice-Presidents, 82 Ministers, and 26 Vice-Ministers and Heads of delegation as well as high-level representatives from international organizations, private sector, and civil society provided political support to the WSIS Declaration of Principles and Plan of Action that were adopted on 12 December 2003. More than 11,000 participants from 175 countries attended the Summit and related events.

CHART 1.2 Mobile-cellular telephone subscriptions per 100 inhabitants of BRICS, 2008-2013



Source: ITU World Telecommunication/ICT Indicators database

CHART 1.3 Fixed (wired)-broadband subscriptions per 100 inhabitants of BRICS, 2008-2013



Source: ITU World Telecommunication/ICT Indicators database

In 2013, The Internet Corporation for Assigned Names and Numbers (ICANN) chose Beijing and Durban to hold the 46th and 47th ICANN global meeting. Last year, Brazil organized Global Multistakeholder Meeting on the Future of Internet Governance known as NETmundial in April which attracts stakeholders from around the world. NETmundial Initiative (NMI) as the follow-up of NETmundial will be carried out as an important workstream in Internet Governance. The next November the 10th IGF¹ will be held at João Pessoa, Brazil. Representatives from Russia, China and South Africa had participated Accountability and Transparency Review² as the review team Members. Last but not least, all stakeholders from BRICS have been actively following and participating in the processes of IANA stewardship transition.

Key Issues Faced by BRICS on Global ICT and Internet Governance

Internet Governance is a hot topic today and has become the subjective for many global meetings and international forums in particular since the explosion of Edward Snowden leaking Prism project to the world. Internet Governance contains a wide range of issues because that Internet penetrates every aspect of human life. However, from the perspective of BRICS, several issues can be identified which are highly relevant for BRICS to make efforts to way in the Internet Governance at present.

i. IANA Stewardship Transition

The Internet Assigned Numbers Authority (IANA) is a traditional name used “to refer to the technical team making and publishing assignments of Internet protocol technical parameters”. This technical team performs a set of tasks that involve the administration or

¹ IGF 2015 will be convened in João Pessoa, Brazil — 10 November 2015

² The Affirmation of Commitments (AoC) requires ICANN to conduct recurring reviews of ICANN’s deliberations and operations “to ensure that the outcomes of its decision-making will reflect the public interest and be accountable to all stakeholders.” Formed in March 2010, the Accountability and Transparency Review Team 1 (ATRT 1) conducted the review in 2010 and submitted its final recommendations on 31 December 2010. As mandated by the AoC, a second Accountability and Transparency Review Team (ATRT2) was convened in 2013, and hereby presents its report of Recommendations for ICANN on 31 December 2013.

coordination of many of the identifiers that allow the global Internet to operate. These tasks are currently performed by ICANN under a set of agreements¹. As described in the current IANA Functions contract between ICANN and NTIA, the IANA Functions are: 1) Domain Name System (DNS) Root Zone Management; 2) Internet Numbers Registry Management; 3) Protocol Parameter Registry Management, including management of the “Address and Routing Parameter Area” (.ARPA) TLD; and 4) Management of the “INTERNATIONAL treaty organizations” (.INT) top-level domain.

On March 14, 2014, The U.S. Commerce Department’s National Telecommunications and Information Administration (NTIA) announced its intent to transition key Internet domain name functions to the global multistakeholder community. NTIA was asking ICANN to convene global stakeholders to develop a proposal to transition the current role played by NTIA in the coordination of the Internet’s domain name system (DNS)². NTIA clearly stated in its announcement that it will not accept a proposal that replaces the NTIA role with a government-led or an inter-governmental organization solution.

To carrying out the task, ICANN had developed two parallel processes: 1. IANA Stewardship Transition³, which focused on delivering a proposal to transition the stewardship of the IANA functions to the multistakeholder community. 2. Enhancing ICANN

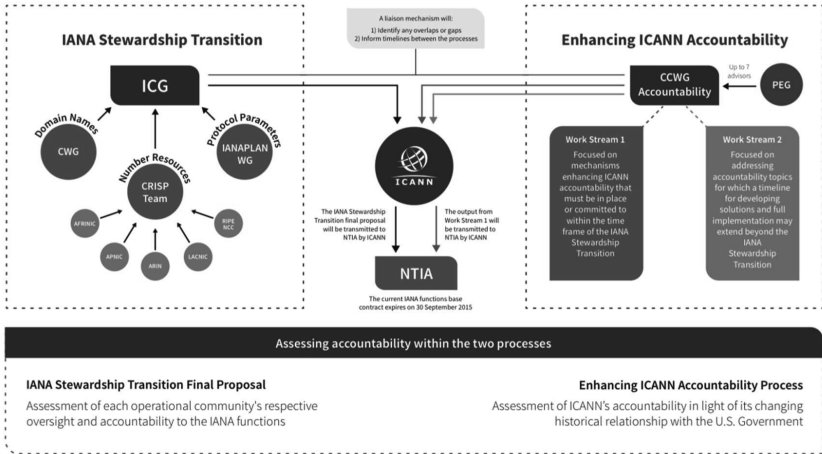
¹ Including 1) a contract with the National Telecommunications and Information Administration (NTIA) of the U.S. Department of Commerce; 2) a Memorandum of Understanding (MoU) with the Internet Engineering Task Force (IETF); 3) an MoU with the Regional Internet Registries; 4) agreements with some root server operators; 5) contracts, MoUs, and other agreements with country code Top-Level Domain (ccTLD) administrators; and 6) a number of contracts with generic Top-Level Domain (gTLD) administrators.

² NTIA communicated to ICANN that the transition proposal must have broad community support and address the following four principles: 1) Support and enhance the multistakeholder model; 2) Maintain the security, stability, and resiliency of the Internet DNS; 3) Meet the needs and expectation of the global customers and partners of the IANA services; and, 4) Maintain the openness of the Internet.

³ CWG stewardship — Cross Community Working Group on IANA Stewardship Transition

Accountability¹, which focused on ensuring that ICANN remains accountable in the absence of its historical contractual relationship with the U.S. Government. However, taking from the current development, the transition will not meet the previously-set target date.²

CHART 2.1 Overview of the IANA Stewardship Transition and Enhancing ICANN Accountability Processes



Source: ICANN

There are good reasons for people to speculate the linkage between Snowden Incident and the US government’s announcement for IANA stewardship transition. The fact is that the US government’s action did alleviate a lot of pressure against US government because of the exposed massive surveillance, even though US officials had never confirmed the linkage between the two matters. The core issue for IANA stewardship transition is the accountability framework designed which will replace NTIA as transparent governance structure. The nonsense in the processes questioned by some of governments including: 1) the oversight function for IANA was performed by one government, then why

¹ CCWG-Accountability — Cross Community Working Group on Enhancing ICANN Accountability

² The current IANA functions contract expires September 30, 2015.

can not a group of governments or a government-led take the oversight function for IANA thereafter.¹ People even question more because of Federal Communication Commission's rolling out net neutrality rules. 2) The jurisdiction of IANA function (or ICANN) is a forbidden area for discussion. If one country holds IANA functions to its own jurisdiction, there will be no ground to build the real accountability for all stakeholders around the world.

On May 4, Cross Community Working Group on Enhancing ICANN Accountability (CCWG-Accountability) issued a new version of accountability proposal² to solicit public comments for 30 days. The proposed enhancements to ICANN's accountability framework it has identified is regarded as essential to happen or be committed to before the IANA Stewardship Transition takes place. It is expected the concrete move for IANA transition will not take place until the end of this year.

ii. Governments' Role in Internet Governance (+WSIS review)

As the Internet was emerging from the technical community, technicians always had the inclination that they regarded Internet as Utopia and rejected nation states to get involved especially in early days. In the words of Dave Clark, an Internet founder: "We reject: kings, presidents, and voting. We believe in: rough consensus and running code." In their eyes, territorial government is often characterized (or caricatured) as "top-down." For them, difficult decisions were not imposed by fiat but rather emerged organically in a "bottom-up" fashion through discussion, argument, and consensus. In the early and "golden" age, The Internet Engineering Task Force (IETF) used this informal governance framework to promulgate standards that deepened, formalized, and ultimately popularized the basic internetwork design from the 1970s. Popular Internet features like the modern e-mail system and the World Wide Web are the products of this era, along with countless other protocols whose operations are invisible to the average user.³

¹ Comment from Spanish government shared at GAC mailing list.

² <https://www.icann.org/public-comments/ccwg-accountability-draft-proposal-2015-05-04-en>

³ Jack Goldsmith, Tim Wu, *Who Who Controls The Internet? Lllusions Of Borderless World*, Oxford University Press, 2006

When Internet evolved to be the global critical infrastructure, nation states had to engage more in the related affairs. In 1997, Ira Magaziner, the “Internet Cesar” from the Clinton Administration stepped in firmly to lead the process to create ICANN, putting DNS system under the oversight of US Government. The trend that a wide range of nation states getting involved in Internet Governance started from WSIS. The most heated discussion was around “unilateral control of critical Internet resources by one country”¹, reflecting nation states seriously considering how to position their roles in the arena of Internet Governance. In addition, a number of articles in Tunis agenda explain the necessities for nation states to engage with public policy issues.² Article 69 of Tunis Agenda explicitly noted that “we further recognize the need for enhanced

¹ The Working Group on Internet Governance (WGIG) was a United Nations multistakeholder Working group initiated after the 2003 World Summit on the Information Society (WSIS) first phase Summit in Geneva failed to agree on the future of Internet governance. The first phase of World Summit on the Information Society (WSIS) agreed to continue the dialogue on Internet Governance in the Declaration of Principles and Action Plan adopted on 12 December 2003, to prepare for a decision at the second phase of the WSIS in Tunis during November 2005. In this regard, the first phase of the Summit requested the United Nations Secretary-General to establish a Working Group on Internet Governance (WGIG). The main activity of the WGIG was “to investigate and make proposals for action, as appropriate, on the governance of Internet by 2005”. The WGIG was asked to present the result of its work in a report “for consideration and appropriate action for the second phase of the WSIS in Tunis 2005”.



² TUNIS AGENDA Article 58. We recognize that Internet governance includes more than Internet naming and addressing. It also includes other significant public policy issues such as, inter alia, critical Internet resources, the security and safety of the Internet, and developmental aspects and issues pertaining to the use of the Internet. Article 68. We recognize that all governments should have an equal role and responsibility for international Internet governance and for ensuring the stability, security and continuity of the Internet. We also recognize the need for development of public policy by governments in consultation with all stakeholders. Article 69. We further recognize the need for enhanced cooperation in the future, to enable governments, on an equal footing, to carry out their roles and responsibilities, in international public policy issues pertaining to the Internet, but not in the day-to-day technical and operational matters, that do not impact on international public policy issues.

cooperation in the future, to enable governments, on an equal footing, to carry out their roles and responsibilities, in international public policy issues pertaining to the Internet, but not in the day-to-day technical and operational matters, that do not impact on international public policy issues.”

There are a number of occasions where the topic of the role of governments in Internet Governance attracted much attention.

The World Conference on International Telecommunications (WCIT-12) was held on 13-14 December. Some 89 Member States signed the updated treaty on 14 December, supporting expansion of ITU mandate to Internet and network security. Speaking at the closing ceremony, ITU Secretary-General, Dr Hamadoun I. Touré, commented: “A clear majority of Member States has already signed the new treaty — and these countries represent not just most of the world’s people, but the great majority of the world’s unconnected people. We understand that some Member States need to go to their capitals and constituencies before they can accede to the new ITRs”.

CHART 2.2 Signatories of the Final Acts in WCIT 2012

 									
World Conference on International Telecommunications 3-14 December 2012 - Dubai, UAE									
Signatories of the Final Acts: 89									
AFGHANISTAN (signed)	ALBANIE	AL GÉRIE (signed)	ALLEMAGNE	ANDORRE	ANGOLA (signed)	ARABIE SAOUDITE (signed)	ARGENTINE (signed)	ARMÉNIE	AUSTRALIE
AUTRICHE	AZERBAÏDJAN (signed)	BAHREÏN (signed)	BANGLADESH (signed)	BARBADE (signed)	BÉLARUS	BELGIQUE	BELIZE (signed)	BÉNIN (signed)	BHOUTAN (signed)
BOTSWANA (signed)	BRESIL (signed)	BURUNDI (signed)	BULGARIE	BURKINA FASO (signed)	BURUNDI (signed)	CAMBODGE (signed)	CANADA	CAP-VERT (signed)	CENTREAFRIQUE (signed)
CHILI	CHINE (signed)	CHYPRE	COLOMBIE	COMORES (signed)	RÉPUBLIQUE DU CONGO (signed)	RÉPUBLIQUE DE CÔTE D'IVOIRE (signed)	COSTA RICA	CÔTE D'IVOIRE (signed)	CROATIE
CUBA (signed)	DANEMARK	DJIBOUTI (signed)	RÉPUBLIQUE DOMINICAÏNE (signed)	EGYPTE (signed)	EL SALVADOR (signed)	EMIRATS ARABES UNIS (signed)	ESPAGNE	ESTONIE	ÉTATS UNIS
FÉDÉRATION DE RUSSIE (signed)	FINLANDE	FRANCE	GABON (signed)	GAMBIE	GÉORGIE	GHANA (signed)	GRÈCE	GUATEMALA (signed)	GUYANA (signed)
HAITI (signed)	HONGRIE	INDE	INDONÉSIE (signed)	RÉPUBLIQUE IRAN (signed)	IRAQ (signed)	IRLANDE	ISRAËL	ITALIE	JAMAÏQUE (signed)
JAPON	JORDANIE	KAZAKHSTAN (signed)	KENYA	KOWEÏT (signed)	LESOTHO (signed)	LETONIE	LIBAN (signed)	LIBÉRIA (signed)	LIBYE (signed)
LIECHTENSTEIN	LITUANIE	LUXEMBOURG	MALAISIE (signed)	MALAWI	MALI (signed)	MALTE	MAROC (signed)	ÎLES MARSHALL	MAURICE (signed)
MEXIQUE (signed)	MOLDOVA	MONGOLIE	MONTÉNÉGR	MOZAMBIQUE (signed)	NAMIBIE (signed)	NEPAL (signed)	NIGER (signed)	NIGÉRIA (signed)	NORVÈGE
NOUVELLE-ZÉLANDE	OMAN (signed)	OUGANDA (signed)	OUZBÉKISTAN (signed)	PANAMA (signed)	PAPOUASIE-NOUVELLE-GUINÉE (signed)	PARAGUAY (signed)	PAYS-BAS	PÉROU	PHILIPPINES
POLONNE	PORTUGAL	QATAR (signed)	KIRGHIZISTAN (signed)	SLOVAQUIE	RÉPUBLIQUE TCHÈQUE	ROYAUME-UNI	RWANDA (signed)	SAINTE-LUCIE (signed)	SÉNÉGAL (signed)
SERBIE	SIERRA LEONE (signed)	SINGAPOUR (signed)	SLOVÈNIE	SOMALIE (signed)	Soudan (signed)	Soudan du Sud (signed)	SRI LANKA (signed)	RÉPUBLIQUE SUDAFRICAIN (signed)	SUÈDE
SUISSE	SWAZILAND (signed)	TANZANIE (signed)	THAÏLANDE (signed)	TOGO (signed)	TRINITÉ ET TOBAGO (signed)	TUNISIE (signed)	TURQUIE (signed)	UKRAÏNE (signed)	URUGUAY (signed)
VENEZUELA (signed)	VIET NAM (signed)	YEMEN (signed)	ZIMBABWE (signed)						

Source: ITU

Working Group on Enhanced Cooperation (WGEC)¹ was established by General Assembly Resolution² within the Commission on Science and Technology for Development (CSTD) to examine the mandate of the World Summit on the Information Society regarding enhanced cooperation as contained in the Tunis Agenda, through seeking, compiling and reviewing inputs from all Member States and all other stakeholders, and to make recommendations on how to fully implement this mandate. Studies were conducted by WGEC to better facilitate governments to get involved with Internet-related public policy issues.

The World Telecommunication Policy Forum (WTPF)³ in 2013 came to a close with robust debate among all stakeholders about the role of government in Internet governance. With International Internet-related Public Policy Matters as its theme, during the meeting, ITU member states and sector members, civil society organizations, and other key international stakeholders addressed topics such as capacity building, IP addressing, and Internet governance. Chinese delegation was reaffirming the role of governments in Internet Governance echoed by developing world and many European countries.

With Affirmation of Commitments (AoC) signed between the U.S. Dept. of Commerce's and ICANN, periodic community review of four key objectives are required under the AoC: 1) ensuring accountability, transparency ("ATRT"), 2) preserving security, stability and resiliency of the DNS, 3) promoting competition, consumer trust and consumer choice, and 4) WHOIS policy. ATRT1 and ATRT2 were established to conduct review in 2010 and 2013. One of the missions for ATRT1 and ATRT2 was "assessing the role and effectiveness of the GAC and its interaction with the Board and making recommendations for improvement to ensure effective consideration by ICANN of GAC input on the public policy aspects of the technical coordination of the DNS". The general observation

¹ <http://unctad.org/en/Pages/CSTD/WGEC.aspx>

² Para 20, GA Resolution A/RES/67/195

³ The World Telecommunication Policy Forum (WTPF) was established by the 1994 ITU Plenipotentiary Conference as a new type of meeting to provide a less formal venue for discussion.

from many countries is that the government's role (or GAC's role¹) was dwarfed in ICANN structure. GAC is only an advisory body without any decision making ability regarding domain names issue. Some of the representatives from governments in ATRT1 and ATRT2 were dedicated themselves to promote and strengthen the role of governments along with the review processes.

The World Summit on the Information Society (WSIS) will celebrate its 10 year anniversary in 2015. UNGA High-level Meeting on Overall WSIS+10 Review will be held in New York, United States on 15 December 2015. The respective roles of government and other stakeholders in the review modality of WSIS+10 Review caused a lot of debates at the annual session of CSTD.

iii. Digital Divide

A digital divide is an economic and social inequality according to categories of persons in a given population in their access to, use of, or knowledge of ICT. The divide within countries (such as the digital divide in the United States) may refer to inequalities between individuals, households, businesses, or geographic areas, usually at different socioeconomic levels or other demographic categories. The divide between differing countries or regions of the world is referred to as the global digital divide, examining this technological gap between developing and developed countries on an international scale.²

While the information society is growing worldwide, digital divides remain — and are even widening — in some segments³. In particular, there is a significant and persistent urban-rural digital divide, whereby urban citizens enjoy ubiquitous mobile network coverage, affordable high-speed Internet services and the higher levels of skills required to make effective use of online content and services, while the opposite is often the case in rural and remote areas of many developing countries.

Despite the encouraging progress, there are important digital divides that need to be addressed: 4.3 billion people are still not online, and 90 per cent of them live in the developing world. Fixed broadband penetration stands at 6 per cent in developing

¹ Governmental Advisory Committee of ICANN

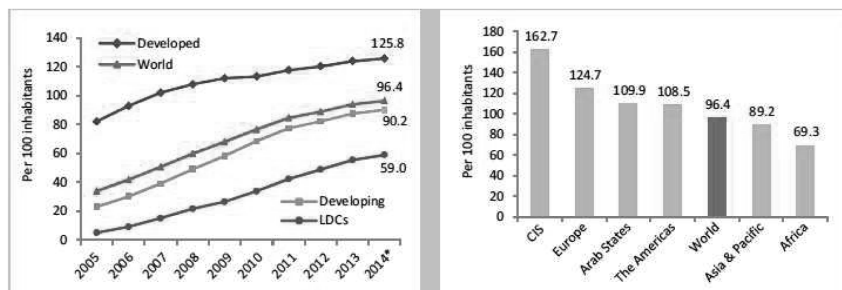
² http://en.wikipedia.org/wiki/Digital_divide

³ Measuring the Information Society Report 2014 by ITU

countries, compared with 27.5 per cent in developed countries, and growth rates are slowing. Mobile broadband is growing fast, but the difference between developed and developing regions remains large, with 84 per cent penetration in the former as against 21 per cent in the latter. Increasing ICT uptake in the world's least connected countries (LCCs), which are home to some 2.5 billion people, should therefore be the policy focus for the years to come. In these countries, the share of population living in rural areas is often high, reinforcing the urban-rural digital divide.

Closer examination and disaggregation of the data reveal, however, that digital divides still exist and that some people are still excluded from access to communication networks. There are populations living in rural areas that are not covered by a mobile-cellular signal (Table 2.1). Even though rural population coverage is very high, at 87 per cent globally, at end 2012 around 450 million people worldwide still lived out of reach of a mobile signal.

CHART 2.3 Mobile-cellular subscriptions by level of development, 2005-2014 (left) and by region, 2014* (right)



Source: ITU World Telecommunication/ICT Indicators database

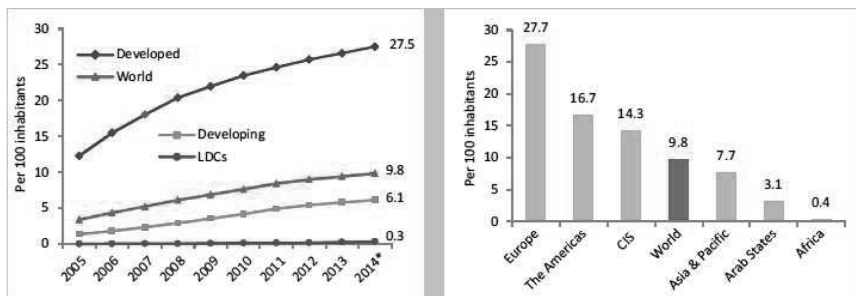
TABLE 2.1 Rural population covered by a mobile-cellular signal, 2012

	Overall mobile-cellular population coverage (%)	Rural population covered (%)	Rural population covered (millions)	Rural population not covered (millions)
Africa	88	79	498	129
Americas	99	96	171	9
Asia	92	87	2 017	309
Europe	99	98	196	3
Oceania	96	81	0.9	0.2
World	93	87	2'883	450

Source: ITU World Telecommunication/ICT Indicators database

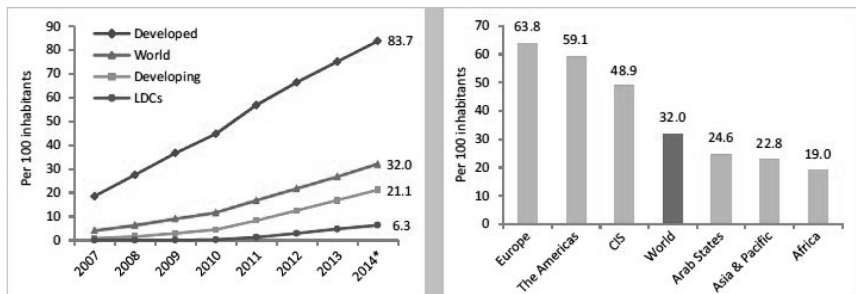
The divide between developed and developing countries remains huge: mobile broadband penetration will reach 84 per cent in the former compared with 21 per cent in the latter. The high penetration in developed countries is partly due to very high uptake in populous countries such as the United States and Japan, where penetration rates reached 93 per cent and 120 per cent, respectively, at end 2013.

CHART 2.4 Fixed (wired)-broadband subscriptions by level of development, 2005-2014 (left) and by region, 2014 (right)



Source: ITU World Telecommunication/ICT Indicators database

CHART 2.5 Active mobile-broadband subscriptions by level of development, 2007-2014 (left) and by region, 2014 (right)

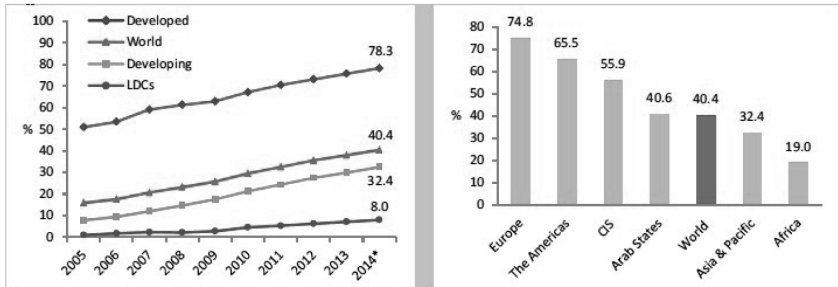


Source: ITU World Telecommunication/ICT Indicators database

Nevertheless, Internet usage is growing steadily, at 6.6 per cent in 2014 — 3.3 per cent in developed countries and 8.7 per cent in

developing countries. Indeed, in developing countries, the number of Internet users will have doubled in five years (2009–2014), and two-thirds of today’s Internet users live in the developing world. Growth rates are highest in LDCs (13 per cent in 2014), but they are starting from low values: by end 2014, only an estimated 8 per cent of the population in LDCs will be online.

CHART 2.6 Individuals using the Internet, by level of development, 2005-2014 (left) and by region, 2014 (right)



Source: ITU World Telecommunication/ICT Indicators database

A more nuanced analysis carried out to identify digital divides. Table 2.2 shows that, for example, domain-name registrations are still dominated by content providers in developed countries, which account for over 80 per cent in 2013. Domain-name registrations from Africa account for less than 1 per cent. The data include both global top-level domain (gTLD) and country code top-level domain (ccTLD) registrations, and there are comparability issues related to registries across countries.

iv. Network surveillance¹

In the wake of recent disclosures about cyber espionage, the discussion surrounding online surveillance continues to capture global headlines. New technological developments over the past decade allow governments and other organizations to collect, store and analyse information relatively cheaply and efficiently. With

¹ Much of this part were drawn from CIGI report - Finding Common Ground: Challenges and Opportunities in Internet Governance and Internet-related Policy

TABLE 2.2 Total Internet domain registrations by world region, 2003, 2008 and 2013

	2003		2008		2013	
	Millions	%	Millions	%	Millions	%
World	59.7	100.0	173.4	100.0	245.2	100.0
Developed	49.6	82.9	135.9	78.4	197.4	80.5
Developing	7.1	11.8	34.7	20.0	45.0	18.4
Other/Unknown	3.1	5.2	2.8	1.6	2.7	1.1
Africa	0.3	0.5	1.0	0.6	2.3	0.9
Americas	23.9	40.1	71.8	41.4	98.9	40.4
Asia	5.3	8.9	29.8	17.2	36.9	15.0
Europe	25.8	43.3	63.7	36.8	98.0	40.0
Oceania	1.2	2.1	4.2	2.4	6.4	2.6

Source: ITU Partnership (2014). Data supplied by ZookNIC, compiled from ccTLD and other sources. Figures exclude fifteen ccTLDs which act as virtual gTLDs.

the integration of the Internet into our daily lives, this technology can assemble a picture of an individual’s entire personal and professional life with a few computer commands.

Intelligence gathering is an established government function, but like many things, online surveillance has created a grey area in the rules of the game. The United States has claimed that it uses online surveillance methods to protect its citizens against terrorism, improving state security. US Secretary of State John Kerry¹ stated that no “innocent people” were being abused and that surveillance by several countries had prevented many terrorist plots (The Guardian 2013). Whether or not these statements are true, the online factor has complicated our traditional notions and methods of surveillance and understanding of what constitutes acceptable levels of surveillance in the international realm.

In response, Brazil and Germany have spearheaded efforts at the United Nations to protect the privacy of electronic communications. In the fall of 2013, they drafted a “Resolution on The Right to Privacy in the Digital Age”. emphasizing that “unlawful or arbitrary surveillance and/or interception of communications, as

¹ The Guardian. 2013. “US Surveillance Has Gone too Far, John Kerry Admits.” The Guardian, November 1. www.theguardian.com/world/2013/oct/31/john-kerry-somesurveillance-gone-too-far

well as unlawful or arbitrary collection of personal data” are “highly intrusive acts” that “violate the rights to privacy and freedom of expression and may contradict the tenets of a democratic society” (UNGA 2013a). And in 2014 Brazil hosted the NETmundial meeting to elaborate principles of Internet governance and propose a roadmap for the future development of the ecosystem (NETMundial 2014).

Revelations about US surveillance strategies have also been felt by the private sector, as some leaked documents revealed that the agency had intercepted data transmitted on the cables that link the worldwide data centres belonging to Google and Yahoo (see Gellman and Soltani 2013)¹. In an open letter to the United States, Google and Yahoo, along with several other technology giants, raised their concerns regarding US national law and data transparency (see Reform Government Surveillance 2013). Overall, the revelations have been toxic for the legitimacy of Internet governance and diplomatic processes, as they have shed light on a number of serious privacy and transparency issues.

The technical Internet community’s reaction against Snowden Incident was the Montevideo Statement² on the Future of Internet Cooperation. ICANN, IETF, ISOC, W3C, RIRs met in Uruguay, 7 October 2013 and produced the Statement “reinforced the importance of globally coherent Internet operations, and warned against Internet fragmentation at a national level. They expressed strong concern over the undermining of the trust and confidence of Internet users globally due to recent revelations of pervasive monitoring and surveillance”.

Suggestions for BRICS Cooperation on ICT development and Internet Governance

As the typical emerging powers around the globe, there is much room for BRICS to strengthen collaboration on ICT

¹ Gellman, B. and A. Soltani. 2013. “NSA Infiltrates Links to Yahoo, Google Data Centers Worldwide, Snowden Documents Say.” The Washington Post, October 30. www.washingtonpost.com/world/national-security/nsa-infiltrates-links-to-yahoo-google-data-centers-worldwide-snowden-documents-say/2013/10/30/e51d661e-4166-11e3-8b74-d89d714ca4dd_story.html

² <http://www.internetsociety.org/news/montevideo-statement-future-internet-cooperation>

development and Internet Governance. The pragmatic need for this is that the prosperity, stability and security and Internet is and will be tremendously impact social and economic development for BRICS and the rest of the world. We must not neglect the fact that cyberspace is the space for Information society and is different with traditional territories which demand efforts made together to tackle the challenges.

i. Building consensus within BRICS in regard to ICT development and Internet Governance

BRICS need to enhance the dialogue and build consensus on a series issues pertaining to ICT development and Internet Governance. This kind of work is important that the European Commission and OECD had made efforts to set up their own checkpoints for Internet Governance. The OECD Recommendation on Internet Policy Making Principles¹ was adopted amid concerns that the openness of the Internet, which has stimulated innovation, delivered economic and societal benefits, and given voice to democratic aspirations — was at risk. On 12 February, 2014, the European Commission adopted a Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: “Internet Policy and Governance — Europe’s role in shaping the future of Internet governance” (COM(2014) 72/4). The European Commission released “Internet Policy and Governance in plain language”² in May 2014. Those “info-fiches” provide factual information and background explanation on 11 key aspects covered by the Communication on “Internet Policy and Governance”.

It is recommended that BRICS take efforts to build consensus and establish a set of principles on ICT development and Internet Governance which will help reach common understanding within BRIC on important issues and amplify the voice of BRICS internationally.

¹ The OECD Recommendation on Internet Policy Making Principles was released on 13 December 2011. <http://www.oecd.org/internet/ieconomy/49258588.pdf>

² <https://ec.europa.eu/digital-agenda/en/news/internet-policy-and-governance-plain-language>

ii. Enhancing coordination among BRICS on specific international matters related to ICT development and Internet Governance

BRICS ought to enhance coordination on specific international matters related to ICT development and Internet Governance. ICT development and Internet Governance can be put as the regular topic for BRICS meetings at all levels. For example seminars can be organized on IANA Stewardship Transition and ICANN Accountability for BRICS government officials, private sector stakeholders and academicians to exchange views and orchestrate measures and actions to influence those important working processes. In addition, exchange of views and positions conducted regularly before some of large and important international conference such as WSIS+10 Review, ITU Plenipotentiary Conference, and Internet Governance Forum etc. it is also recommended that BRICS encourage its representatives and stakeholders to promote exchange of information and coordination at different international occasions e.g. ICANN and the Governmental Advisor Committee, ITU, as well as ICT standards organizations. Currently, Stakeholders play a more significant role on the platform of Internet governance in information age. What's more important is encourage stakeholders within BRICS to carry out concrete cooperation on matters related to ICT development and Internet Governance.

iii. Accelerating ICT Development for BRICS with a set of measures and tools

Besides the rapid growth in ICT and Internet, the digital divide still exists because of vast land and unbalanced development in BRICS countries. It is a crucial task for BRICS to face and take action against the digital divide. Sharing of experience and best practice of domestic management of Internet and ICT innovation is essential for BRICS learning from each other. The good governance is the basis for Sci-tech improvement. For example it is welcomed Brazil to showcase its governance model with Brazilian Internet Steering Committee (CGI.br)¹. BRICS can also be the platform for Internet and IT enterprises in each BRICS country to come

¹ Brazilian Internet Steering Committee (CGI.br) is considered as one of the best practices for domestic Internet Governance. <http://cgi.br/about/>

together to share experience on universal services as well as frontier technology and services. The development of mobile internet can be the effective way chosen to serve under developed areas while fixed infrastructure is not able to be ready overnight.

With the establishment of New Development Bank (BRICS), it is highly recommended that the financial tools will be used as efficient as possible to bridge the digital divide. It is suggested that BRICS experts work together to come up with and identify a couple of real cost-effective ICT project where investment from New Development Bank will beneficiary to people in rural area.

iv. Maintaining and safeguarding the stability and security of cyberspace

Network security is the tough challenge faced by all governments and stakeholders around the world in the information age. The robust national security, good protection of privacy and secured financial transaction rely on a stable and secure Internet and ICT facilities. President Xi Jinping stressed that the development of Internet technology should neither infringe the information sovereignty of other nation states nor put other countries' security at stake to seek the absolute security for one country itself. We cannot afford double standards on Internet. Every nation state has its right to defend its own network and information security. It is hoped that this concept is shared by BRICS representatives.

It is recommended that BRICS to develop coordinated measure and actions to answer network security threat. The cooperation of CERTs of BRICS could be enhanced to a new level on tackling cyber-attacks, spam, and phishing etc. It is proposed that cooperation studies on security technology be conducted among BRICS to follow up the fast evolution of Internet. Best practice and experience on security defence is able to be shared.

Conclusion

In Conclusion, along with the rapid growth of Internet and ICT, BRICS emerging as inelible forces in digital economy had been playing more important and active role in the arena of Internet Governance. BRICS are facing some of the same key issues and challenges in the area of ICT development and Internet Governance. The prosperity, stability and security and Internet are and will be tremendously impact social and economic development for BRICS.

BRICS need enhance cooperation to answer the challenges for the network stability, secure cyberspace and sustainable development

ICT Governance Agenda for BRICS – An Eightfold Path

Pranay Kotasthane, Nitin Pai¹

Introduction

Knowledge is the currency of power today. Along with land, capital and labour, knowledge is now the fourth “factor of production”. These four factors in general, and knowledge in particular are critical for BRICS states as they aspire to attain *yogakshema*² — a state of well-being, prosperity and happiness of their peoples.

The fastest growing source of knowledge today is the internet. In fact, the internet is itself a manifestation of the power of knowledge. More so, the internet has created, and continues to create, unmatched knowledge ecosystems by interlinking vast amounts of information across geographies and time.

Information and Communications Technology (ICT) broadly refers to the entire supply chain of delivering knowledge using networks like the internet. ICTs play a pivotal role in reducing information asymmetry in diversified fields such as education (through distance learning), health (through telemedicine) and so on. Given the huge potential of employing ICT in pursuit of *yogakshema*, all nation states and multilateral organisations are investing a great amount of thought about using ICTs better.

Given the importance of ICTs, it is natural that questions are being asked about who, when and how will govern this currency of global power. In its early stages, the internet was envisaged as a stateless space, without government control.³ Consequently, little attention was paid to the policy regulations. However, recent events, such as the Arab Spring, where conventional societies transformed

¹ Takshashila Institution

² The concept of *yogakshema* was first used in Arthashastra, the ancient Indian treatise of statecraft, and was written by Kautilya.

³ “Internet Governance: Towards greater understanding of Global South perspectives”, Global Partners Digital, May 2013.

themselves into radically networked societies by mobilising around the internet have brought internet governance back into focus. Technology — specifically the internet and mobile devices — is seen as an important instrument enabling protests and activism, especially because they are less sensitive to control mechanisms traditionally employed by governments of the world.¹

The BRICS scenario

The case of BRICS states is particularly interesting with respect to their ICT statuses. BRICS states constitute one of the most massive and rapid growing segments of the global internet community. On one hand, the five nation-states account for 38% of the world's total internet audience. On the other, the average internet penetration rate in these countries is merely 38.8%.² This paradox means that BRICS states are in a peculiar position with regards to ICT and any policy directions related to ICTs should take into account this peculiarity in user distribution.

Thus, the existing fluid structure of internet governance, coupled with the under representation of BRICS states on matters of internet and cyber governance means that it is necessary that new paradigms on ICTs and internet governance be high on the BRICS agenda.

This paper presents eight principles for a framework that addresses the specific issues of BRICS states — low ICT penetration and yet a huge growth potential. Under this eightfold framework, specific policy recommendations can be made.

Eightfold path to BRICS policy on ICT & internet governance

1. Increase penetration

First, given that the internet penetration in BRICS states ranges from a poor 12% (India) to a modest high of 52% (Russia), it is a joint priority for the BRICS agenda to increase penetration of ICT.

¹ “Chapter 10: Networked societies and Hierarchical States: The emerging challenge to political order” by Nitin Pai and Sneha Shankar in *Promoting Democracy for creating a better and peaceful world*, Observer Research Foundation, 2015.

² “ICT in the BRICS agenda before the 2015 summit: Installing the missing pillar?” by Oleg Demidov, *Security Index: A Journal on International Security*, Volume 20, Issue 2, 2014.

This is important because there is a correlation between ICT penetration and economic growth rate. So when we think of a BRICS agenda for internet governance, highest priority must be given for enabling ICT access to maximum number of people in the shortest duration possible.

Penetration, however, should not come as a result of price regulation. Fixing prices and enforcing low costs will damage the ecosystem. Low prices should come as a result of market forces and competition.

Individuals in the BRICS states want more and better connectivity to the internet. Provided that individuals are ready to pay for it, they should be free to tap the information and knowledge flows from the internet. Keeping low barriers of entry is critical to the success of ICTs as a networked system.

2. Foster innovation

BRICS states' success in a knowledge economy relies on successes at the level of individuals and enterprises, both. Given that the IT industry is an engine for growth and development in these countries, they must collectively ensure that these industries remain globally competitive.

Entrepreneur friendly policies in the ICT space were critical in making US as the IT superpower in the last two decades. Going ahead, policies for internet governance in BRICS states should not create hurdles for entrepreneurs and ensure that they have the best possible start to build world-class companies.

3. Ensure quality

It is in the public interest that the IT industry be healthy and competitive. Overregulation hampers competition. For instance, as seen in India, the regulators pursued the goal of forcing the telecom providers to lower user tariffs. The result been that while India has one of the lowest costs of telecom services in the world, the service quality is patchy. Broadband service often is of lower speed and suffers outages. All this is because telecom companies are cutting costs in these areas. There are few lucrative or premium services left where they can increase their profitability.

The only protection they enjoy is through licensing — the government limits the competition they face. Thus, price controls

can lead to drop in quality which in turn makes the industry and individuals uncompetitive in the information age.

4. Protect free speech

Any internet governance reform must respect individual freedom. The reason that internet is such a popular medium is because it allows for two-way communication. Individuals can freely express their views at low transaction costs to each other and to organisations. Restricting freedom of individuals will hamper its growth.

In general, there should be no restrictions on expressing opinions. Even if there's a need to protect the rights of other individuals or governments, clear and narrow definitions of what constitutes grossly offensive, insulting, annoying or inconveniencing content must be defined. The nature of these limitations should be restricted only to words or expressions that present an imminent threat to the security and integrity of the state, or the security of its citizens and communities.

5. Build capacity for managing radically networked societies

Individuals in the BRICS states are increasingly networked with each other following the growth in ICT. Not only through Facebook and Twitter, people who can receive text messages on their phones are also plugged in to various local, national and international networks. This is a flat, networked society.

When such societies encounter the hierarchically ordered structures of the states they are part of, there is a mismatch in terms of expectations, response times, and sensitivity to context. This is true, however democratic the state and whatever degree of accountability there is of its government. The unresponsiveness of the state undermines its legitimacy in the eyes of its society. While a networked society moves fast, a hierarchical government moves relatively slowly on account of its structure.

Any policy on internet governance must take this structural mismatch between a hierarchical state and a networked society. BRICS states must invest in mechanisms that enable them to respond to the challenges posed by radically networked societies.

6. Upholding individual dignity

Upholding the individual dignity is a primary responsibility of the state. However, this responsibility becomes tough to implement in the context of the internet.

Given the central role that data plays in platforms' business models, it is unlikely that any steps that governments take can decrease providers' incentives to exploit data. Given the significant complexities involved in data exploitation, it is unlikely that end users will be able to effectively negotiate a privacy policy, even in a context of full transparency.¹ Hence, BRICS governments will have to come up with regulations preventing data exploitation.

7. Enable democratic participation

Given that the internet remains a place that fosters the freedom to air opinions, it is a potential tool for participatory democracy. An example of the internet being used to seek views on policies is "We the People" petitioning system used by the US Federal government. Policies on internet governance should create more avenues for utilising the internet as a two-way channel between governments and citizens.

8. Build transparency

Protecting consumer rights should be an important feature of any internet governance reform. This includes consumer rights to accurate information about internet services, their pricing and traffic congestion management practices. This will lead to informed choices by individuals.

Grievance redressal mechanisms should be set up so that opaque practices can be curbed.

Annex: Key Indian Perspectives

The Cellular Operators Association of India (COAI) proposal at NETmundial- Global Multistakeholder Meeting on the Future of Internet Governance, 23-24th April, Sao Paulo, Brazil had the following to say on internet governance:

A critical factor in the success of the Internet has been the multi-stakeholder framework and open access. In recent days, however, there is a growing concern about the excessive influence of one country over some of the internet governance mechanisms. Governments are coming to terms with their new role in the internet and social media space. The Tunis Agenda 2005 recognizes

¹ "The role of government in internet" by James Allen and Nico Flores for Analysys Mason, 18th April 2013.

a role for multistakeholders such as government, businesses, civil society, technical community, academia and media.

Nikhil Pahwa, who runs Media Nama, a portal for analysing digital media in India presents the viewpoints of consumers, industries and governments on internet privacy in India:

The government's top concern is national security, even though it realizes that there is a need to enhance education and cyber literacy, and help people acquire netiquette. It understands the benefits of the Internet and, in India, initiatives have been undertaken to bring the next billion online.

However, the government needs to find a balance between protection of civil liberties and intellectual property rights. There is a need for providing an enabling legal framework for growth of commerce online. Among the levers to which the government can resort to assert itself are legislation — which it has done through the IT Act of 2008, and the IT rules of 2011; and surveillance, which in India is a sovereign right.

However, it has been found that surveillance and monitoring in India does not have focus. Many argue that India needs to have a framework that helps to identify unethical acts, and focus on naming and shaming.

The industry is also afraid that the government may have a socialist agenda and would like to see a legal framework under which content can be distributed legally, or downloaded legally. Industry also fears that the government doesn't quite understand how the industry works, which could lead to an uneducated and disproportionate reaction.

The digital consumer wants to be empowered; to have the ability to voice his/her opinion; to create an online identity, not necessarily the same as their offline identity; and to connect with one another. The consumer wants unfettered access to content for free.

Consumers are afraid of being targeted, tracked and blocked by the government. They fear that the corporates will make content paid or consolidate, leaving them with fewer choices. They are starting to be concerned about their privacy and freedom of expression, especially when their employers might be watching.

Pranesh Prakash, the Policy Director of the Centre for Internet and Society, a Bangalore-based non-profit that engages in research and policy advocacy says the following about India's proposal to UNCRP in 2011:

Currently, that fear of governments taking control of the internet is misplaced. However, multi-stakeholder-ism isn't represented well enough in the Indian proposal and it could be better. I don't think that this is an attempt by the Indian government or governments to take over the Internet. It is providing too much centrality to governments as things stand, and that can be made better, but the status quo is worse than what the proposal.

CHAPTER 6

NEW DRIVERS OF BRICS ECONOMIC COOPERATION

BRICS in International Economic Governance

*Sun Jingying*¹

The world power is undergoing a significant change with the rise of BRICS. The so called “rising power” raises questions about the stability of the global governance and the future of the Western-sponsored International order. As anticipated by the UN post-MDGs: “The South has risen at an unprecedented speed and scale... By 2050, Brazil, China & India combined are projected to account for 40% of world output in purchasing power parity terms.”² The rapid rise of the BRICS has become more evident since the first decade of the twenty-first century. However, the post-2015 era is likely to be different from that anticipated by the UN post-MDGs: as the global South comes to overshadow the hitherto hegemonic North³, so its own regionalisms may come

¹ Peking University

² UNDP 2013 Human Development Report—The Rise of the South: human progress in a diverse world, pp. 1–2 website: http://211.136.10.57/videoplayer/hdr2013_en_complete.pdf?ich_u_r_i=0359c939f092c70163c2e9771d3ad819&ich_s_t_a_r_t=0&ich_e_n_d=0&ich_k_e_y=1545058913750563512413&ich_t_y_p_e=1&ich_d_i_s_k_i_d=6&ich_u_n_i_t=1

³ Abdenur A E and de Fonseca J M E M (2013) The North’s growing role in South-South cooperation: Keeping the foothold. *Third World Quarterly*; 34 (8): 1475–1491

to balance, even challenge, the EU as “model”¹. So 2015 may be more of a turning point for the global political economy than the UN and others imagined when they anticipated post-Millennium Development Goals (MDG).² The “New Global Partnership” may be different than it has anticipated and advocated.³

For many researchers, the rising BRICS are not confronting the inter-state relations dominated by the U.S. and its allies. BRICS has emerged in the context of globalization that the global governance has shown different features from before, especially in the post 2015 era. Such novel regional directions are reinforced by burgeoning MNCs, including state-owned enterprises (SOEs), especially national oil companies (NOCs), based in the South.⁴ BRICS become increasingly familiar with the global governance, and comparative regionalisms are impacted by the Emerging Markets, concentrated in Asia, Africa, South America and Central Europe.

Arguably, then, the first decade of the twenty-first century was that of the BRICs/BRICS, especially China and India, leading to the observation that the established N–S axis coexists with an E–S and S–S ones: North–South relations have been dominant for 200 years and now an East–South and South–South turn is emerging.⁵ The 2008 economic crisis is part of a global rebalancing process.⁶

¹ Fanta E, Shaw T M and Tang V (eds) (2013) *Comparative Regionalism for Development in the Twenty-First Century: Insights from the Global South*. Ashgate for NETRIS: Farnham.

² Wilkinson, Rorden, and David Hulme (eds.). 2012. *The millennium development goals and beyond: Global development after 2015*. Abingdon: Routledge.

³ Kilby, Patrick. 2012. The changing development landscape in the first decade of the 21st century and its implications for development studies. *Third World Quarterly* 33(6): 1001–1017.

⁴ Nolke A (ed) (2014) *Multinational Corporations from Emerging Markets: State Capitalism 3.0*. Palgrave Macmillan: London.

⁵ Pieterse J N (2011) Global rebalancing: Crisis and the East–South turn. *Development and Change*; 42 (1): 22–48.

⁶ Shaw T M (2015) From post-BRICS’ decade to post-2015: insights from global governance and comparative regionalisms. *Palgrave Communications* 1:14004 doi: 10.1057/palcomms.2014.4.

1. BRICS in the Current Global Economic Governance Structure

For the rising and established powers to renegotiate the mechanisms and terms in which global governance takes place, international organizations have been the important vehicles. The current international organizations, including World Trade Organization (WTO), International Monetary Fund (IMF) and World Bank (WB) are still the primary venues of global economic governance, through which international rules, decisions and treaties are established, reached and enforced. All BRICS countries are members of major international and multilateral institutions, such as the WTO, IMF, WB as well as the UN, the G-20 and the UN Framework Convention on Climate Change (UNFCCC), and are active participants therein.

The interaction between BRICS and the global economic governance order is complex. Realist researchers underline the destabilizing role of the rising powers and the high possibility of rising powers contesting the current governance arrangements in their broader geopolitical rivalry with the United States. The close connections between international institutions and the power of established states have been emphasized by offensive realists,¹ power transition theorists,² and hegemonic stability approaches.³ In contrast, liberal theorists criticize realists for dismissing the open and rules-based nature of the international order that alleviates security competition and fosters integration into existing

¹ Mearsheimer JJ (1994) The false promise of international institutions. *International Security* 19(3): 5–49.

² See Lemke D and Tammen RL (2003) Power transition theory and the rise of China. *International Interactions* 29(4): 269–271. Rapkin D and Thompson W (2003) Power transition, challenge and the (re)emergence of China. *International Interactions* 29(4): 315–342. Tammen RL, Kugler J, Lemke D et al. (2000) *Power Transitions: Strategies for the 21st Century*. Washington, DC: C.Q. Press.

³ Gilpin R (1981) *War and Change in World Politics*. Cambridge: Cambridge University Press., Schweller RL (1999) Managing the rise of great powers. In: Johnston AI and Ross RS (eds) *Engaging China: The Management of an Emerging Power*. London: Routledge, 1–31.

governance institutions.¹ Consequently, rising powers are finding incentives and opportunities to engage and integrate into this order, doing so to advance their own interests. For these states, the road to modernity runs through — not away from — the existing international order.² Constructivist-inspired accounts, similarly, emphasize that China, as the largest rising power, has adopted ideas that are mostly “satisfied” with the existing order³ and oriented towards international integration.⁴

Political economy literature has situated states within the “broader field of social relations” that gives them sociological depth.⁵ The role of China’s state-heavy form of development, and the possible challenge this poses by example to Washington Consensus norms, has been widely studied and debated.⁶ Relatedly, others suggest that the BRICS have pioneered novel varieties of capitalism that challenge the market coordination of existing

¹ Ikenberry GJ (2011) The future of the liberal world order. *Foreign Affairs* 90: 56–62. Ikenberry GJ (2011) *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order*. Princeton, NJ: Princeton University Press. Ikenberry GJ and Wright T (2008) *Rising Powers and Global Institutions*. New York: The Century Foundation.

² Ikenberry GJ (2011) *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order*. Princeton, NJ: Princeton University Press. P61.

³ Johnston AI (2003a) Is China a status quo power? *International Security* 27(4): 5–56.

⁴ Legro JW (2007) What China will want: The future intentions of a rising power. *Perspectives on Politics* 5(3): 515–534.

⁵ Overbeek H (2004) Transnational class formation and concepts of control: Towards a genealogy of the Amsterdam Project in international political economy. *Journal of International Relations and Development* 7(2): 113–141. Breslin S (2013) The ‘China Model’ and the global crisis. *International Affairs* 87(6): 1323–1343. McNally CA (2013) The challenge of refurbished state capitalism: Implications for the global political economic order. *DMS – Der moderne Staat* 6(1): 33–48. Strange G (2011) China’s post-Lianist rise: Beyond radical globalization theory and the political economy of neoliberal hegemony. *New Political Economy* 16(5): 539–559. Wade RH (2010) After the crisis: Industrial policy and the developmental state in low-income countries. *Global Policy* 1(2): 150–161.

⁶ Arrighi G (2007) *Adam Smith in Beijing: Lineages of the 21st Century*. London: Verso.

global governance institutions.¹ In contrast, other political economy approaches have observed a more general trend towards neoliberalization among BRICS members and a compliant approach to global governance: seeking to boost their positions within the structures, but leaving them in place.²

The BRICS discourse is shaped mainly by two distinct processes, namely the Goldman Sachs research report and the diplomatically driven initiative launched by the leaders in BRICS summit declarations. These processes have come to shape the conceptualization of emerging powers as well as positions of these countries in geopolitics. Economic power does not necessarily translate into international influence but it seems the BRICS have so far been able to transform their economic power into international political influence.³ In general, China has been quite conservative in the governance of trade and FDI, mostly following the existing rules rather than challenging them. China has been more anti-status quo with regard to financial and aid governance, openly critical of the financial system.⁴ India and Brazil are contesting with U.S. and EU in WTO Doha round negotiations concerning about agriculture issues.

By pushing, forward the IMF quota and governance reform, strengthening multilateral trading system and advancing Doha Round negotiations, BRICS keeps on improving global economic governance. One noticeable milestone is the establishment of the New Development Bank and the Contingent Reserve Arrangement. As a result, the voice and representation of BRICS and other emerging market and developing countries have increased.

¹ May C and Nölke A (2013) Capitalism in large emerging economies and the new global trade order. Paper presented at the 54th Annual Convention of the International Studies Association, 3–6 April, San Francisco.

² Harvey D (2005) *A Brief History of Neoliberalism*. Oxford: Oxford University Press, 120–151. Schmalz S and Ebenau M (2012) After neoliberalism? Brazil, India, and China in the global economic crisis. *Globalizations* 9(4): 487–501.

³ Haibin N, 'BRICS in Global Governance: A Progressive Force?', *Dialogue on Globalisation*. New York: Friedrich Ebert Stiftung, April 2012.

⁴ Hongying WANG, Erik French, China in Global Economic Governance, *Asian Economic Policy Review* (2014)9, 254-271, website access at :<http://onlinelibrary.wiley.com/doi/10.1111/aepr.12068/epdf>

Current global economic governance is going through subtle changes. It can be best described as slightly moving away from IMF and World Bank while maintaining their major participation in trade issues at WTO. This tendency can be seen through the BRICS Summit Declaration in 2011, 2012, 2013 and 2014. The establishment of New Development Bank and the Contingent Reserve Arrangement complements parts of the current financial system's function, while addressing infrastructure gaps and sustainable development needs. As Richey and Ponte (2014) suggest that "development" is increasingly "alliances" or networks, including "new" actors. Such extra-or semi state hybrid global governance" increasingly challenges and supersedes exclusively interstate international organizations.¹

In global trade governance, while BRICS focus on the WTO to exert their influence and guarding the interests of developing countries, U.S., Europe and other major advanced economies have gradually drifted away. The ongoing negotiation of the mega-agreements, such as the Trans-Pacific Partnership-TTP and the Transatlantic Trade and Investment Partnership-TTIP, all address new issues based on the supply chain trade. The agreements propose numerous WTO plus and extra rules such as enhanced intellectual property protection, regulation of e-commerce, competition rules, liberalization and protection of investments, regulation of trade related aspects of state owned enterprises, provisions on small and medium sized enterprises, rules of international supply chains, amongst other themes. While BRICS are getting more and more integrated into the world production network, these under-negotiation trade rules may pose extra difficulty for BRICS to expand their trade growth, for according to the current negotiation text, non of BRICS are involved, let alone having a say in the rule making process.

Confronted with this situation, one possible solution for BRICS to get away from the mega-agreements regulation is the vast domestic market they have. For supply chain trade, the advanced economies are focusing on the investor protection issues, where

¹ Harman S and Williams D (eds) (2013) *Governing the World: Cases in Global Governance*. Routledge: Abingdon.

BRICS can offer the “domestic market in exchange for investment” strategy to win FDI and supply chain integration instead. The infrastructure construction industry (especially the high-speed rail way construction) of China, which follows the national “Going Out Strategy”, is a new mechanism for the intra-BRICS economic cooperation, in which there is a good opportunity for member countries to explore a new model for developing countries to conduct economic cooperation.

A state-owned enterprises issue is a good example of the conflict between BRICS and advanced economies. In Fortaleza Declaration, BRICS made the statement as: “we acknowledge the important role that State Owned Companies (SOCs) play in the economy and encourage our SOCs to continue to explore ways of cooperation, exchange of information and best practices”¹. Meanwhile, many western researchers recognize state owned enterprises held a significant role to the BRICS national economies, some of them even categorized the BRICS economy types as “new/state capitalism”. However, in practice, it is exactly the problem that mega-agreements try to tackle in extra-WTO rules negotiation, because of the favourable treatment SOEs get from their countries.

Such kind of differences will continue to exist for a long time in the future’s trade rule negotiation. As long as it not been addressed under the multilateral agreements, the global trade governance will be fragmented even further.

2. Post-2015 Global Economic Governance Structure

There are three factors that would probably impact global governance and comparative regionalisms in policy and practice post-2015: (a) global restructuring in numerous areas, from economics and ecology to diplomacy and security;² (b) shift in the direction and concentration of resource flows and supply chains away from S–N towards S–S and S–E; and (c) continued evolution in multi-stakeholder communities to incorporate state-owned

¹ BRICS Sixth Summit: Fortaleza Declaration and Action Plan.

² Besada H and Kindornay S (eds) (2013) *The Future of Multilateral Development Cooperation in a Changing Global Order*. Palgrave Macmillan for NSI: London. Overbeek H and van Apeldoorn B (eds) (2011) *Neoliberalism in Crisis*. Palgrave Macmillan: London.

enterprise, sovereign wealth funds, pension funds, Exchange Traded Fund and so on as well as multinational companies, especially from the BRICS and other emerging markets.

Global economic governance is continuously moving towards contemporary transnational issues such as brands and franchises; expanding consumption by emerging middle classes; logistics and supply chains; mobile digital technologies including mobile money; new film centres; new media. But such heterogeneous relations/perspectives deserve further attention in terms of their contribution to sustainable development.

3. BRICS Economic Cooperation

Although BRICS differ substantially in terms of demographic, economic, military and political weight as well as in terms of their political and economic systems¹, they also share some characteristics that distinguish them from other emerging powers and bring them closer to each other. First, all BRICS members own a series of economic, political and military power resources and the capacity to participate in the making of international order, both in regional and global level.² Second, they believe that BRICS could play a more influential role in global affairs. Third, BRICS are all outsiders to the U.S.-led set of international and multilateral structures, and they are not U.S. close allies. It is this combination of factors that leads to the willingness of the BRICS to strengthen their mutual relations and to promote alternative or complementary international forums and linkages beyond the predominant western-dominated organizations.

The logic of the rise of the BRICS and their intensified cooperation can be understood in the following two perspectives. For one thing, in the current global economic governance dominated by the U.S., none of the BRICS individually is capable to counterbalance. On the other hand, the rapid changing networks of transnational exchange and communication entails adjustment

¹ Keukeleire, S. and Bruyninckx, H. (2011) The European Union, the BRICs and the Emerging New World Order.

² Hurrell, A. (2006) 'Hegemony, Liberalism and Global Order: What Space for Would-Be Great Powers?' *International Affairs*, Vol. 82, No. 1, pp. 1-19.

and change of current international institutions and new forms of governance structure.¹

BRICS countries have continuously expressed their joint support for reforming the United Nations and the international financial institutions and for upgrading the role of the G20 (instead of the G7/8) as all individual BRICS countries hold membership in the G20. This aim to reform the international institutions also appeared in the Fortaleza Declaration and Action Plan in 2014, adopted by the leaders of the five BRICS countries during their Six Summits in 2013. In this declaration, they reiterate their support for a ‘comprehensive reform of the UN, including its Security Council, with a view to making it more representative, effective and efficient so that it can be more responsive to global challenges’ (BRICS, 2014). In the Fortaleza Declaration on international financial institutions, BRICS raises the issue of representation, as the BRICS leaders call for ‘the reform of International financial institutions to ensure increased voice and representation of emerging markets and developing countries. Besides, leaders “remain disappointed and seriously concerned with the current non-implementation of the 2010 IMF reforms, which negatively impacts on the IMF’s legitimacy, credibility and effectiveness.” (BRICS, 2014) These calls for reform reflect the willingness of the BRICS countries to counter an “unjust” western-dominated multilateral world in which they are generally underrepresented. The dominance and the overrepresentation of the west also appear in other multilateral settings such as the IMF, World Bank and the WTO.

For future economic cooperation, BRICS needs to find new mechanisms to address each member’s concerns, both regionally and globally. China recently issued the “One Belt One Road Strategy” (also known as Silk Road Economic Belt and Maritime Silk Road Strategy), which could be a potential foundation for “One Belt One Road Plus” cooperation mechanism among BRICS members. Similarly, India issued Cotton Route strategy and Ancient Maritime Routes in 2015 as regional development strategy. India

¹ Hurrell, A. (2006) ‘Hegemony, Liberalism and Global Order: What Space for Would-Be Great Powers?’ *International Affairs*, Vol. 82, No. 1, pp. 1–19.

could connect the East with the West by reviving ancient pathways through the proposed Cotton Route. Both routes tent to connect coastal countries in South Asia, whereas the Indian initiatives could increase New Delhi's economic cooperation and strategic partnerships with almost all the countries in the Indian Ocean Region.¹

Instead of viewing this as competing initiatives, actually this should shed light on the potential cooperation mechanism for BRICS. For both China and India need to focus on the infrastructure constructions at the first place. Better connection of the transportation network will facilitate commodity and service trade, mobility of capital, people and goods. Infrastructure construction is one among many promising cooperation fields. All BRICS members are developing countries which all have great needs for infrastructure constructions. China and Russia have also recently initiate cooperation on high-speed rail project, the Russian Railways signed an agreement with a consortium of two Russian companies and China Railway ErYuan Engineering Group Company Limited (CREEC) worth 20 billion rubles (over 380 million U.S. dollars). The three companies would jointly implement the high-speed track project, which connects Moscow with Kazan, capital of Tatarstan Republic.² China-India, China-Russia cooperation in infrastructure construction is good example for intra-BRICS cooperation.

4. Future Outlooks

Firms in advanced economies depend on an open and market-based export and investment regime, extra-WTO rules that could facilitate supply chain trade are getting momentum in recent on-going mega-agreements negotiation. Many of its core premises, such as the "abolition of barriers impeding the entry of FDI", "privatization of state enterprises" and "abolition of regulations that impede the entry of new firms or restrict competition" are crucial for the success of Western multinationals. However, these new institutional set-ups

¹ India Mulls "Cotton Route", website at: <http://inserbia.info/today/2015/04/india-mulls-cotton-route/>. Access date: 1st May 2015.

² Chinese company becomes co-contractor of Russia's high-speed rail project, website at: http://news.xinhuanet.com/english/2015-05/01/c_134200761.htm, access date: 1st May, 2015.

(TPP, TTIP for example) do not cater to the institutional context of firms in large emerging economies. Therefore, the BRICS will be less motivated to strengthen these institutions.

Global institutions are not designed initially for the growth needs of emerging economies but are often still used by the latter in the absence of better alternatives — China and Russia gaining the membership in WTO is a good example. It seems likely that the much closer business-state relationship in large emerging markets will lead to adjustments in the current global economic governance. International economic cooperation will still be important, but this cooperation will take on a more regional, reciprocal nature and remain fragmented.

Enhancing Economic Cooperation within BRICS: A Sectoral Approach

Vivan Sharan, Abhirup Bhunia¹

Introduction

Seven years since the 2008 financial crisis, the global economy remains unstable with growth in GDP, exports, employment and investments not picking up. Recognising this, the IMF recently cut its growth forecast for the global economy from 3.8 per cent to 3.5 per cent for 2015 and from 4 per cent to 3.7 per cent for 2016. Besides specific domestic causes for a slowdown in the respective economies, BRICS countries in general are facing tough times given that commodities as an asset class aren't faring well, even as demand from the real economy is muted.

Full time job creation in OECD economies is slow while growth in emerging economies is still a far from the pre-crisis levels of growth which was instrumental in lifting millions out of poverty. And perhaps most worrying of all, income inequality continues to swell across the developed and developing world. The leaders of the BRICS grouping will meet in July amid these sobering global economic milieu.

Russia's economy is expected to contract, even as China's growth of 7 per cent in the first quarter of 2015 was the slowest in six years. India's prospects look brighter, but the real economy still seems constrained by lack of new investments — much like in

¹ Observer Research Foundation (ORF)

China. Brazil recorded a meagre 0.1 per cent GDP growth last year with industrial production down, the consumer market muted and unemployment and inflation on the rise. The weak oil price, coupled with sluggish demand from China, seem to have hurt the resource-rich Brazilian economy. South Africa, probably among the worst hit, is reeling under a combination of low GDP growth (1.3 per cent in the first quarter against 4.1 per cent in the last quarter of the preceding year) and high unemployment (26.4 per cent, highest since 2003) raising the prospects of social unrest.

Even as many crucial sectors in all the economies are facing a turndown, global trade growth is set to pick up to around 8 per cent annually between 2017-20, although still below pre-crisis levels. Additionally, given the developmental challenges that BRICS economies have to grapple with, the potential for cooperation in solving those remains strong. The following section highlights a few sectors which are naturally well placed to take the lead in sector specific, concrete intra-BRICS cooperation.

Agricultural Cooperation

Agricultural growth in BRICS countries and cooperation within member states to achieve this collective goal is of vital importance. This is so largely because employment in agriculture remains large in the BRICS countries (Table 1). The sector's share of GDP, employment generation and exports shows its continued importance for all BRICS economies. The sector employs 56 per cent and 40 per cent of people in India and China respectively, is responsible for about 34 per cent and 10 per cent of Brazil and South Africa's total value of merchandise exports respectively and perhaps surprisingly accounts for around 10 per cent employment share in the fossil fuel rich Russian economy.

Table 1: Role of agriculture in the economy (as a % of total)

Country	Employment	GDP	Exports ¹
Brazil	10	5.7	34
Russia	9.7	4.0	1.5
India	56	18	11
China	40	10	3
South Africa	10	2.3	10

Source: OECD

¹ Food exports as a share of total merchandise exports.

Indian agriculture suffers from both productivity shortages and aggregation issues. Table 2 shows BRICS member states' agricultural productivity in the global context. The need for extension services by way of training and advisories is of importance, given lack of productivity in part due to outdated farming techniques. This is large potential area of collaboration between BRICS economies. For instance, India has made progress in productivity in rice yields using System of Rice Intensification (SRI) method in certain rice-growing parts. SRI in India has been carried out by government, civil society, extension programs and research institutes. This non-resource intensive method centres on better management of soil, water and seeds. Indeed aside from China, each of the BRICS has significant distance to traverse in terms of agricultural productivity.

There is potential for India to feed dynamic information such as this into the Basic Agricultural Information Exchange System (BAIES) as envisaged under the BRICS Agricultural Action Plan 2012-16. Prospective areas of information sharing include agricultural management systems and latest developments in agricultural science and technology. BRICS can intensify cooperation in technologies for small-holder farming, as the joint declaration of the 4th meeting of the BRICS agriculture ministers envisions. Moreover, this information platform is counterintuitively limited only to government bodies. It must be both broadened and deepened. Extension services is a potentially large area for private sector intervention given the traditional information shortages faced by small farmers across the developing world. Unifying platforms like producers' groups will also help capacity development, besides serving their traditional role of aggregating produce from small farmers.

Digital Economy

There are many aspects of development which can greatly benefit from the use of technology, particularly in BRICS countries where the growth in digital infrastructure is impressive. One of the most important among these is credit access or financial inclusion.

The degree of financial exclusion in India is high. While on the one hand 13 per cent of all bank loans in the country is cornered

Table 2: Productivity in rice and wheat | Unit: yield (tonnes) per hectare

Country	Rice (t/ha)	Wheat (t/ha)
Brazil	3.64	2.73
Russia	3.25	2.30
India	2.4	3.15
China	4.67	4.97
South Africa	2.0	3.41
EU	3.89	5.59
OECD	5.15	3.75

Source: OECD-FAO Agricultural Outlook 2014

by ten business groups¹, 73 per cent of all farming households in India have no access to formal credit². At the same time, the limitations to the brick and mortar model are obvious, particularly in India (Table 3). This provides fertile ground for the leveraging of technology in providing access to credit at the bottom of the socio-economic pyramid. Recent policies in India reflect such priorities, be it through the distribution of RuPay debit cards or through Aadhar linked bank accounts.

Table 3: State of formal credit access in BRICS

Country	ATMs per 100,000 people	% of rural population (>15 years) with an account with a financial institution
Brazil	120	63.02
Russia	153	61.22
India	9	49.78
China	NA	74.33
South Africa	60	68.59
Australia	167	98.7
Canada	209	98.2

Source: World Bank, 2013

¹ Data from Credit Suisse report, 2012: https://doc.research-and-analytics.csfb.com/docView?language=ENG&source=ulg&format=PDF&document_id=991849241&serialid=d7XXSoeHZ5lPnONkfrTSRhbDjI77D BsiqV1bjoXfsx4%3d

² NSSO data, as quoted in RBI paper at this link: http://www.rbi.org.in/scripts/BS_SpeechesView.aspx?Id=862

The fact is that 950 million mobile phones in the hands of Indian citizens provides an opportunity to enhance digital finance in the country. The same goes for other BRICS countries where the number of mobile phones per person is very high and constantly growing (Table 4). Additionally, BRICS countries make up the top four markets for smartphones. Some policy thinking in the abovementioned direction is already evinced in India, with the government proposing utilising the JAM (Jan Dhan Yojana-Aadhar-Mobile Phone) trinity to provide credit, insurance and other financial services to the underserved.

BRICS would do well to create enabling domestic ecosystems for cross border investments into telecommunication networks and differentiated banking systems such as mobile payments. In addition, the relatively low rates of internet penetration, averaging around 40 per cent across the five countries, present a commensurate opportunity for scaling up connectivity and digital inclusion.

Table 4: Mobile phone penetration in BRICS

Country	Number of mobile phones	Cell phones per person
Brazil	278 million	1.2
Russia	243.1 million	1.8
India	950 million	0.7
China	1.2 billion	0.9
South Africa	59.47 million	1.17

Internet penetration is fairly limited in India (Table 5). The Indian Government plans to expand its internet coverage under its Digital India and National Optical Fibre Network schemes. The Government also aims setting up 7 lakh kilometres of fibre optic networks in villages to connect all ‘panchayats’ with broadband by 2016. The Digital India framework involves establishing broadband highways, e-governance and e-Kranti which entails electronic delivery of sundry services in urban and rural areas.

Regional Value Chains and Services Standards Cooperation

BRICS countries are services heavy economies, with the share of their services sector in GDP in the range of 50 to 70 percent. Their services exports to the world have also grown consistently

Table 5: Internet penetration in BRICS

Country	% of households with internet access
Brazil	42.4
Russia	67
India	13
China	43.9
South Africa	39.4

Source: ITU, 2014

over the last several years (Table 6). Most merchandise trade also has a services component, for example auto servicing for the automobile manufacturing sector. With the modernisation of trade, countries have stipulated standards over the years to govern not just production standards domestically, but also quality of exports undertaken.

An OECD report¹ titled “Implications of Global Value Chains for Trade, Investment, Development and Jobs” indicated that services accounted for as much as 42 per cent of exports in value added terms from G20 countries, and more than 50 per cent in some countries, including India. This is because a services component is embodied in many goods that are exported, an aspect that is not taken into account for computing gross trade statistics.

Table 6: BRICS services exports to the world (in USD)

2010	2011	2012	2013	2014	2010-14 Growth
383,319,352	434,362,668	479,030,884	479,758,944	499,765,366	30.37 %

Source: ITC, 2013

Standards imposed by regulators on goods are primarily aimed at protecting the end consumer. Since the contribution of the services sector to the national GDP is much higher in India and other BRICS countries, it is an imperative to start formulating collective

¹ Full report at: <http://www.oecd.org/sti/ind/G20-Global-Value-Chains-2013.pdf>

services standards. The process should be stakeholder driven and take into account the existing capacities within indigenous firms to follow through on such stipulations.

Aside from the comparative advantage of the sector within BRICS, the emergent rules based agreements on the anvil such as the Trade in Services Agreement of which none of the BRICS are a part, should be enough justification to merit serious multi-stakeholder conversations on standard setting in services. The BRICS must ensure that they don't end up as passive rule-takers of services standards.

There is potential here for the BRICS countries to collaborate on this measure, including for example by way of harmonisation of standards (like it is envisioned in the case of goods in SAARC, and exists in the European Union). Since intra-BRICS trade have also grown in the last few years arising from both trade complementarities as well as from their being in a somewhat similar stage of economic development, there is a fairly strong case for the same.

Technical regulations in certain BRICS states exist, but their reach across the services value chain is limited (for instance, in Brazil, services standards are applicable to healthcare). Some of the BRICS economies also have MOUs on standards, conformity assessment and accreditation procedures with each other along with being co-signatories in a number of mutual recognition agreements.

Clean Energy Cooperation

Even in the post financial crisis world, energy demand continues to be driven by the BRICS economies. They also happen to account for 35 per cent share in the global primary production of energy. Coal production in China today provides more energy to the global economy than the combined oil production in the Middle East.

On April 22 2015, BRICS Environment Ministers mooted a platform for exchanging clean technology know-how. The rapid development of 'clean coal' technology in China offers a ready template for private sector innovation and technological dispersion across BRICS. In addition, Brazilian and South African mining companies could partner with Indian companies looking to take advantage of domestic policy emphasis on commercialised mining and technology intensive exploration.

Box: Some Available Advanced Coal Technologies

Carbon Capture and Storage (CCS)	CCS is a technology which would allow capturing and storing up to 90 per cent of the CO ₂ emitted by the large fossil fuel power plants. CCS is advancing slowly, due to high costs and lack of political and financial commitment. The energy penalty of CCS is generally put at 20 to 30 per cent of electrical output. The US and Canada are at the forefront of CCS technology. In 2014, the number of CCS schemes globally rose to 22 (of which 13 were operational).
Super-Critical and Ultra-Supercritical Technology	Supercritical (SC) and ultra-supercritical (USC) power plants operate at temperatures and pressures higher than the critical point of water, i.e. above the temperature and pressure at which the liquid and gas phases of water coexist in equilibrium, at which point there is no difference between water gas and liquid water. This results in efficiencies of above 45 per cent, higher than what would otherwise be achieved (32 per cent). As a result, SC and USC power plants require less coal per megawatt-hour, leading to lower emissions. India is in the process of building several SC power plants, and Emerson automated India's first in Andhra Pradesh recently.
Fluidized Bed Technology	Fluidized beds suspend solid fuels on upward-blowing jets of air during the combustion process. The result is a turbulent mixing of gas and solids. The tumbling action, much like a bubbling fluid, provides more effective chemical reactions and heat transfer. The popularity of fluidized bed combustion is due largely to the technology's fuel flexibility — almost any combustible material, from coal to municipal waste, can be burned. The technology reduces sulphur and nitrogen oxide emissions and is slowly being adopted worldwide, including in developing countries like Philippines.

Urbanisation and Service Delivery

And finally, since urban centres are the drivers of growth within each of the BRICS economies, urban development must become a priority area for cooperation (Table 7). India estimates that it requires around USD 625 billion over the next twenty years in urban development spending alone.

The “Smart Cities” initiative of the new government in India is tailor made for exploring Public Private Partnerships (between ICT firms and local governments in particular) and city to city cooperation on key areas such as market based financing.

It is also useful to note that Indian urban local bodies (ULBs) will have a large role to play in fulfilling objectives of “smart”

infrastructure creation and service delivery. There is significant scope for sharing experiences with local governments across BRICS countries. In addition, collaborative capacity development on areas such as audit and taxation can go a long way in ensuring the financial viability and institutional credibility of local governments.

Table 7: Urbanisation in BRICS

Country	Urban population as a share of total	Avg. annual rate of change (2010-2015)
Brazil	85	0.3
Russia	74	0.1
India	32	1.1
China	54	2.4
South Africa	64	0.8

Source: World Urbanisation Prospects, 2014

Corporate Restructuring and Value Chains

New Drivers of BRICS Economic Cooperation

Seeraj Mohamed¹

Abstract

The past two decades have seen changes in control of global markets and concentration at a global scale. Gereffi and Fernandez (2011) argue that global values chain (GVC) analysis provides a good framework for understanding the way in which global markets have been reallocated and restructured over this period. They say that GVCs are a global link between firms, workers and consumers that could provide an entry for developing countries to integrate into the global economy. Gereffi and Fernandez are of the view that developing countries have to insert themselves into GVCs if they want to develop.

I argue in earlier work that global corporate restructuring over the past few decades has led to concentration of global markets with a larger role played by reorganised of global value chains. I argue that this restructuring has exacerbated a global division

¹ University of Western Cape

of labour where the corporations of developed countries that have become lead corporations in GVCs control design and engineering, intellectual property rights, branding and global distribution channels while developing countries provide primary inputs, such as raw materials and agricultural products, and provide cheap labour for assembly of manufactured products. The result of this division of labour has been to reduce the ability of developing countries' firms to move into higher value-added production, earn higher profits and to build up their stock of intellectual property, and global brands. Financialisation of non-financial corporations (NFCs) has had an important influence in shaping this global corporate restructuring, the operations of global value chains and the new global division of labour.

My paper argues that the perspective of Gereffi and Fernandez (2011) is a developed country perspective. They see the status quo with regard to GVCs as the only game in town and assume that developing countries have to insert themselves into these GVCs. They "suppose" that developing countries could benefit from insertion into GVCs. They do not question the global division of labour and discuss power only within the framework of governance of GVCs. They do not discuss global political economy issues nor the role of financialisation of developed country corporations and how this has impacted on GVCs.

The paper suggests that an important question and possibly agenda for the BRICS countries is not only to challenge the current status quo with regard to governance of GVCs but also to develop their own GVCs. Cooperation amongst the BRICS countries could support partnerships and development of BRICS corporations to challenge the current power of developed economy lead firms. They could alter the governance of global value chains for key products. BRICS countries have the combined market strength, range of products from raw materials through to intermediate and final products and know how to set up new value chains.

Introduction

The past two decades have seen changes in control of global markets and concentration at a global scale. Gereffi and Fernandez (2011) argue that global values chain analysis provides a good

framework for understanding the way in which global markets have been reallocated and restructured over this period. They say:

The global economy is increasingly structured around global value chains (GVCs) that account for a rising share of international trade, global GDP and employment. The evolution of GVCs in sectors as diverse as commodities, apparel, electronics, tourism and business service outsourcing has significant implications in terms of global trade, production and employment and how developing country firms, producers and workers are integrated in the global economy. GVCs link firms, workers and consumers around the world and often provide a stepping stone for firms and workers in developing countries to integrate into the global economy. (p.2)

I argue in Mohamed (2010) that this global corporate restructuring has exacerbated a global division of labour where the corporations of developed countries that have become lead corporations in GVCs control design and engineering, intellectual property rights, branding and global distribution channels while developing countries provide primary inputs, such as raw materials and agricultural products, and provide cheap labour for assembly of manufactured products. The result of this division of labour is that it reduces the ability of developing countries to move into higher value-added production, earn higher profits and to build up their stock of intellectual property, global brands. Financialisation of non-financial corporations (NFCs) has had an important influence in shaping this global corporate restructuring, the operations of global value chains the new global division of labour. Therefore, ability of developing country corporations to lead global value chains and to become international players that control intellectual property, branding and distribution has been curbed.

Gereffi and Fernandez are of the view that developing countries have to insert themselves into GVCs if they want to develop. However, there are many preconditions for developing countries to benefit from insertion into GVCs. They argue,

For many countries, especially low-income countries, the ability to effectively insert themselves into GVCs is a vital condition for their development. This supposes an ability to access GVCs, to compete successfully and to “capture the gains” in terms of national economic development, capability building and generating more and

better jobs to reduce unemployment and poverty. Thus, it is not only a matter of whether to participate in the global economy, but how to do so gainfully (ibid).

The perspective of Gereffi and Fernandez is a developed country perspective. They see the status quo with regard to GVCs as the only game in town and assume that developing countries have to insert themselves into these GVCs. They “suppose” that developing countries could benefit from insertion into GVCs. They do not question the global division of labour and discuss power only within the framework of governance of GVCs. They do not discuss global political economy issues nor the role of financialisation of developed country corporations and how this has impacted on GVCs.

An important question and possibly agenda for the BRICS countries is not only to challenge the current status quo with regard to governance of GVCs but also to develop their own GVCs. Cooperation amongst the BRICS countries could support partnerships and development of BRICS corporations to challenge the current power of developed economy lead firms. They could alter the governance of global value chains for key products. BRICS countries have the combined market strength, range of products from raw materials through to intermediate and final products and know how to set up new value chains.

Cattaneo and Fryer (2014) make a case for a heterodox approach in their contribution to the BRICS 2014 Academic Forum, they say:

The heterodox approach emphasises a coherent nexus of trade, industrial and technology policies to facilitate learning by doing and growth-enhancing structural change. Active industrial and technology policies are required in order to foster appropriate structural change. (Cattaneo and Fryer, 2014, p.14)

This case for a heterodox approach applies when considering GVCs and how to address the current inequities in the global division of labour. BRICS countries, through use of technology, trade and industrial policies combined with appropriate development finance support could set up and nurture value chains free of the negative financial motives and short-termism of financialized corporations and the shareholder value movement. The BRICS countries have

the ability to move away from market-led economic perspectives in shaping their corporate landscapes.

Restructuring and concentration of global manufacturing Changes in product market competition

From the 1980s there were changes in global business structure due to huge growth in competition in global manufactured products and changes in financial markets. During the 1950s and 1960s, countries that had rebuilt their manufacturing capacity after the devastation of World War II, especially Germany and Japan, competed with manufacturers of the US. From the 1970s, more developing country production entered global markets. There was a serious shake up in global product markets as a result of new entrants and increased production capacity.

Crotty (2002) drawing and building on Schumpeter's insights into competition says that before the 1970s, there was "co-respective" competition amongst the major corporations in core industrial sectors. The oligopoly structure of these markets meant that the dominant corporations were happy to divide global markets amongst themselves. As a result, price competition was significantly decreased and profit levels were higher. In addition, higher levels of profit taking were possible over a longer period because commercialization of new technology, product development and innovation could be extended over a longer period. In other words, innovation and technology rents were higher and could be enjoyed over a longer period because less competition meant that new products did not have to be introduced to the market as quickly as today. Therefore, corporations were willing to invest in longer-term projects and were less focused on short-term performance than today.

After 1980, with all the increased product market competition, large industrial corporations faced declining profits and were forced to compete on price.¹ Crotty calls this "coercive" competition, which

¹ The recovery of Japanese and Germany industry and their increasing involvement in trade put pressure on US corporations that dominated world trade after WWII. From the 1970s developing countries, especially of East Asia were able to increasingly compete in global trade markets and put even further pressure on existing developed country corporations. The addition of these new entrants also significantly increased global production capacity and put downward pressure on prices.

included cutthroat competition amongst global manufacturers replacing the co-respective competition. Global manufacturing corporations were also forced to innovate faster and to commercialize technology faster to remain competitive, reducing innovation and technology rents.

An important characteristic of many core sectors of industry, such as steel, automobiles and chemicals, is that their initial capital investment is very high and the cost of exit from the industry is also high. The exit costs are high because to build operations in these industries they have to invest in specialized capital equipment and specialized skills. This approach to investment is different to most mainstream, neo-classical models of investment where investments are treated as reversible. In core sectors, the reality that investments are irreversible is inescapable; competition turned cutthroat when oligopolistic competition was disrupted by new entrants. There was pressure on the competing corporations to invest more rather than withdraw from competing in their respective markets.

Crotty's term "coercive competition" describes this characteristic of global product market competition. The corporations invested to avoid potentially high exit costs. They also realized that if one of their major competitors was forced out of business, then the reward for those who survived, and were present when there was redistribution of the global market amongst the survivors, would be high. The result of all this coerced investment was the development of global overcapacity in many industrial sectors, which continues to the present.

Another aspect of this coerced competition is that the major global corporations of developed countries sought out new markets where they expected rapid growth. As a result, there was much new investment in Asia, and Latin America but also in the transition economies of central and Eastern Europe and Russia from the 1980s.

Another aspect of coercive competition was that large corporations, facing declining profits but requiring more finance for investment, searched out all manner of ways to reduce their costs. During the post-WWII period until the end of 1970s, the US and some European economies had a form of capitalism often referred to as "Fordist". Fordism, in a nutshell, was a system where there was a compact between labour and the owners and managers of large industry where the capitalists promised to reward labour productivity

while labour agreed to work hard and support managements' attempts at increasing productivity. Fordism worked while global competition was co-respective. Capitalists could pay workers high wages, which in turn led to higher aggregate demand. The higher aggregate demand led to more industrial growth and high profits for industry. Angus Maddison (2001) shows that global GDP was higher during the post-WWII to 1970s period and the period from 1980 onward. He says that the annual rate of growth of real global GDP fell from 4.9% during 1950-73 to 3% in 1973-1998 (a drop of 39%).

The need to cut cost led managers and owners to put downward pressure on wages and benefits of workers. They abandoned their compact with labour and ended high road labour relations. At the same time, casualization of work increased and contracting out of parts of production, seen as peripheral to the core business, occurred. MNEs also moved production abroad. This movement offshore served two purposes with regard to reducing the cost of labour, first it led to lower costs because of lower wages abroad but also served to keep wages in developed countries low as the threat of relocation scared workers to keep their remuneration demands low.

The large corporations of developed countries competed to control more and more of global markets. More often than not these corporations grew through acquisitions but they also invested in greenfield operations. Some companies struck up alliances with strong and well established domestic firms in developing countries. As these companies competed in harshly competitive global markets, they invested more and more to save their businesses. To make these large investments they required more and more debt.

Changes in financial markets and corporate restructuring

Up to the 1970s, when profits levels of large corporations were relatively high and stable, the large corporations could meet most of their finance requirements out of retained earnings. During the post-1980 period these firms were forced to borrow more. They often used stock markets to raise this capital. At this time, institutional investors, such as hedge funds, private equity funds, pension funds and insurance companies became more important as investors in equity markets.

In the US and Britain institutional investors rather than banks were the main source of investment capital. They controlled

a huge chunk of total savings in developed countries as more household savings went into pensions and insurance. In this manner, institutional investors became extremely influential and important players in equity markets. They could influence management decisions and the structure of publicly listed corporations because they controlled a large proportion of stocks.

During the 1990s these institutional investors formed the basis of the shareholder value movement that used their power in capital markets to push firms to increase shareholder value by cutting costs, and downsizing their labour forces. They also pushed for firms to control a larger share of global markets. The shareholder value movement put much emphasis in the value of brands and played no small part in encouraging MNEs to develop global brands. They also forced many firms to focus on their core businesses and to sell off their non-core businesses. The huge growth in global mergers and acquisitions from the 1990s was driven by pressure from financial markets.

The power of the shareholder value movement was greatly enhanced by the rapid growth in popularity of stock options. Stock options for CEOs and other executives make up most of their annual remuneration. The influence of the shareholder value movement and the proliferation of stock options led to a situation where the financial sector, especially institutional investors, were able to influence global business structure.¹ Unfortunately, many institutional investors have short investment time horizons, which can be seen in the fact that in markets such as the US, stocks are held for a short time. In the US on average more than 100% of stocks change ownership in a year.

As a result of the emphasis on short-term financial performance and the high stock turnover, financial markets put huge pressure on large corporations to earn high profits. This pressure to earn high profits occurs at a time when high levels of competition in global product markets make it hard for firms to achieve high profits (Crotty, 2002, Froud et al, 2007). Corporate fraud related to over reporting of profits during the early 2000s, by giant global corporations such as Enron, Parmalat and WorldCom are not

¹ For more analysis of the influence of the shareholder value movement on management decisions and corporate structure see Crotty (2002) and Froud et al (2006).

surprising when considered from this perspective. In addition, moves to downsize manufacturing firms and deregulate global markets were linked to the short-term, approach and unrealistic profit expectations of people speculating in financial markets.

Global concentration

The discussion above sets the context for understanding widespread global business restructuring since the 1990s. There was unprecedented global corporate restructuring during the 1990s. Much of the restructuring did not occur only within the corporations and at specific final goods producers but occurred throughout the value chain. The concentration of final goods markets that cascaded through to suppliers' markets was a global phenomenon.

Nolan (2003) says that during the 1990s, global markets reached an unprecedented level of concentration in what he describes as "the global business revolution". He says, "There was high speed firm-level concentration across the value chain on a global scale in a wide range of industrial sectors (p.299)." He provides evidence that the companies that have taken a global lead achieved this lead through high global market share, global brands, high R&D and IT expenditure and core business focus. These giant global firms have huge competitive advantages as a result of having achieved these characteristics.

Nolan shows that core firms within value chains assert strong control over firms across the entire value chain (upstream and downstream). Nolan says that firms that want to be aligned with core firms as "partner" suppliers must agree to let the core firm in the industry have access to their books, planning of their new plants, organizing their R&D, planning their production schedules and delivering their products to the new firms (p.300). He says, "This is a new form of industrial planning which extends across the boundaries of formal ownership structures and radically undermines old ideas of the size and the nature of the firm (ibid.)." During the 1990s, the core firms that controlled the value chains with global brands were predominantly from the US, Europe and Japan. While there were MNEs from developing countries that became important during this period, the amount was negligible compared to the number of developed country MNEs.

Nolan argues that competitive advantage was achieved during the 1990s through:

- Focus on core business and a widespread narrowing of business activities undertaken by individual firms;

- The emergence of global brands that have spread as media has globalised. Nolan says that some of the most successful branded goods companies are sharply narrowing their range of products.

- Spending on R&D has increased dramatically and the technical abilities of leading global firms accelerate. Nolan says, “Large multinational corporations are the chief repositories of the world’s stock of economically useful knowledge and skills (p.301).”

- IT spending increased dramatically. IT has allowed the leading global businesses to integrate their entire value chain and spread their influence by drawing together the different aspects of business activity and processes. IT has also increased the potential for improved communication within the value chain and with customers, higher returns from R&D expenditure and faster and more in-depth research and data analysis.

The global business revolution has been accompanied by one of the largest and sustained periods of mergers and acquisitions that have increased global concentration in many economic sectors. There has been unbundling of non-core businesses and repackaging of corporations with a focus on core businesses. The process of M&A to repack corporations has happened throughout global value chains leading to what Nolan calls a “cascade effect” where “...leading firms with powerful technologies and marketing capabilities, were actively selecting the most capable among their numerous suppliers, in a form of “industrial planning” to select “aligned suppliers” who could work with them across the world” (p.303). The process of concentration and focus on core business activities has occurred throughout the value chain not just with the core firms in the chain.¹

¹ For an updated account of this shifting global corporate structure see also:

- Nolan, P & Zhang, J. 2010. Global Competition After The Financial Crisis. *New Left Review* 64: 97-108.

- Starrs, S. 2014. The Chimera Of Global Convergence. *New Left Review* 87: 81-96.

- Locke, R. 2013. Reassessing the basis of corporate business performance: modern financial economics” profit control versus integrated people and process improvement. *real-world economics review* 64(2): 110-124, <http://www.paecon.net/PAERreview/issue64/Locke64.pdf>

During the 1990s, the leading firms through market concentration along the value chain have managed to secure larger market share. Nolan says that a small number of firms have over 50% of global sales in many different sectors. He gives numerous examples valid at the time he was writing:

- Two aerospace companies account for 100% of sales of commercial aircraft with more than 100 seats and 3 engine makers' account for 100% of engines for these planes.

- Six firms account for 68% of world auto sales and only two firms account for more than half of total brake systems and 3 firms for more than half of global tyre sales;

- The top two firms account for about 75% of carbonated soft drink sales and only two aluminium suppliers provide 40% of the world's aluminium and one firm produces more than half of the world supply of plastic bottle machinery.

Nolan is firm on the point that the wave of mergers and acquisitions and global concentration since the 1990s has been dominated by developed country corporations. He makes the point that even China, which is now seen as an emerging industrial and manufactured export global power, is behind in control over markets, brands and R&D expenditure (Nolan, CJE, 2002). Even though, developing countries do not have many MNEs dominating global markets, it is important to recognize that the global space is not completely closed for developing countries. While global markets and value chains are becoming increasingly concentrated, this process is by no means complete, universal or inevitable.

Domination of markets is a complex process and there is a long way to go before the competitive space is closed. In the long run, there are reversals and changes. The US big 3 motor corporations seemed to have dominance in global markets for decades until Japanese companies broke into global markets after the 1970s oil crises.

The late industrializing countries, especially the Asian Tigers, had the first wave of developing country MNEs, which successfully competed in developed country markets. Successful industrial strategy and policy in many of these countries nurtured export success for large domestic firms. These large corporations became the first wave of developing country MNEs. The next section will

discuss the first and second wave of developing country MNEs to set the stage for understanding how developing country corporations have broken into global markets.

The two waves of developing country MNE growth

There have been two waves of growth of developing country firms into large MNEs. The first wave occurred during the 1970s and continued into the 1980s (see Kumar and McLeod, 1981; Wells, 1983 and Lall, 1983 for discussion of the first wave). Many of the first wave developing country MNEs grew out of the successful East Asian “tiger” countries. An important characteristic of the successful industrial development experiences in some of the Asian tigers was the existence of large corporations that were diversified and had the economic and management muscle to break into global trade markets and compete in global product markets. The strategies of the large corporations to increase production and market penetration followed the patterns of developed countries.

They had the choice of competing in product markets either by exporting or locating production, through foreign direct investment, within other countries. Decisions to locate were often shaped by constraints to trade, such as relatively high tariffs and transport costs. The sizes of markets were also important because of economies of scale. An important difference in developing country corporations during the first and second waves was that during the first wave they were less involved in outsourcing assembly and production activities than in the second wave.

The second wave of growth of developing country multinational enterprises occurred in a much more integrated and concentrated global economy where concentration and inter-firm influence occurs throughout value chains. Goldstein et al consider the recent growth in multinational enterprises from developing countries and say, “The emergence of a “second wave” of developing-country multinational enterprises (MNEs) in a variety of industries is one of the characterizing features of globalization in the most recent years.” The movement of developed country MNEs into developing countries to reduce costs and take advantage of growing markets created opportunities for growing existing developing country corporations.

In the quote below, Froud et al (2012) illustrate the different between the first and second waves well and include the impact of financialisation on the second wave:

When the Japanese sold cars in the United States in the 1970s and 1980s, the contest was a productionist one between compact nationally enclosed supply chains in Japan and Detroit with lower wages sustaining Japanese advantage so that firms like Toyota could reinvest profits and grow market share as they built their own brands. The position in the 2000s is complicated by financialization and long trans-Pacific supply chains where power is often wielded by US firms which act as proxies for the stock market and boost profits by multiple tactics which include control of design, consumer marketing and the use of contract power to take profits at the expense of margins in their Chinese suppliers. (p.4)

The “new form of industrial planning” referred to by Nolan (2003) allowed rapid transformation of the organization, skills, technology, logistics and branding of the developing country corporations. In many cases where the developed country MNEs moved into developing countries it may have been hard to differentiate between the developing country firms that had actually been acquired and absorbed by developed country MNEs and those developing country firms that have entered into supply partnerships with them. Goldstein et al say that developing country firms that decide to become MNEs, “... did not delay their internationalization until they were large, as did most of their predecessors, and often become global as a result of direct firm-to-firm contracting. *Many grow large as they internationalize; conversely, they internationalize in order to grow large.*”

The developing country MNEs grew in order to become part of the race towards increased global concentration. Through their strategic partnerships with developed country MNEs they learnt how to go global. At the same time, emulating the behaviour of developed country MNEs, a large part of the growth of developing country MNEs outside of their domestic economies, occurs through acquisition of other firms and brands.

In general terms, the second wave of developing country MNEs has been constrained by the form of globalisation since the 1980s and the influence of financialisation of the developed

country lead firms on GVCs. Therefore, while many developing country corporations have been able to grow it seems that they have more often than not had their growth constrained and been limited to the role of providers raw materials, low value added intermediate and low cost assembly. While each value chain will take on different forms and have different forms of governance, the general picture is one where there is an inequitable division of labour where financialisation allows renters to extract profits through lead corporations in global value chains.¹

These renters pressure the lead corporations for high short term returns on their investments. The lead corporations then govern the value chains to ensure that they capture most of the profits by squeezing the other parts of the value chain.

Using white goods as example

There has been an increasing division of production between developing and developed countries. This process of globalization has often been oversimplified. The discussion above attempted to add complexity to the story by showing the role that product market competition and the increasing influence of the financial sector on corporate structure played in shaping the form of globalization.

The developing countries contributed to this change through contributing to global supply and increasing downward pressure on prices in global product markets. Developments in global markets for white goods provide a good example of the responses to these pressures. For example, Nichols and Cam (2005) provide figures to show that the number of units of refrigeration and cooking appliances sold globally have increased by 20% and 40% respectively between 1992 and 2002. However, the increases in revenue from refrigeration appliances increased by only 6% and cooking appliances by only 8% during this period.

¹ See for example:

- Grinberg, N. 2013. The Political Economy Of Brazilian (Latin American) And Korean (East Asian) Comparative Development: Moving Beyond Nation-Centred Approaches. *New Political Economy* 18(2): 171-197.
- Starrs, S. 2014. The Chimera Of Global Convergence. *New Left Review* 87: 81-96; And
- Mohamed, S. (2010)

Developed country firms responded to these changes by increasing their domination and concentration of global markets through mergers and acquisitions. This concentration is strongly evident in white goods. In 2002, the top 5 manufacturers of large kitchen appliances accounted for 30% of global sales by volume (Nichols and Cam, 2005). In addition, corporations that produced white goods made their contribution to the wave of mergers and acquisition described above. Despite the growing concentration in the global white goods industry over recent years, the global home appliance industry remains relatively fragmented with no single manufacturer commanding more than 10 per cent of the global market (Goldstein et al, 2006). The fragmentation remains in the global economy because of constraints to more rapid concentration, such as relatively expensive transport costs for white goods because the freight charge is by volume not weight. According to Goldstein et al, the differences between consumer preferences and brand loyalty also constrain more rapid concentration of the global market. There are few globally dominant MNEs and most white goods companies have a strong regional presence or serve high quality niche markets.¹

Nichols and Cam (2005) point out that a large portion of growth in the industry was through mergers and acquisition. They say that Electrolux alone acquired 450 companies in 30 years. Froud et al (2007), in a case study of appliance manufacturer General Electric add an important insight into the large number of acquisitions by GE over the past few decades. Above, we referred to the pressure of financial markets on large corporations to keep profits unrealistically high when there was severe downward pressure on prices due to conditions in product markets, such as significant overcapacity and cutthroat price competition. Froud et al, say that acquisition was one way in which large corporations could not only take control of larger market share but it was a way for them to buy in growth.

¹ Case studies of these in SA. For a case study on white goods in South Africa, South Korea and Australia see Lambert, R. And Webster, E. 2010. "Searching For Security: Case Studies Of The Impact Of Work Restructuring On Households In South Korea, South Africa and Australia". *Journal of Industrial Relations* 52(5): 595–611.

By buying in growth GE could boost earnings and profits. Froud et al say that GE and its CEO Jack Welch were under severe pressure from financial markets to keep showing above average profits. As a result, GE became a serial acquirer of firms that would boost their short-term profit rates. After a few years they would sell these firms while remaining a rapid acquirer of new firms. GE's strategy to keep profits high seems to have been to sell off low margin businesses and to acquire high profit businesses (p. 344). Froud et al also show that much of these acquisitions to boost growth were in financial services. So GE was selling its manufacturing businesses that faced low margins due to difficult product market conditions and moving increasingly into financial services where they could make higher profits.

Froud et al calculate that GE Capital's real sales increased from \$3 billion in 2000 to \$58 billion in 2002 so that the financial services that were once relatively unimportant for GE came to account for nearly half of its turnover. I want to emphasize two lessons from the GE case study. The first lesson is that there were real reasons for the relocation of manufacture of white goods to developing countries and the large number of acquisitions of these companies in both developed and developing countries. However, some of the acquisitions and relocations may have occurred to keep profits high and people in financial markets happy. The second lesson is that large non-financial corporations have become increasingly "financialized", i.e. are receiving a larger share of their income and profits from financial activities, in order to attain the high profits expected by the shareholder value movement.

In addition to the unorthodox methods mentioned above, white goods firms also followed orthodox methods of reducing costs. They cut their labour forces, casualised and contracted out parts of production and also revamped production. They implemented programmes, such as the six sigma programme introduced by GE, to improve and modernize management and production processes. Nichols and Cam 2005 say that there has recently been major change in the industry caused by simplification and standardization of production platforms, which enable standard engineering frameworks from which firms can add or subtract parts. The development of common platforms allows producers

to speed up product renewal and time to market and thus reduce production costs. Other cost reduction techniques that have been introduced include computer aided manufacturing (CAM) and flexible techniques, including just-in-time.

The developed country corporations also responded to pressures from financial markets by moving out of the relatively saturated and mature markets of the North to the growing markets of the South. Of course, the lower wage rates in developing countries were an important reason for relocation as well. Today almost all consumer products sold in developed countries are either totally or largely produced in factories located in developing countries (Goldstein et al, 2006). However, while production is located in developing countries, the R&D, design, branding, marketing and servicing is generally done in developed country corporations, and head offices are located in developed countries.

The reshaping of the global white goods sector occurred within this process of globalization of production and product markets. The division of labour has generally been such that production is located in lower wage developing countries. As seen above, certain developing country corporations have rapidly become MNEs through their association with developed country MNEs. Goldstein et al (2006), discuss the case studies of white goods manufacturers, Haier, Mabe and Arcelik, and show that developing country producers have internationalized and set up production facilities in developed countries.¹ An important reason for the move by some developing country MNEs to produce in developed country markets is relatively high transport costs for large white goods. Therefore, while there are strong forces pushing relocation of production of white goods to developing countries, there are reasons for not all (or at least a small fraction of) production to be located in developed countries. These same forces mean that not all production need migrate to countries with the cheapest labour.

Goldstein et al (2006) note some characteristics of white goods that steer production towards developing countries:

¹ It is worth noting that developing country MNEs, such as LG, set up production in developed countries during the “first wave”. LG, then Goldstar, set up production in the US in 1981.

Most white goods are relatively similar and simple to produce, although assembling different parts and subsystems requires the combination of knowledge domains ranging from mechanics to electronics and plastic moulding (Sobrero and Roberts 2002); the industry is mature and is seen as a likely candidate for delocalization to developing countries, where not only input costs are lower, but demand growth rates are higher as ownership of major home appliances is strongly correlated to economic development (p. 11).

In addition to transport costs, also acting against these pressures is the importance of brand recognition of white goods for consumers. Consumers equate well-known brands with reliability and after sales service, even though, many brand owners outsource the entire product and just add their brand label to the final good. So while most developing country OEMs (equipment manufacturers) produce for developed country OBMs (original brand manufacturers), the developing country MNEs that have located production in developed countries have become at least ODMs (original design manufacturers) and only a few, such as South Korea, have built their own brands to become OBMs.

The challenge for BRICS is to wrest control of their own markets and possibly global markets for their own corporations through developing OBMs. This shift will require alternative economic strategies and new value chains.

Industrial structural weaknesses and corporate restructuring in South Africa

The section below provides an account of corporate restructuring and the accompanying deindustrialisation in South Africa since the 1990s. It argues that the South African economy would benefit from partnering with BRICS partners to challenge the current status quo with regard to global value chains.

South African economic development occurred around the mining and minerals sectors, and the state and mining industry supported growth of manufacturing sectors with strong links to the minerals and energy complex (MEC), the formation of which, according to Fine and Rustomjee (1996), was a result of the political compromise between large English mining interests and the large Afrikaner business and political establishment. It was also shaped

by the politics of oppression of black South Africans and the strict control over black workers.

Most manufacturing sectors with weaker connections to the MEC have remained weak and had not received strong state support and adequate investment from the large mining finance houses that had dominated the South African economy until the 1980s. With the exception of a few sectors, such as automobiles and components, manufacturing remains dominated by sectors with strong links to the MEC. These, with the exception of engineering and capital equipment, are capital- and energy-intensive process industries, such as electricity generation, minerals beneficiation (iron and steel, aluminum) and the Sasol oil-from-coal process and its chemicals byproducts. Downstream, value-added manufacturing sectors have not been adequately developed and manufacturing remains relatively undiversified. The structure of the economy underwent further change with the transition to democracy in South Africa and was shaped by changes in the global economy.

By the early-1980s the major projects of the MEC were complete and large-scale state investment ended. Fine and Rustomjee correctly argue, “Since there was no structural or institutional basis laid down to diversify into non-MEC sectors, the latter declined according to the fortunes of the MEC, except for some subsectors driven by military and mega-project expenditure, whose buoyancy was prolonged until the late 1980s” (p. 174). This economic structure remains largely in place within the South African economy today.

In Mohamed (2010), I argue that the change to a democratic government was accompanied by massive restructuring of the South African corporate sector because many leaders of South African big business were uncomfortable with the democratic transition in South Africa.¹ I argued that the transition to democracy is one reason for the massive corporate restructuring in South Africa during the 1990s. The shape of this corporate restructuring in South Africa was influenced by important changes in the global economy, such as the global business revolution and financialisation,

¹ See Terreblanche (2002) for an account of the response of white people and big business to the political changes.

discussed above. The changes to the global economy had profound impacts on the structure of the South African corporate sector.

During the 1990s, the South African corporate sector has engaged in the following activities:

- conglomerate unbundling and restructuring;
- consolidation within sectors by conglomerates as part of ensuring stronger focus on core business, which has also increased concentration;
- internationalisation, mostly outward, by firms which moved their primary listing overseas, and foreign acquisitions by South African listed firms; and
- black economic empowerment deals, first, through special purpose vehicles for financing and second, more recently, in areas where government policy has provided a specific impetus.

The South African Competition Commission (2009) says that the restructuring of South Africa's economy after the large scale corporate restructuring of the 1990s has not shifted economic power from the restructuring corporations. They say:

The South African economy is still dominated by many of the traditional power groups even after the unbundling since 1994. It must also be remembered that unbundling by conglomerates does not generally decrease the concentration of ownership within sectors. In most instances there has in fact been an increase in concentration which raises concerns about possible anti-competitive behaviour in the economy (Competition Commission, 2009, p.22).

The unbundling of the conglomerates and the "rebundling" should be considered in the context of the political and global factors affecting these businesses. The combination of the unease of white business with the changes in South Africa, and the understanding of the leaders of big business that they had to signal a willingness to share future business activities with black people, put two types of pressure on big business to restructure: The first was restructuring for political expediency; the second was directly linked to withdrawing from the South African economy. In other words, big business had adapted to the political changes by reducing its risk within the South African economy by internationalising operations. They have also accepted a political compromise to

maintain their control over much of the South African economy by sharing a portion of ownership with black businesses.

Goldstein's (2000, p.15) interpretation of this process is:

While the refocusing on core business has followed from the need to ensure competitiveness against the background of the opening of the domestic economy to world competition and weaker gold and commodity prices, voluntary unbundling has been an expedient strategy to appease the possible rise of nationalization sentiments. In order to build up a black capitalist constituency, it was important to conclude highly visible and large-scale deals. The first such deal was Sanlam's sale of Metropolitan Life (METLIFE), an insurance company, to New Africa Investment Ltd (NAIL). In 1996 Anglo broke up its majority-owned sub-holding JCI (Johannesburg Consolidated Investment) into platinum (Amplats), a homonymous mining subsidiary, and an industrial arm, Johnnic.

Goldstein recognises that global and domestic factors shaped the behaviour of South African big business. His research indicates that the boom in mergers and acquisitions in South Africa during the 1990s was different to those in other countries and he shows that there were particularly South African characteristics to the M&As: the restructuring in South Africa was more about dismantling pyramid structures than increasing the competitiveness of industrial sectors. Goldstein says,

"Of the twenty largest South African deals reported in 1992-98, 75 per cent corresponds to the simplification of the corporate structure; 10 per cent to consolidation in the financial industry; 10 per cent to foreign acquisitions; and only one deal — TransNatal's acquisition of Rand Coal to form Ingwe Coal in 1994 — is a "genuine" South African merger (p.17)."

He makes the important point that it is remarkable that South African conglomerates have not made any large acquisitions in their own country, pointing out that this lack of acquisition is true even in sectors such as utilities and internet related investments "... where family-controlled business groups in OECD countries have been active even while refocusing their portfolios on the core business" (ibid).

The South African context for mergers and acquisitions was one where the MEC continued to stifle investments into

diversifying the industrial base of the South African economy. Instead, the concern of big businesses that dominated the MEC was to restructure in order to appear more attractive to investors speculating in the markets where they had relisted. However, the influence of the shareholder value movement was not only external it became a domestic forces as well. Ernst and Young (2002) in a review of South African mergers and acquisitions state:

Shareholder activism has been slow to take off in South Africa, but like all global trends it is one, which is catching up with us very quickly. The prominent South African companies that have listed offshore over the last two or three years have already been exposed to the higher level of transparency demanded in global markets. South African companies with a more domestic orientation are under pressure to emulate their global peers (p.27).

The result has been financialisation of NFCs in South Africa. In Mohamed (2010, 2012), I argue that this financialisation of the economy, which as I state above was still shaped by the minerals and energy complex, has made South Africa more reliant on mining and minerals and has been associated with deindustrialisation. Therefore, within the global division of labour, South Africa's place is one providing raw materials inputs. If South Africa were to partner with other BRICS partners to set up alternative value chains (as discussed above), South Africa could turn its industrial and other policies into successful programmes to reverse deindustrialisation and to deepen and diversify its industrial base.

Conclusions

The process of neo-liberal globalisation allowed large corporations of developed economies to reassert control of global markets through global corporate restructuring by mergers and acquisitions and dominating global value chains. This global corporate restructuring and control of GVCs has occurred in an environment where the power of the shareholder value movement and financialisation of non-financial corporations has led to less accumulation within countries that have financialized and limited opportunities for industrial growth. It also led to a situation where the financialized lead corporations of many value chains have had to achieve higher returns for their shareholders through governance

of GVCs that allowed them to squeeze the suppliers and assembler firms within their GVCs.

There has been room for growth by developing country corporations within this restructured corporate landscape but the space to influence the governance of GVCs and to lead GVCs has declined. The wave of multinational growth of developing country corporations during the neo-liberal era has occurred in a relatively more constrained space where global markets have become more dominated and where financialisation has shaped behaviour of developed country non-financial corporations.

The BRICS countries through cooperation can attempt to use their market and productive power at state and private sector level to build partnerships to challenge the status quo in global markets and the operation of GVCs. Through cooperation the BRICS countries can challenge the current global division of labour and reshape GVCs to support their socio-economic and development needs at a macro-level and the needs of their entrepreneurs, workers and consumers at a microeconomic level.

Infrastructure Investment in BRICS Countries

Leonid Grigoryev, Alexandra Morozkina¹

BRICS countries as advocates of sustainable development

The World of the 21st Century has been shaped by difference and asymmetry: the difference in culture, civil societies, natural resources and the asymmetry in education, wealth and military capacity. At the time of publication of “The End of History and the Last Man” of Francis Fukuyama, it appears that many developing countries, nations and regions are not ready for its “history” completion. Their interests mismatch between themselves in the diversity of economic, social and national aspects and they are willing to act in their own interests. Meanwhile the developed countries with predominant power cannot maintain sustainability of the whole world. They cannot secure “relatively cheap” control

¹ Analytical Center of the Government of the Russian Federation

over the world to prevent serious disruptions and they are trying not to fail some important missions in their own countries or on the global agenda. People, countries, nations and their elites (political, financial, and intellectual) face an unexpectedly increased uncertainty in the Present and probably in the Future.

BRICS Group could play a leading role in promoting sustainable development. BRICS countries are still highly dependent on economic growth for development in general, but particular for the overcoming inequality. The population of the largest cities (over 1 million inhabitants) in China, India and Russia amounts to more than 20% of the population. In BRICS countries, except for Russia (over 60%), a labour share with tertiary education is less than 10%. The share of the expenses on the food in budgets of families in all countries of BRICS is high and stays on the level between 16% and 30%. Thus, in all countries of BRICS there are cities with good infrastructure, universities with the quality education, the qualified labour, in Russia and other countries there are certain technological capabilities.

Sustainable development requires a pro-active attitude of the elites of BRICS countries. Currently political, intellectual and financial elites are concerned for formatting national priorities, communicating and discussing them with the people of their countries. For elites it is important not only to implement large national projects but also to maintain its position of power. In addition, there is a great difference between the positions of old traditional elites of the developed world and new elites. The latter are still busy with developing issues as democratic institutions in their countries are still under formation, and securing their own positions, delivering the success of development to gain the support from population for re-elections and social stability.

Sustainable development has been announced as a priority by many international organizations and country groups. However, there are different limitations on the way to the world convergence, our expectations and the concept of the growing homogeneity of the world. Our expectations were highly influenced by several events of the last decades. The Great Recession of 2008-2009 indicated the limited nature of the current financial system and inhibited the economic growth in OECD countries. Still we should mark the

undoubtedly accelerated scientific and technological advance (for example, in energy sector or medicine). After 6 years of recession and painful process of recovery (2008-2014), the tiredness of families, uncertainty of business, the crisis of the budgets and debts have worsened socio-economic situation. Available resources for the poor have decreased; the share of wealth of the middle class has also diminished. In the USA the income inequality now is similar to that of 1920s, although the average level of income is much higher now. Suddenly we discovered the truth that economically developed societies and democracies still had serious problems with social development.

Many countries still cannot overcome the middle-income trap, which is crucial for further sustainable development. It was very hard for them to reach \$10 — \$15 thousand GDP per capita and now it seems even harder to overpass \$20 — \$25 thousand. The latest report on market reforms by European Bank of Reconstruction and Development shows that even inside the European Union there were many backward steps by their new members from Central and Eastern Europe. Under the condition of slow growth, development of liberal market reforms appeared to be troublesome. It would burden the countries' low class already highly affected by the crisis. At the same time, the gap is growing between about thirty richest and fifty poorest countries.

Moreover, it is extremely important that BRICS countries are still going through industrial or early post-industrial development stages with \$15 000 GDP per capita at most. What brings them together is mostly what segregates them from developed countries. It involves labour productivity level, and technology level, and the sources of technology adopted (imported) or developed, especially technology invented by a country itself. We are talking also about deep regional disparities between rural and urban areas, high-quality education in some universities that goes along with insufficient (even in Russia) educational level of the large groups of the population. To overcome the threshold of the stability and reach \$25 000 GDP per capita level BRICS countries will need to lower income inequality, to increase capacities to invent and produce high technologies, to secure more sustainable middle class and more powerful civil society. These are by no means short-term goals to be

achieved in a few-years' time, but more of a mid-century agenda for a couple of generations.

Timing is, therefore, exceptionally important for the BRICS. Improvements in education or technologies, changes in social structure do not happen overnight. It took two centuries (starting from the Industrial Revolution) for the market democracies to develop itself, and whereas catch-up generally takes a shorter period, this path cannot be "fast". It requires the evolution of a number of institutions, happening at a different pace for each of them. Of course, primary and high school education for everyone can be provided relatively faster, but establishing research capabilities, work ethics, competence in modern technologies and proper management practices all at the same time is a very challenging task. Furthermore, the speeding up the transformation may have its consequences, as the political institution and the elites have to evolve alongside the social and economic sphere.

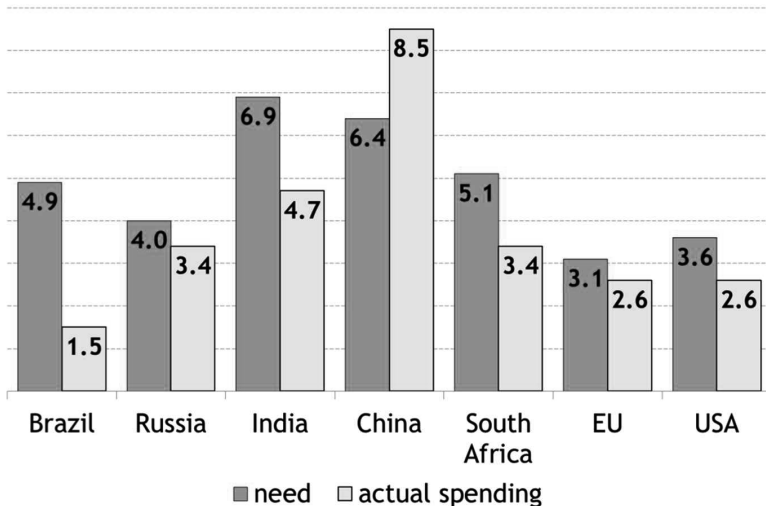
Economic development in the near future will need the financial resources, governance for creating physical, managerial, social infrastructure for the steps to a new level on incomes, different income distribution, and higher efficiency. Infrastructure is one of the key elements of sustainable development, and also the one requiring large amounts of financing.

Infrastructure investments in BRICS countries are of crucial importance for development and a good example for the current situation. In developing as well as in developed countries, inadequate infrastructure or lack of it poses a challenge for further development. Without the necessary transport, energy and other infrastructure economy cannot meet its full potential. The infrastructure gap is now on the agenda of key international forums such as BRICS, APEC and G20. Countries are not only assessing the need for infrastructure, but also seeking for new sources for infrastructure investment. BRICS countries established and ratified the New Development Bank, G20 established a working group on Investment and Infrastructure, which is closely working with IFIs and it's expected to have developed investment strategies for each member country.

According to McKinsey, the largest infrastructure gap is in India. In terms of GDP, its infrastructure need is 6.9% (Figure 1).

China is on the second place with 6.4% of GDP. At the same time, if we look at the actual spending, in China during 1992-2011 it amounted to even higher share of GDP — 8.5% (probably the issue of McKinsey methodology). In other countries, including Europe and USA, actual spending was lower in average than the future needs.

Figure 1. Infrastructure need and actual spending of selected countries, need — 2013-2030, actual spending — 1992-2011, % to GDP, annually.

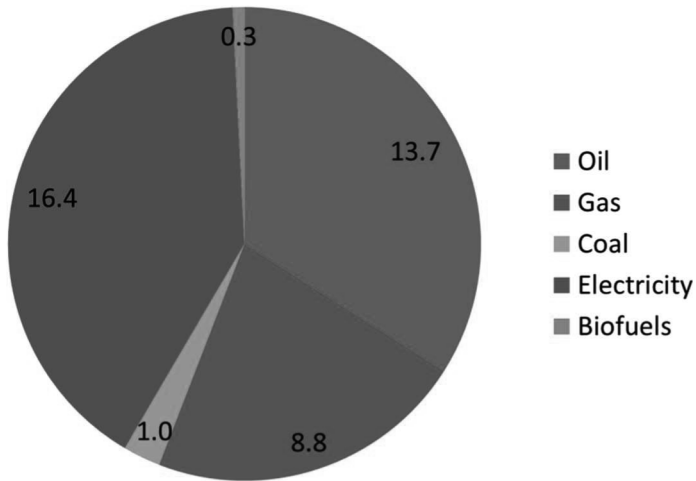


Source: McKinsey

Energy is also one of the sectors where large investment is needed. 40% of expected global energy investments in 2014-2035 are expected to go to electricity sector (Figure 2). Actually it's impossible to build powers stations, grids without industrial development and housing programs (demand for energy), but also without roads, water supplies etc. & etc. Developing world will be formatting physical infrastructure, developed world is going to upgrade its own one. Huge capital must be involved along with industrial development, intellectual establishments, and climate change prevention spending. Energy infrastructure is probably the best accounted for in terms of size. Here we are coming back to

issues of global economic growth and global priorities — subject for the global governance consideration. Here we may look into specific parameter of energy infrastructure as an example.

Figure 2. Global investments in energy balance, breakdown by sector, trln US dollars (2012 prices), 2014-2035

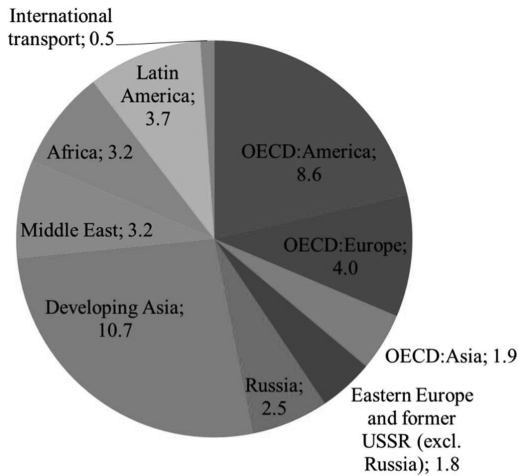


Source: IEA. World Energy Investment Outlook 2014.

As for region-specific investment breakdown, 26% of all investments should go to Asia. 6% of all investments are supposed to be made by Russia — and without references to oil prices. Russia is producing roughly 10% of global primary energy, International Energy Agency (IEA) expects that its role will remain unchanged, because the country exports roughly 5 p.p. of Global primary energy.

Figure 3. Global investments in energy balance, breakdown by region, trln USD (2012 prices), 2014-2035

The infrastructure gap in BRICS countries can be filled in with national private and public investments, international financial institutions such as multilateral development banks. National public investments are normally connected to National Strategies of Development. And by its role the external financing can be only complimentary. The IFIs are mostly focused on development



Source: IEA. World Energy Investment Outlook 2014

of financial systems, public management, poverty alleviation, not industry or trade of the industrial stage. Only in African Development Bank (AfDB) and Inter-American Development Bank (IADB) infrastructure sectors such as transport and communication received the largest amount of loans in 2013 (Table 1). In Asian Development Bank investment in infrastructure sectors decreased since 2010 from 33% of total loans to 24%. Thus, multilateral financial institutions have potential for increase of its infrastructure investments, however, they do not use it.

As it is mentioned earlier, private and public capital could be another source of infrastructure funding. However, international private and public flows to emerging markets, including BRICS countries, are not sufficient to cover infrastructure gap, and even declining in 2014 according to Institute of International Finance (IIF). Loans by nonbanking private creditors are also declining for two consequent years. The official aid decreased dramatically in 2011, and now still is close to a half of 2010 level. At the same time corporate debt of the emerging economies has risen sharply during the post-crisis period. FSB estimates that companies from non-OECD economies increased their average annual issuance from USD 50 bn. in 2000-2007 to USD 173 bn. during 2008-2014.

Table 1. Loan portfolio of some development banks by sector, % to total, 2013

	ADB		AfDB		WB		EBRD		IADB	
	% to total	bln USD	% to total	bln USD	% to total	bln USD	% to total	bln USD	% to total	bln USD
Agriculture and natural resources	5	3	12	2	7	14	16	3	4	3
Education	4	2	5	1	9	18	-	-	5	4
Energy	27	14	16	3	8	15	21	4	4	3
Finance	14	8	8	1	7	14	28	6	15	11
Healthcare and social security	3	1	4	1	14	29	-	-	16	12
Industry and trade	0	0	0	0	5	10	15	3	9	6
Public management	6	3	-	-	26	54	-	-	17	12
Transport and communication	25	13	33	6	18	36	20	4	20	14
Water Supply and Other Municipal Infrastructure and Services	9	5	8	1	7	15	-	-	10	7
Multisector	8	4	13	2	-	-	-	-	-	-
TOTAL	100	53	100	18	100	205	100	21	100	71

Source: Annual reports

Table 2. Capital inflows to emerging market economies, 2010-2014e; bln USD

	2010	2011	2012	2013	2014
Capital Inflows					
Total Inflows, net	1182	1124	1268	1377	1123
Private inflows, net	1110	1063	1231	1349	1088
Equity investment, net	606	529	670	659	656
Direct investment, net	461	526	546	580	549
Portfolio investment, net	145	3	124	79	107
Private creditors, net	503	533	561	690	432
Commercial banks, net	156	168	118	294	128
Nonbanks, net	347	365	443	397	304
Official flows, net	72	61	37	28	34
IFI	33	18	2	-3	15
Bilateral creditors	39	43	34	31	19

Source: IIF

As a result, their share of global issuance increased from 3% in 2000 to 17% in 2013. The most active sectors are industry, utilities and energy, they account for three quarters of new debt in 2014, according to IMF calculations. Therefore, developing countries do not rely on financing from advanced economies and invest their own resources in the economy development.

Given the lack of support from international organizations and developed countries, as well as lack of influence of developing countries on activities of these institutions, emerging economies are forced to establish their own financial institutions. China and a big group of countries have established Asian Infrastructure Investment Bank. The Bank's operations will be based on three principles: lean, clean and green. Lean, with a small efficient management team and highly skilled staff; clean, an ethical organization with zero tolerance for corruption; and green, an institution built on respect for the environment. The Articles of Agreement is expected to enter into force and AIIB to be fully established by the end of 2015. As of April 20, 2015 there are 57 Prospective Founding Members. Russia joined this new institution as a founder along with Egypt and Norway on 14th April 2015.

BRICS countries established the New Development Bank and now are in the process of ratification. According to the Agreement on the New Development Bank, the purpose of the institution is to “mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries”. With these new banks, BRICS countries have the potential to change global financial architecture and fill in the infrastructure gap in emerging economies. Expecting the new Agreements on MDGs and Climate Change prevention in the Fall of 2015, we must be ready to new requirements and expectations of the population.

Steps to economic cooperation and mutual understanding

When speaking about sustainable development, it is not the GDP per capita level that matters alone, but the expenditures on human capital, R&D (in healthcare, education and cultural preservation), fixed capital expenditures, as these are the fields providing high-skilled jobs. We would like to note again that in BRICS countries it is impossible to introduce at once democratic values that build upon the two-centuries development (even with gaps) and per capita income above \$25 000. First BRICS need to surpass \$15-20 th. per capita income and break through the pattern of social, economic and political development — a breakthrough that took so much unrest and conflicts in Europe in the 20th century. It deals with the gradual “realization of goals and values”: after putting an end to hunger and then combatting poverty BRICS will deal with low levels of education and inequality”?

Pressure of needs, crises, and politics often turns elites to pursue traditional approach according to the situation, act independently rather than by arrangement with other elites. The future world could be much more efficient and sustainable if the traditional governance institutes (the UN, Bretton Woods’s institutions) are retained but reformed according to new global challenges. However, the sustainability of world development will result from combination of compromises and, desirably, consensuses of political elites for general understanding of the world, for rules and decision procedures. BRICS declarations of the Fortaleza and UFA summits are important steps in this direction. Reforms of global financial and socio-economic system and global problems solution will depend on

the progress in understanding between people, business, academics and elites.

BRICS countries are to overcome technology gap, domestic social problems, cooperate in the sphere of modernization of society and economies. They need more broad interconnections between civil societies and universities. European integration has common cultural base. BRICS countries need more common ground in literature — maybe translation of key novels and historical works into all BRICS languages — and culture, more interactions between students. Mutual understanding of intellectuals, as shown by European tradition, is an essential element of convergence of the world and BRICS countries in particular. True integration could not be promoted by bureaucrats. Civil society of the BRICS countries will develop fast along with economic modernization and democratization of politics — it will become an important channel of communications for countries' and for their business and political elites' mutual understanding.

CHAPTER 7

SUSTAINABLE INCLUSIVE DEVELOPMENT — NEED FOR A BRICS-DEVELOPED PARADIGM

Gathering Momentum for BRICS Cooperation on Climate Change

*Huifang Tian*¹

Introduction

In current world, two transformations are likely to dominate the first half of the twenty-first century. One is the shift in economic power from the West to the East (especially the BRICS countries — Brazil, Russia, India, China, and South Africa). The rise of the BRICs is linked to their dramatic growth rates in recent years. As of 2014, the five BRICS countries represent approximately 40% of the world population, approximately 20% of the world output and even higher territory, and an estimated US\$4 trillion in combined foreign reserves. Globally and politically, the influence of the BRICS is rapidly increasing. The second is the transition from a high to low carbon economy. The average temperature has been gradually increasing throughout the entire world. Global warming is recognized as the most important risk factor that threatens the very existence and the advancement of humanity. Stern (2006) famously called climate change the greatest market failure of all time. Combining growth patterns and sustainability in terms of

¹ Chinese Academy of Social Sciences Centre for International Governance Innovation (CIGI)

economic, social and ecological development is a key challenge for any Nation State.¹

How can economic growth be shaped in a sustainable way? An increasing number of countries are elaborating national strategies for sustainable development that base economic growth on a long-term foundation, balancing the interests of the economy, society and the environment. The urgency of the crisis gives governments of the world developing nations the chance to redirect resources to more efficient economic growth that's better for the environment, more socially equitable, and more promising over the long term, by promoting growth in relevant sectors — including energy efficiency, sustainable agriculture and off-grid renewable power. It may not automatically solve the current poverty and climate imperatives.² It will however, provide multiple social, economic and environmental dividends and constitute much-needed first steps towards low-carbon social and economic development.

In the process of defining such strategies, the visions and practical experiences of countries such as the BRICS countries regarding sustainable development are of crucial global importance.³ While the impacts of industrially advanced countries remain at the heart of the world's sustainability challenge, a marked shift from the 1992 Rio Earth Summit to the 2012 Rio+20 Summit has been the role of emerging economies, and BRICS in particular. Although the five countries have different economic endowment, they are at similar economic development stage and are facing increasing challenge to sustain economic growth, save natural resources, and protect eco-environment. BRICS countries' cooperation provides a platform to share experience and tackle challenge as they have different competitive advantages and their economies are highly complementary.

This paper first discusses the lens through which BRICS approaches climate change, and then examines the actions BRICS have taken separately and jointly or planned to address GHG emissions.

¹ IMF, 2011, *New Growth Drivers for Low-Income Countries: The Role of BRICs*, www.imf.org

² Philip Schellekens, 2013, *A Changing China: Implications for Developing Countries*, World Bank <http://web.worldbank.org/>

³ Mlachila, M. and M. Takebe, 2011, "FDI from BRICs to LICs", IMF Working Paper

The article then discusses the relationship of bilateral cooperation to multilateral negotiations. Finally, the obstacles posed by a variety of constraints on effective implementation of environmental policy in BRICS are considered, and some options for enhanced cooperation to contribute to overcoming these obstacles are proposed.

BRICS' approach to climate change

2.1 Emission and energy

According to World Resources Institute (WRI), China, India, Russia, Brazil and South Africa respectively rank 1, 4, 5, 6 and 12 of global greenhouse gas emissions in year 2013.

Brazil is the 8th largest total energy consumer and 10th largest producer in the world in 2013. Brazilian emissions represent about 5% of global emissions. In Brazil 75% of emissions occurs in land-use activities such as deforestation and burning for agriculture use.

Russia is the second biggest oil producer in the world after Saudi Arabia and the world's second largest coal reserves. It was about 5% of the global total emission. Natural gas in Russia's energy consumption is almost 54%, oil and coal are 21% and 13% by 2012 (Table 1). The energy consumption per unit in Russia is 1.5 times of the world average, 3.5 times that of developed industrial countries, and 16 times more than Denmark and Japan.¹ Renewable energy in Russia is largely undeveloped although Russia has many potential renewable energy resources (Table 2).

India already is a greenhouse gas giant and contributed more some 5 percent of human-sourced carbon dioxide emission. India's Carbon emissions will rise in tandem, by about two-and-a-half times between 2010 and 2030 according to McKinsey. Fossil fuels dominate the energy mix of India. In year 2012, Coal accounts for 52% of India's energy consumption. Oil and natural gas respectively 30.4% and 8.7%, and hydropower and nuclear power only 5.1% and 0.8%. About 65 percent of India's carbon dioxide emissions was from heating, domestic uses and power sector. About 9 percent of India's emissions were from transportation.²

¹ BRICS: joint statistical publication : 2014 ; Brazil, Russia, India, China, South Africa /IBGE. — Rio de Janeiro : IBGE, 2014

² Dubash N, Raghunandan D, Sant G, Sreenivas A (2013) Indian climate change policy. *Econ Polit Wkly* 48(22): 47–62

China leads the world in coal production and consumption. It mines over 3 billion tonnes of coal a year, 3 times more than the next-biggest producer (America) does. Over four-fifths of China's electricity comes from coal-fired power plants. Burning coal is a big cause of the severe air pollution afflicting parts of China, and, through waste from coal-washing and underground leakage, of contaminated water and degraded soil. China is working hard to develop other sources of energy and to lessen the "energy intensity" of its growth (the energy needed per extra unit of GDP). It is already much the world's biggest user of hydroelectric power, has almost as many new nuclear-power plants planned as the rest of the world put together, and is expanding solar and wind energy. But, according to projections by McKinsey, a consultancy, even taking all this into account, China is still likely to consume 4.4 billion tonnes of coal in 2030, when its carbon emissions are expected to have increased from 6.8 billion tonnes of carbon-dioxide equivalent in 2005 to 15 billion tonnes. Of these, nearly 40% will come from power generation. The energy consumption per unit of GDP in China is high, about 8 to 10 times greater than that of Japan or Germany.

South Africa's per capita emissions are high as compared with other countries on the African continent and even globally. The bulk of GHG emissions in South Africa come from the energy sector, which contributed 78 percent of South Africa's total GHG in 1994, and more than 90 percent of carbon dioxide emissions.

Table 1 Energy consumption of the BRIC countries in year 2012 Million tons of oil equivalents

	Type	Coal	Oil	Nature gas	Clean energy	Total
Brazil	Consumption	13.5	125.6	26.2	110.65	275.95
	Ratio (%)	4.89%	45.52%	9.49%	40.10%	100%
Russia	Consumption	93.9	147.5	374.6	78.2	694.2
	Ratio (%)	13.53%	21.25%	53.96%	11.26%	100%
India	Consumption	298.3	171.6	49.1	44.9	563.9
	Ratio (%)	52.90%	30.43%	8.71%	7.96%	100%
China	Consumption	1873.7	483.7	129.5	248.9	2735.8
	Ratio (%)	68.49%	17.68%	4.73%	9.10%	100%
South Africa	Consumption	89.8	26.9	3.4	3.7	123.8
	Ratio (%)	72.54%	21.73%	2.75%	2.99%	100%

Source: BP world energy statistics yearbook June 2013

Table 2 BRICs countries renewable energy utilization (2002-2012) Million tons of oil equivalents

Year	Brazil	Russia	India	China	South Africa
2002	3.1	0.05	1	0.8	0.1
2003	3.5	0.1	1.2	0.8	0.1
2004	3.7	0.1	1.9	0.9	0.1
2005	4.2	0.1	2.3	1.1	0.1
2006	4.3	0.1	3.3	1.5	0.1
2007	5	0.1	4	1.9	0.1
2008	5.5	0.1	4.8	3.6	0.1
2009	5.9	0.1	6.3	6.9	0.1
2010	7.3	0.1	7.6	14.1	0.1
2011	9	0.1	9.2	25.4	0.1
2012	11.2	0.1	10.9	31.9	0.1
Ration in 2012	4.70%	0.10%	4.60%	13.40%	0.10%

Note: Renewable energy (wind, solar, geothermal, biomass power generation and waste generation)

Source: BP world energy statistics yearbook June 2013

2.2 Vulnerability to climate change

Statistically, the world's average temperature over a hundred year period (1906-2005) showed an increase of 0.74°C, and it is expected to show an increase of about 6.4°C by the end of the 21st century. Global warming is expressed in the form of climatic disasters and ecosystem destruction, and thus identified as the factor that threatens human survival. An economic loss from climate change is predicted to be as much as 5~30% of global GDP every year.

Brazil is vulnerable to climate change due to its fragile, biologically diverse ecosystems. As a country rich in bio diversities and vast tropical forests, Brazil faces considerable amount of challenge from the impacts of climate changes. One of the biggest threats in Brazil is the high probability of desertification in the semi-arid region of the North East. Severe droughts in this region only aggravates the situation with drying up of major rivers, lack of vegetation, increase in temperatures and its cumulative impact on populations.

In recent years, the impact of global warming is increasingly apparent in Russia.¹ Especially in the summer of 2010, Russia appeared a rare extreme heat and dry weather. Forest fire area is more than 190,000 hectares.

India is one of the world's most vulnerable countries to climate change (Cruz et al. 2007; INCCA 2010). About half of its population is dependent on agriculture or other climate sensitive sectors (Bureau of Labour Statistics 2010). India increasingly sees the local impacts of climate change and growing coal use. The biggest climate impact has been on changing weather patterns in South Asia. Over the last 50 years, rising temperatures have led to a nearly 10 percent reduction in the duration and rainfall levels of the annual monsoons that are vital to nearly all Indian agriculture.

Climate change has already produced visible adverse effects on China's agriculture and livestock-raising sectors, manifested by increased instability in agricultural production, severe damages to crops and livestock breeding caused by drought and high temperatures in some parts of the country, aggravated spring freeze injury to early-budding crops due to climate warming, decline in the output and quality of grasslands, and augmented losses caused by meteorological disasters. The State Council's 2012 white paper on climate change began by noting that "China is one of the countries most vulnerable to the adverse impact of climate change".

Climate change poses a significant threat to South Africa's water resources, food security, health, infrastructure, as well as its ecosystem services and biodiversity. Considering South Africa's high levels of poverty and inequality, these impacts pose critical challenges for national development.

2.3 Outside pressure

As the largest and most rapidly growing global emitter, outside pressure on BRICS to deepen its commitments to addressing climate change is mounting. The BRIC persist on "common but differentiated principle", while the developed country — "common and shared" responsibility. Country like China has been argued to accept binding commitments of its own.

¹ Porfiriev B., 2013, Green economy: realities, prospects, and limits to growth, 2013 Carnegie Endowment for International Peace.

While, the same pressure also provides BRICS opportunities to influence the outcomes of global negotiations through coalitional activities. It is helpful to improve the soft and hard ability and the position of BRICS countries in global climate governance. It is a good start that BRIC countries agreed on the Durban Platform for Enhanced Action (ADP), a set of commitments on global warming that were established at the 2011 UN Climate Change Conference.

BRICS' Action on energy and emission

3.1 local efforts

Brazil recognizes that it is part of the solution to the problem of climate change. In 2010, Brazil took the necessary steps to advance its climate change commitments made at the COP-15 in Copenhagen and detailed its official emissions reduction commitment of 36.1% — 38.9% by 2020. Brazil has had a great deal of success slowing deforestation through a policy push over the last decade and produced positive results. According to Environmental Defence Fund (January 2013), Brazil has reduced its deforestation about 76%, the lowest deforestation rate in over 20 years. At this rate, Brazil's goal of reducing greenhouse gas emissions by 38.9% could be reached by 2016 rather than 2020. In June 2012, Brazil adopted national targets for its heavy industrial, transportation, and mining sectors of 5%, 2%, and 4% emissions reductions, respectively, relative to BAU by 2020.

Beyond national policies, there is subnational climate action in Brazilian states and cities. Brazil also faces the challenge of meeting its growing energy demand with low-carbon energy sources. In addition to protecting forests, meeting increasing energy demand is also on Brazil's climate policy agenda. Brazil's current Ten-Year Energy Expansion Plan foresees the addition of 69 GW of installed generation capacity (an additional 58%) from 2011 through 2020. Brazil has a diversified portfolio of potential resources for generation expansion, including hydropower, biomass cogeneration (mainly from sugarcane), and wind power. The International Energy Agency (IEA) projects that, over the next 10 years, installed new capacity additions in Brazil will be provided mainly through hydropower and natural gas, and only to a lesser extent by biomass and wind (IEA 2012).¹ Opportunities to explore

¹ IEA, 2012, "Tracking Clean Energy Progress", <http://www.iea.org/>

clean energy developments will thus be of great importance over the next decade.

Since 2009, Russia stepped up the intensity of actions on climate issues. In July 2009, Russia announced to reduce greenhouse gas emissions by 10%-15% in 2020 than in 1980, and 50% in 2050. At the end of 2009, Russian President Dmitry Medvedev formally approved the “Climate Doctrine of the Russian Federation” to deal with the climate problems and enhance international climate cooperation. According to Russian “Climate Doctrine”, Russia will implement short-term and long-term climate policy, participate in the international community to address the problem of climate change, and strengthen Russia’s scientific and technological strength, and provide a scientific basis for addressing climate issues. Specific content also includes: improvements in energy efficiency in all economic sectors, the development of renewable and alternative energy sources, reduce the adverse effects of the market economy through the implementation of financial and tax policies, protect forests and reservoirs, and strengthen afforestation and reforestation. In September 2013, the Russian President signed a decree adopting a target for GHG emissions, stating that by 2020 they must not exceed 75% of the total emissions of 1990. Meanwhile, Russia will vigorously develop clean energy, by using of “green technology”.

India has targeted a 20-25% reduction over the 15 years from 2005 to 2020. India pursues renewable energy and energy efficiency, it also pursues the largest build-out of coal-fired power plants, coal mining, and related infrastructure anywhere outside of China. Energy security is a paramount concern due to India’s reliance on imported energy sources and increasing demand for energy. In 2008, India’s National Action Policy on Climate Change set a target of producing 15% of the country’s electricity with renewable energy sources by 2020. In 2010, India launched the Jawaharlal Nehru National Solar Mission, which aims for 4,000-10,000 MW of grid-connected solar PV by 2017 and 20,000 MW by 2022. A desire to improve industrial energy efficiency has spawned another new policy. Launched in 2012, the Perform, Achieve and Trade scheme assigns mandatory energy efficiency targets for 478 energy-intensive enterprises across eight sectors that account for around

80% of India's industrial energy use (British High Commission New Delhi 2012). India's 12th Five Year Plan (2012 to 2017) contains a target that 50% to 60% of coal plants use SC technology. Early indications of India's longer-term policy direction suggest that the 13th Five Year Plan (2017 to 2022) will stipulate that all new coal-fired plant constructed be least SC.

Since 2013, the Chinese government has followed the goals and targets of addressing climate change during the Twelfth Five-Year Plan, and adopted such measures as adjusting industrial structure, saving energy, increasing energy efficiency, optimizing energy structure, controlling the emission of greenhouse gas induced by non-energy activity, and increasing carbon sinks. In May of 2014, the Chinese government issued the 2014-2015 Action Plan for Energy Conservation, Emissions Reduction and Low Carbon Development, which committed China to cutting carbon dioxide emissions per unit of GDP by 4 percent in year 2014 and 3.5 percent in year 2015. China's National Plan on Climate Change for 2014-2020 was issued in September, 2014, and identified the guiding principles, main goals, roadmap, key targets, and policy directions necessary to address climate change. Recently, for the very first time, China pledges its emissions will peak around 2030, and intends to increase the non-fossil fuels share in its primary energy consumption to around 20 percent. Renewable energy in China continues to play an increasingly important and strategic role in the country's energy development.

At the UN climate change conference held in Durban, South Africa committed itself to achieving a 34 percent deviation below the "business as usual" (BAU) emission trajectory by 2020, and 42 percent deviation by 2025. In pursuit of this goal and a green economy, the government has finalized a National Climate Change Response White Paper and South Africa's Second National Communication under the United Nations Framework Convention on Climate Change (SNC) that serves as government's vision for an effective climate change response and the long-term transition to a climate resilient and low-carbon economy and society. Policies of the Renewable Energy Independent Power Producer Procurement Programme and more recently National Treasury consideration and planned implementation of carbon taxes have been developed.

South Africa's new National Development Plan 2030 goes some way toward reframing climate change as a development challenge. Several government departments across all three spheres of government — national, provincial, and local — are now developing climate change strategies and/or plans.

3.2 Bilateral and joint cooperation

Bilateral cooperation within the BRICS countries is an important path to climate change, and has made a lot of achievements. In India and China, for example, as early as 2005, the two sides began to cooperate on climate change issues in the field of energy security and energy cooperation. From 2004 to 2007, China and India held several rounds of consultations on climate change. Beginning in 2009, the two sides strengthen exchanges and signed a Memorandum of Agreement (MoA) on cooperation in dealing with climate change. The two countries also set up a Joint Working Group to exchange views on major issues in global climate talks, domestic policies and measures, and implementing related cooperative projects. In 2010, the strategic partnership between the People's Republic of China and the Federative Republic of Brazil grew further with cooperation deepened on all fronts. They signed the Joint Action Plan 2010-2014, and The China-Brazil Centre for Climate Change and Energy Technology Innovation was set up at Tsinghua University. China and Russia both took the bilateral relationship as the priority of their foreign relations, and the political mutual trust was constantly strengthened. Cooperation in Economic, Trade, Finance and Energy at national and local Levels were persistently deepened.

The five countries currently are strengthening cooperation to fight climate change through a series of joint resolutions. i.e. BRICS representatives issued a joint statement containing the resolutions at the 16th BRICS Ministerial Meeting on Climate Change.

Barriers

Many barriers must be overcome to make BRICS' green transformation financially viable by closely cooperation. These barriers include:

- Competitiveness barriers of traditional fossil fuels in the current market environment;

- Institutional and regulatory barriers, the lack of a legal and regulatory framework to stimulate the use of renewable energy;
- The lack of the necessary infrastructure for the successful development of green energy;
- The inadequate level and quality of climate-friendly technology support;
- The inadequate level of green financing;
- The lack of appropriate information, including information about available renewable energy resources and inadequate human resources.

Future climate cooperation: elevate and re-frame efforts

Key issue of global climate governance is energy structure transformation. Alternative Energy is the core of the green economy. In the short- and medium-term, the green sector of the economy and particularly its clean energy component may become increasingly important.

4.1 Re-framing the climate issue in terms of clean energy

The BRICS countries are looking at the opportunities for economic development in future that help to address the resource constraints through the development of renewable energy. The prospects for the green industry and for BRICS’s general economic development are closely related to progress in the energy sector. Collaboration on clean energy and greater efficiency offers a real opportunity to deepen the overall BRICS relationship.

The BRICS countries have different advantages in the development and utilization of clean energy at the present stage (see following tables).

SC and USC. By 2014, global SC and USC capacity account for 28% of total installed capacity, given their rapid expansion, China and India will account for more than one-half of combined SC and USC capacity (IEA, 2012).

Nuclear energy. Since 2011, the earthquake and tsunami damage to the Fukushima-Daiichi nuclear power plant in Japan has cast some uncertainty over the future of nuclear power. Some countries are choosing to phase out nuclear reactors; most confirmed that they are keeping nuclear in their energy mix or will develop it further, including BRICS, with the stringency of safety standards.

Solar power. Progress in concentrated solar power (CSP) has been less impressive. China, India, South Africa are finalising or considering projects. While the project pipeline is impressive, the economic recession and lower PV costs show evidence of diverting and slowing CSP projects. China is currently building the most reactors globally; their reactor construction times have decreased impressively, and are likely to become the fastest in the world.

Offshore wind. China and Germany, plus other governments, are making offshore wind a policy priority. The next few years will determine the future success of this technology.

Hydropower. Hydropower provided about 82% of all electricity from renewable energy sources in 2010, increasing at an average rate of about 3% per year between 2000 and 2010. China, Brazil, Canada, the United States and Russia are the world leaders. In Brazil (80%) and Canada (60%), hydropower provides the largest share of power generation. In the next decade, the installed capacity of hydropower will increase by approximately 180 GW, if projects currently under construction proceed as planned (a 25% increase of current installed capacity). One-third of this increase will be in China and Brazil alone; India also has large capacity under construction (IEA, 2011c). Delivering these projects on time and in a sustainable way is essential to achieve the 2DS goal, and additional projects should be identified and developed to offset any delays or cancellations.

In accordance with the principles of mutual complementarity and mutual benefit, the BRICs countries can make full use of their respective advantages to advance cooperation in hydropower, nuclear power, wind power, solar power and other clean, renewable energy sources, and to jointly strengthen technical cooperation in the field of green energy by setting up a new energy cooperation mechanism. For example, BRICs countries can host BRICS clean energy forum, or jointly establish technology research and development centre, or encourage the cooperation between well-known universities and research institutes. BRICS can set up task forces with senior government officials, independent experts, industry and financial community leaders, and NGOs to develop programs and guide implementation.

Table 3 BRIC countries nuclear power utilization (2002-2012) Million tons of oil equivalents

Year	Brazil	Russia	India	China	South Africa
2002	3.1	32.1	4.4	5.7	2.9
2003	3	33.6	4.1	9.8	3
2004	2.6	32.7	3.8	11.4	3.4
2005	2.2	33.4	4	12	2.9
2006	3.1	35.4	4	12.4	2.7
2007	2.8	36.2	4	14.1	2.8
2008	3.2	36.9	3.4	15.5	2.7
2009	2.9	37	3.8	15.9	3.1
2010	3.3	38.6	5.2	16.7	3.1
2011	3.5	39.1	7.3	19.5	2.9
2012	3.6	40.3	7.5	22	3.2
Ration in 2012	0.60%	7.20%	1.30%	3.90%	0.60%

Source: BP world energy statistics yearbook June 2013

Table 4 BRIC countries Hydropower utilization utilization (2002-2012) Million tons of oil equivalents

Year	Brazil	Russia	India	China	South Africa
2002	64.7	37.1	15.5	65.2	0.5
2003	69.2	35.7	15.7	64.2	0.2
2004	72.6	40.2	19	80	0.2
2005	76.4	39.5	22	89.8	0.2
2006	78.9	39.6	25.4	98.6	0.3
2007	84.6	40.5	27.7	109.8	0.6
2008	83.6	37.7	26	132.4	0.2
2009	88.5	39.9	24	139.3	0.2
2010	91.2	38.1	25	163.4	0.3
2011	96.9	37.9	29.8	158.2	0.4
2012	94.5	37.8	26.2	194.8	0.4
Ration in 2012	11.40%	4.50%	3.10%	23.40%	0.10%

Source: BP world energy statistics yearbook June 2013

4.2 Gathering new momentum and elevate the climate issue in BRIC relations

4.2.1 Cooperation to Negotiations

The negotiation process of the UNFCCC and its Kyoto Protocol and the Bali Roadmap has identified the action targets and

measures for various parties by 2020. This is crucial for reaching an agreement in 2015. The five BRICS countries can take more forceful measures, and enhance practical cooperation, Foster cooperation by developing trust and forging common ground on important matters in order to make new efforts and contribution for addressing climate change. Bilateral meetings help to address key sticking points before the U.N. Climate Change Conference.

4.2.2 To promote “green” progress in BRICS Development Bank’s investment activity

At the 5th BRICS summit held in Durban, South Africa on 27 March 2013, a New Development Bank was agreed to by BRICS leaders. On 15 July 2014, the first day of the 6th BRICS summit held in Fortaleza, Brazil, BRICS economies signed the long-anticipated document to create the \$100 billion BRICS Development Bank and a reserve currency pool worth over another \$100 billion to promote economic and technological cooperation among members and with non-members, especially developing countries. Its establishment provides new momentum for BRICS green cooperation. Clean energy infrastructure in many BRICS countries is weak and the government financing capacity is limited. BRIC Development Bank can provide long-term and low-cost financing support to promote the development of clean energy in BRICS or other developing countries. At the same time, the signing of the Memorandum of Understanding on Cooperation among BRICS Export Credit and Guarantees Agencies will improve the support environment for the BRIC countries for future cooperation on clean energy.

A green fund under BRICS Development Bank can be set up to finance green projects and Assist in deployment of renewable energy sources and technologies. Furthermore, in the financial activities, BRICS Bank should have more attention on local environment conserving and biodiversity protection.

4.2.3 To consider the feasibility of establishing a free trade area, with clean energy trade, clean energy and environmental technology as a priority

The economic and trade relations among BRICS countries have developed very rapidly. The trade volume among the BRICS countries hits US\$ 300 billion in 2011, six-fold in the past decade to 300 billion U.S. dollars, but the proportion is still small and need

to strengthen trade and investment cooperation in many aspects, including clean energy trade.

Russia in the BRICS: Imperatives for Sustainable Inclusive Development

*Victoria Panova*¹

The slogan of the 6th BRICS Summit in Fortaleza (Brazil) was “Inclusive growth: sustainable solutions”, which was meant to show that all five countries adhere to principles of inclusive macroeconomic and social policies and are aiming at responsible national growth strategies. One of the important manifestations of such resolve was signing of the inter-bank Multilateral Cooperation Agreement on Innovations within the framework of the high level meeting.

While this is an important step for the sustainable path of development of the BRICS themselves, those steps also demonstrate growing South-South cooperation scheme and BRICS as a flagship development mechanism in respective regions, where those five countries come out as regional leaders.²

At the 2002 World Summit on Sustainable Development (Rio+10), held in Johannesburg, countries agreed to develop national sustainable development strategies with implementation set for after 2005. Ten years later another UN Conference on Sustainable Development (Rio+20) was held in Rio de Janeiro from 20-22 June 2012, resulting in the declaration titled The Future We Want. Twenty years had passed since the first UN Conference or Rio Conference or the Earth Summit. The main message emerging from Rio+20 was the acknowledgement that “society, economy and nature are inseparable”.³

¹ National Committee on BRICS Research

² BRICS/Africa: Partnership for Development. Driving Inclusive Growth and Transformational Change. United Nations Economic Commission for Africa, 2014. http://www.uneca.org/sites/default/files/publications/africa-brics_2014_fin.pdf

³ Statement by H.E. Mr. Dmitry Medvedev, Prime Minister of the Russian Federation, at the United Nations Conference on Sustainable Development (Rio+20), Rio de Janeiro, 21 June, 2012.

However, since then international progress can best be described as an enormous reversal when considering that over 300 million hectares of forests have been destroyed, global emissions have increased by 50%, and the world's population has grown by 30%, with around one-sixth of its 7 billion people being undernourished. Moreover, natural disasters are occurring ever more frequently, with estimated losses to the global economy totalling about \$2,5 trillion over the past 15 years.¹ Number of disasters, resulting from the ocean rise (from 1970 to 2010) grew by 95% with 270 million people suffering and 13 billion USD of financial losses.²

Currently the global ecological footprint surpasses earth bio-capacity approximately by 50% with an “overconsumption of energy and natural capital now exceeds the capacity of the planet to provide the resources used and to absorb waste, including greenhouse gas emissions”.³

Sustainable development: challenges and opportunities

Over the past 20 years there has been a gradual shift in the understanding of the concept of sustainable development, with the emphasis moving towards the “green economy” and introducing more environmental and social indicators in terms of sustainability and national well-being.

Although there is no generally accepted definition of the green economy, it is viewed through the lens of creating and increasing natural capital while eliminating or decreasing environmental challenges and threats. A green economy would thus be about low-carbon, resource-efficient and socially inclusive development.⁴ It

¹ UN (United Nations), Global Assessment Report on Disaster Risk Reduction. Paris: UN, 2013, p. 246.

² Vneshekonombank Quaterly Bulletin, # 3, 2014. Principles of sustainable development in the activities of the financial development institutions and international organizations, p. 3.

³ UN (United Nations), Global Assessment Report on Disaster Risk Reduction. Paris: UN, 2015, p. 231.

⁴ See UNEP (UN Environment Programme), Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication. UNEP, 2011, http://www.unep.org/greeneconomy/Portals/88/documents/ger/ger_final_dec_2011/Green%20EconomyReport_Final_Dec2011.pdf.

also implies that waste should be managed and introduced back into the production cycle, thereby minimising its potentially harmful environmental impact.

Sustainable development based on the “green economy” principle presents considerable opportunities for co-operation among the BRICS countries, as it entails tackling the problem of human development while restating the importance of innovative, energy-efficient growth. Currently the world is still largely developing within the “brown economy” model. Although this type of resource and natural capital-intensive growth does provide a number of people with a higher quality of life, it is unsustainable and leads to increased environmental degradation, resource depletion, an unbalanced biosphere, poverty and a lack of food, water and energy, as well as the growing inequality among people, countries and regions. GDP per capita growth cannot simply be transformed into a higher quality of life, since the above-mentioned problems suggest a lowered quality of life, health problems and limited options for further development. Within the context of the green economy, the growing needs of the global population point to the necessity of lower levels of energy consumption and natural resource intensity, diversification and the modernisation of production. Thus, following the United Nations Environment Programme (UNEP) findings, we would restate that the features of a green economy include:

- efficient use of natural resources;
- the preservation of, and increase in natural capital;
- decreased pollution;
- low carbon intensity; and
- an increase in revenues and employment.

It also suggests that sustainable development based on the greening of the economy will require around 2% of world GDP for the 10 main energy-intensive sectors.¹

Russia, along with the rest of the world, still faces several challenges in terms of the prevailing brown economy. When one considers the Russian approach, it is important to remember that

¹See UNEP (UN Environment Programme), *Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication*. UNEP, 2011, http://www.unep.org/greeneconomy/Portals/88/documents/ger/ger_final_dec_2011/Green%20EconomyReport_Final_Dec2011.pdf.

the “green economy” concept is still novel in the Russian context, and it is only recently that the term has started being used in official documents. Instead, Russia is more familiar with the concept of “environmentalisation”, which can be traced back to the 1960s and the Soviet scientific theories of the time.¹

Experts believe that Russia, along with the other BRICS countries, could provide leadership in promoting sustainable development in line with the interests of emerging and other developing economies. When the concept was first introduced, emerging economies viewed the “green economy” concept with caution, since many saw it as yet another instrument used by developed countries to rein in fast-growing developing economies. The key to the success of the “green economy” concept is the possibility of its being adapted to individual countries’ needs. This in turn should lead to the development of new strategies and policies to deal with the problem. Partnerships among various countries may be instrumental to this process.

Russia’s national wealth and contribution to global capacity

Russia differs radically from many other countries in terms of structure and relative national wealth. In advanced economies, the contribution from natural capital in national wealth usually does not exceed 10%, but in Russia this figure goes up to 83–88%.² Globally this potential cannot be overestimated. As will be argued later in this paper, Russia is the indisputable global leader in terms of cumulative

¹ At the end of the 1950s the Soviet Union saw a worsening in environmental conditions, which led to a new round of scientific research and legislation. In 1960 the government adopted the Law on Environmental Protection, which was aimed at resource use regulation rather than protection. In 1968 it introduced a legal framework for rational agricultural production, in 1969 health policies in terms of the prevention of pollution were formulated, the following year a suggesting framework for water management was developed, and legislation on subsoil and forests was introduced in 1975 and 1977 respectively.

² World Bank figures put this at about 70%, which still exceeds the global average by far, allowing for 20% to human capital and 10% to manufactured capital. All data, Russian and WB account for nature capital etc was taken from Navstrechu “zelenoi” ekonomike Rossii (Towards a green economy in Russia), study under the auspices of the Institute of Sustainable Development of the Civic Chamber of Russian Federation, Center for environmental policies of Russia, 2012, p.14.

energy resources; it holds up to 22% of the world reserves in all 17 rare earth metals¹, and has significant potential in terms of ferrous and non-ferrous metals, non-metals, precious stones, etc.

Russia finds itself in second place with regards to fresh water reserves (coming after only Brazil with around 4,5 thousand cubic kilometres), although per capita reserves are more modest with Russia occupying 26th place with 31.8 cubic meters.² However, the country still experiences problems in terms of water usage. Only about 10% of water resources are situated in the European part of the country, which houses over 70% of the population and has the greatest industrial potential. Only 75% of the population have access to centralised water supply networks, as opposed to 90-95% or more in developed countries. The sanitary quality of only about 50% of water is considered satisfactory.

Russia also holds a vast portion of global forests (about 20%, or 1,18 billion hectares), which act as hydrocarbon sinks and cover about 47% of its national territory.³

Land resources are another of its assets, estimated to be the biggest in the world (over 1,7 billion hectares) with around 13% being arable. Moreover, around 60% to 65% of the land is undeveloped, which allows those areas to render ecosystem services globally in order to sustain the stability of the biosphere. Its considerable biodiversity also forms part of Russia's natural capital.

¹ World Bank figures put this at about 70%, which still exceeds the global average by far, allowing for 20% to human capital and 10% to manufactured capital. All data, Russian and WB account for nature capital etc was taken from Navstrechu "zelenoi" ekonomike Rossii (Towards a green economy in Russia), study under the auspices of the Institute of Sustainable Development of the Civic Chamber of Russian Federation, Center for environmental policies of Russia, 2012, p.14.

² For more information see Torkunov A V (ed), Problema presnoi vody: globalny kontekst politiki Rossii. Ekspertno-analiticheski doklad (Problems of sweet water: global context of Russian policies. Expert-analytic report) MGIMO-University, 2011.

³ Altogether Russia holds 20.1% of world forests, it also has 70% of the world's boreal forests and 25% of its primeval forests. See Annual Report on Conditions and Use of Forests of the Russian Federation for 2012. Ministry of Natural Resources and Ecology of the Russian Federation. October 28, 2013. <http://www.mnr.gov.ru/regulatory/detail.php?ID=131589&print=Y>

Even though Russia is known as the world's storehouse, the temptation to use all those resources should be resisted, since launchings industrial activities in once-virgin areas could lead to an environmental imbalance on a global scale.

Although the country's level of resource availability is unique, its main problem remains the inefficient use of natural resources.

Climate change and Russia

It is known that probably one of the several areas, where all BRICS countries have very different interests is climate change. Moreover, all of us have heard of the BASIC coalition within climate change negotiations of the four countries joining together without Russia. Nevertheless there might be much more similarities with regards to our long-term interests in that area. Primarily, it is believed that BRICS countries should concentrate on green technologies advancement and sharing, and this is primary interest of all the five states. Russia and Brazil, for example, could also find common grounds with regards to suggestions on the necessity to consider forests while considering each country contribution towards lower carbon emissions.

While among general public in Russia, the issue of climate change seems to have low profile. In addition, there are some estimates, that Russia could in a way benefit from global warming if to take into account considerable permafrost areas (as stated by the then Russian Minister of Agriculture N. Fedorov¹). But it is also agreed by most experts that this positive effect won't last longer than 2020 or 2030 at best.² Annual reports "On Climate Features on the Territory of the Russian Federation"³ record growing

¹ Today there's a new Minister of Agriculture, appointed in April 2015, Tkachev A.

² Expert: Positivnyi effect ot izmenenii klimata dlia RF budet nedolгим. 12.06.2013. <http://ria.ru/eco/20130612/942952608.html>

³ A series of reports since 2005 are prepared by the Institute of global climate and ecology of Roshydromet and Russian Academy of Sciences and could be found at http://climatechange.igce.ru/index.php?option=com_docman&Itemid=73&gid=27&lang=ru . First most comprehensive Evaluation report on Climate Change and its Consequences on the Territory of the Russian Federation was prepared in 2008 by Roshydromet and could be found at <http://voeikovmgo.ru/ru/otsenochnyj-doklad-izmenenie-klimata-na-territorii-rossijskoj-federats>

anomalies due to climatic transformation, supported by relevant institutional studies of the Roshydromet on the territory of the Russian Federation. While main positions and approaches of Russia to the problem were formulated most comprehensively in the Climatic Doctrine of the country adopted yet in 2009.

Russia's energy

One of Russia's biggest problems is its hydrocarbon-oriented economy, even though it has recently had moderate success in dealing with this problem. According to statistical data, the share of crude oil exports in the overall supply of fuel resources in 2013 dropped by 2.4% when compared to 2012 and reached 46.7%, while the relative percentage of oil in total exports for the same period also went down by 1.5%, and accounted for 33%.¹ Unfortunately this trend cannot be described as either stable or heading in the desired direction.

The other disadvantage is the persisting high energy intensity of the Russian economy. Its energy efficiency potential is evaluated at around 40-45%, with 18-19% in the residential sector; 15-30% in electricity generation; up to 40% in industrial production and transport; 9-10% in heating, services and construction; 5-6% in fuel production, gas flaring and energy provision in public offices; and 3-4% in agriculture.²

At governmental level it seems the problem only started to receive official attention towards the end of 2009, when the previously mentioned federal law on energy savings and energy efficiency was adopted. In accordance with this law, the Ministry of Energy, along with other agents (such as the Agency on Forecasting Balances in Electric Power Industry³, the Centre for

¹ Itar-Tass news agency, Rosstat: dolia eksporta nefi iz RF v obschih postavkah produkcii TEK sokratilas' do 46.7% (Share of oil exports from the Russian Federation in the general supply of products of fuel and energy complex went down to 46.7%), 21 February 2014, <http://itar-tass.com/ekonomika/991399>.

² Energy Strategy of the Russian Federation till 2030, Government of the Russian Federation order of November 13, 2009, # 1715.

³ The agency (ЗАО «АПБЭ») was created in 2005 with the main aim of offering the government and energy enterprises analysis on the state of the electricity-generating sector and its influence on the country's economy and environment, as well as forecasts for short- and long-term decision-making.

Energy Efficiency and the Russian Energy Agency), developed and in 2010 adopted the state programme on “Energy Saving and Improving Energy Efficiency until 2020”. This programme is meant to be an instrument to lower GDP energy intensity by 40%. The Russian Energy Agency is tasked with the programme’s operative implementation.

An updated version of this programme was adopted in April 2014 that projected increased financing by RUB¹ 6,84 billion (approximately \$200 million) for the period 2014–2016, with lower figures for the next period until 2020. It is expected that GDP energy intensity will drop by 12.7% because of this programme.²

While it has been suggested that the revenue potential from Russian energy efficiency could reach around \$300 billion, thus far few investors are found in this area, mainly due to weak legislation and the absence of examples of practical energy-efficient technologies.

In order to address these problems, the Ministry of Energy plans on creating a federal energy service company that, being 100% state owned, will initiate new projects and carry all the accompanying risk. This company is also set to acquire shares and participate in activities of the regional energy service companies join in the venture capital of regional energy service companies tasked with the modernisation of the energy aspects of Russian enterprises. The fuel and energy complex has huge potential for energy efficiency. One measure that comes to mind is the overall modernisation of the electricity generation complex, with a possible twofold reduction in losses.³

However, all of these goals remain little more than wishful thinking, and practice lags behind theory. There is still not enough attention being paid to the problem at governmental level, at least

¹ Three-letter currency code for the Russian rouble.

² FESCO (Federal Energy Service Company), <http://www.fes-com.ru/newsensrv/490-pravitelstvo-rf-uvlichit-finansirovanie-programmy-energoeffektivnost-i-razvitie-energetiki>.

³ More information on what the federal energy service company offers to clients (mainly government and municipal departments and agencies) in terms of energy savings and energy efficiency can be found at <http://www.fes-com.ru/>.

in terms of practical implementation. Another major problem is the absence of a systemic approach when taking decisions.

Nevertheless, contrary to the general perception of energy intensity having remained constant, a number of experts, including those at the Centre for Energy Efficiency, believe that Russia can and does contribute positively to lower emissions and practical decoupling outside a negative scenario of de-industrialisation, such as the one the country experienced after the break-up of the Soviet Union. They argue that, if this had not been the case, emissions would have surpassed the 1990 level in 2011. They see results from the structural reform of the Russian economy (accounting for up to 84.1% of the neutralisation effect), higher use of gas (4.2%), the use of energy-efficient technologies (8.8%), a higher capacity load (2.3%) and pricing (0.5%). They also claim that each per cent of GDP growth has been accompanied by a mere 0.35% of energy-related CO₂ emission growth.¹

It should also be noted that while Russia, during its G-20 presidency in 2013, talked of the lack of long-term financing for the sustainable recovery of the global economy, a similar reason for the lack of long-term financing could be attributed to the Russian case of energy efficiency improvement.

The main reason why theory has thus far not necessarily worked in practice is that conditions need to be developed to ensure that green technologies hold economic benefits for businesses. An energy-efficient economy also implies the urgent introduction of energy-saving measures at all levels, from households to transport to industry. In terms of households, government policies advise the general installation of water and electricity (two- and three-phase) meters that offer benefits for lower usage, and there is also an incentive system for energy-efficient industries.

At the same time Russia needs a wide resource base of alternative and renewable energy. It has enormous potential in the wind energy sector. One Russian invention is the wind-diesel hybrid power system, which is mostly appropriate for internal use,

¹ See Bashmakov I. (ed), *Costs and Benefits of Low-Carbon Economy and Society Transformation in Russia. 2050 Perspective*. Centre for Energy Efficiency, Moscow, 2014, p. 11, <http://www.cenef.ru/file/CB-LCE-2014-eng.pdf>

especially in the sparsely populated areas that account for up to 70% of its territory.

Russia finally joined (along with the other 32 states having status of the “signatory/state in accession”) in the Dutch-German creation of International Renewable Energy Agency (IRENA), which it is believed will allow Russia’s access to the renewable energy R&D and ensure prompt introduction of renewable energy technologies in Russia, as well as allow to participate in elaboration of international standards in this area. Out of all BRICS countries today only Brazil remains outside this organization.

Inside the country a few steps forward were made with regards to wider use of renewable energy. September 2014 saw the first of the five solar electric stations (also the largest in the country up to date with 5 MWt and total electric power achieving 45 MWt when all five are in operation) put into operation in Altai Republic (Kosh-Agach solar electric station (SES)). The first combined solar-wind electric station was also opened in July 2014 in Buryat Republic.

While there are a few achievements in this area it could be said that much more needs to be done to ensure sustainable energy and environmentally friendly path of the country.

Where do we go?

The time has arrived for the government and business to recognise that the country will only keep its competitive edge through green economy. In ignoring the green economy and clean technologies Russia is bound to see a growing gap between itself and advanced economies. At the same time, the new green economy presents a viable incentive for further modernisation and technological renewal in Russian industry.

Since it has been demonstrated that the main obstacle to establishing a green economy in Russia is its heavy reliance on mineral resources (fuel and metals), it is only logical to see how it can diversify its economy to support greener and less environmentally damaging sectors. One of the most obvious imbalances is taxation. While the main tax burden is currently being carried by the labour and capital sectors (i.e., the less energy-intensive sectors), it would make more sense to shift this burden to natural resources (as shown above, about half of the state budget comes from taxes to the oil and gas sectors). For example, the tax rate for manufacturing

machinery and equipment is 11.1%, construction 11.3%, metallurgy 3.3% and oil refinery 5%.¹

Fuel subsidies are another *bête noire* for sustainable development. Although Russia did come up with some initiatives in this area, including at the G-20, the state continues to subsidise mineral resource industries. According to World Wildlife Fund estimates, oil and gas sector subsidies in 2010 came to \$14,4 billion, or the equivalent of 14% of all federal income derived from taxes on and other payments by this industry.²

Instead the government should support the wider implementation of green technologies through “green” public contracts. Such policies could establish a long-term and sustainable demand for “green” goods and services and create incentives for private companies to invest in that area. While this will require national political will and consistency, other measures, such as forming international partnerships and promoting best practices, can be achieved only together with the world’s leading economies, the champions in green technologies. However, for as long as the provision of advanced technologies, including energy-efficient and green technologies, falls victim to political expediency, this task will be daunting.³ This proves once again that the impartiality and “political correctness” of the BRICS countries makes this grouping ever more important as a foundation for partnership among those countries, and between BRICS and other developing countries, in order to share and promote best practices and encourage unhampered development.

Another important aspect in the formation of a green economy is the widespread use of alternative and renewable energy. Looking

¹ Sustainable development in Russia.

² Gerasimchuk I., *Gosudarstvennaya podderzhka dobychi nefi i gaza v Rossii: kakoi cenoi?* (State support of the oil and gas production in Russia: what is the price?) WWF Russia in partnership with IISD, Moscow — Geneva, 2012.

³ During the recent Ukrainian crisis, White House officials pressured the leadership of several big transnationals not to attend the St Petersburg Economic Forum (thus far only Alcoa has acknowledged that this was the reason for its non-attendance), while Microsoft joined in sanctions against a number of Russian enterprises.

at the global picture, it is clear that even the recent economic crisis did not halt funding for research on and development of renewable energy sources. This can be attributed to the fact that, according to some estimates, every dollar invested in renewable energy will bring a tenfold profit¹, with the European Union and China being the biggest players in this area.

Russia lags far behind global trends. When it was regarded as an energy superpower in 2006, this was due not only to its hydrocarbon resources but also to its cumulative potential in terms of alternative and renewable energy, since those sectors have not been developed to the full. While Russia could have a competitive advantage in geothermal energy, it does not widely use or share tidal energy technologies. When one considers that Russia is rich in water resources, another prospective development could be the use of small hydroelectric stations. This makes it even more unsettling when one sees about one-third of these facilities abandoned and not used for their intended purposes.

Regarding wind energy, while Russia has been the source of several innovations in this area, most importantly wind-diesel (which could allow energy savings in small towns with irregular access to fuel), not only is this not widely known in the international arena but it is hardly used in those Russian regions that could greatly benefit from it.

All of the above is of great importance in a country that has such a wide range of climatic belts and that experiences such a variety of weather anomalies. Alternative energy sources could also be of great use in distant regions with a low population density and problematic access to well-developed infrastructure.

Conclusion

In conclusion it should be stated that while there is a growing realisation in Russia's governmental, academic and business circles of the importance of the development of a green economy, practice lags behind theory. Today there are a number of federal and regional programmes in this area, but tangible results are yet

¹ Among others estimates could be found in Energy Vision 2013. Energy Transitions: Past and Future. World Economic Forum with IHS CERA. January 2013. http://www3.weforum.org/docs/WEF_EN_EnergyVision_Report_2013.pdf

to be seen. The biggest problem the Russian economy faces are a disproportionate reliance on hydrocarbon exports which remains as acute as it was a decade ago or earlier. Energy intensity, despite some optimistic research findings, is seemingly still the same as 10 years ago which is found to be two to four times higher than in advanced economies. A lot needs to be done to introduce transparent and comprehensive legislation and reform tax policies in order to encourage green development and make it attractive and competitive to business. While Russia is facing the right direction, it still has a long way to go and not much time to get there.

Sustainable Development Goals: The Way Ahead

Samir Saran, Aniruddh Mohan¹

Introduction

In the year 2000, in recognition of the massive task before the international community of meeting the needs of the world's poorest, the Millennium Summit of the United Nations adopted the Millennium Development Goals (MDGs). Falling under the purview of the Millennium Declaration, the MDGs are an unprecedented set of eight development goals focused on the eradication of poverty, promoting education, and protecting the environment. Coming together were some 189 member states of the UN, committing to achieving the goals by the year 2015.² The Post-2015 Development Agenda, in the form of Sustainable Development Goals or SDGs will come into effect after the MDGs at the end of 2015. The SDGs framework will need to build upon the successes and failures of the MDGs. In July 2014, the UN General Assembly's Open Working Group (OWG) forwarded a proposal for the SDGs to the Assembly, containing a total of 17 goals and 169 targets covering a broad range of sustainable development issues. These include ending poverty and hunger, improving health and education, making cities more

¹ Observer Research Foundation (ORF)

² United Nations Development Programme (UNDP), Millennium Development Goals, http://www.undp.org/content/undp/en/home/mdgoverview/mdg_goals.html

sustainable, combating climate change, and protecting oceans and forests¹, among others.

Performance of the MDGs

The MDG report for 2014 finds that many targets of the MDGs have been met. For example, the percentage of people in developing countries living in extreme poverty (defined as less than \$1.25 a day) dropped to 22 percent in 2010 compared to almost half the population in 1990. Access to drinking water has also become a reality for 2.3 billion people, and substantial progress has been made in achieving gender parity in primary school enrolment. Moreover, efforts to fight malaria have shown results and political participation of women continues to increase.²

The MDGs have been able to kick-start progress where it was earlier absent. In sub-Saharan Africa, for example, following the launch of the MDGs, extreme poverty has dropped from 58 percent in 1999 to 48 percent in 2008.³

Despite the good news, however, targets remain unmet in various areas. One unfulfilled goal is the eradication of hunger: the world has failed to meet the target of halving the percentage of people suffering from hunger by 2015. Close to a billion people still openly defecate, highlighting the need for further efforts to create access to sanitation facilities. The coverage of HIV treatments also need to be widened further.

Critics of the MDGs point out that whatever rosy assessments are made by the global report card on the goals is hardly representative of bigger trends, but rather are skewed by China's rapid development and successes in eradicating poverty.⁴ The UN progress report in 2013 on China's efforts towards the MDGs confirms that by that time, China has already met seven targets

¹ United Nations, Sustainable Development, Open Working Group proposal for Sustainable Development Goals, <https://sustainabledevelopment.un.org/sdgsproposal>

² United Nations, The Millennium Development Goals Report 2014, <http://www.un.org/millenniumgoals/2014%20MDG%20report/MDG%202014%20English%20web.pdf>

³ John McArthur, February 2013, Own the Goals: What the Millennium Development Goals Have Accomplished, <http://www.brookings.edu/research/articles/2013/02/21-millennium-dev-goals-mcarthur>

⁴ Ibid.

ahead of schedule. Overall, China has made huge strides in economic and social development in the preceding 20 years. For example, China's poor population declined from 165.67 million in 2010 to 98.99 million in 2012, a massive achievement in a short period of two years. From 1990 to 2005, China accounted for over 76 percent of the world's total decrease of poor population.¹

SDGs: Charting a sustainable future

After 2015, China's contribution to achieving the world's developmental goals and targets is likely to decrease. Instead, its neighbour India is likely to be the most telling contributor as it becomes the world's most populous country and meets its mounting challenges of poverty alleviation, economic growth, gender empowerment and energy access. For example, in 2011, India had an estimated 23.63 percent of its population living under \$1.25 a day according to World Bank estimates.² An estimated 300 million Indians, one quarter of its total population, lack access to electricity.³

The implementation of the SDGs in India is going to be driven by four factors:

- Completion of the incomplete MDGs with a higher level of ambition;
- Scaling up of the developmental agenda with a focus on industrialisation, employment creation and reduction of inequality;
- A push for massive infrastructure build-up especially in the area of energy access;
- Access to advanced technologies from developed countries that would allow harnessing Indian capability for the pursuit of low carbon development pathways.⁴

¹ Ministry of Foreign Affairs of the People's Republic of China, United Nations System in China, China's Progress Towards The Millennium Development Goals 2013 Report, http://www.cn.undp.org/content/dam/china/docs/Publications/UNDP-CH-MDGs2013_english.pdf

² World Bank, Poverty Headcount ratio at \$1.25 a day (PPP) (% of population), <http://data.worldbank.org/indicator/SI.POV.DDAY>

³ World Bank, June 2014, Switching On Power Sector Reform in India, <https://www.worldbank.org/en/news/feature/2014/06/24/switching-on-power-sector-reform-in-india>

⁴ United Nations Economic and Social Council for Asia and the Pacific, India and the MDGs Towards a Sustainable Future for All, http://www.unic.org.in/items/India_and_the_MDGs_small_web.pdf

But the larger global agenda is expectedly challenging. The framing of the SDGs itself is beset with a number of posers for all to consider. Among these, the first would have to be the geographical and temporal conflation of developmental needs. Then there is the inherent dichotomy between actions that address “needs” and actions that conform to predetermined “values” of concern to the affluent. And finally on the on the implementation front, the biggest challenge is that of financing. The following sections will examine these three specific issues from a host of others that may also require greater debate and clarity.

Geographical and temporal conflation of developmental needs

The MDGs were drafted with a clear focus on the needs of the developing world and an understanding of how the needs of the poor can be best addressed through the sharing of excess capital from developed countries. The SDGs, on the other hand, seem intertwined with the cerebral strands of a first-world conversation on the needs of the global south, driven by value frameworks instead of prioritising action to address pressing challenges. For example, even as affordable energy access for all is a basic developmental stepping stone, in the SDGs, the central idea of ensuring access to energy for all is lost in the emphasis on developing clean-energy solutions and increasing the share of renewable energy in the global energy mix. Mixing the pressing economic and social needs of the poor with the ethical compulsions of the affluent will only result in an ineffective and incoherent framework. The MDGs were largely successful precisely because they managed to combine the resources of the developed countries with a bottom-up driven agenda, shaped by the economic and social compulsions faced by the poor.

A conflation between the actions required in the present and the projected needs for the future is also rather disturbing. The concept of “sustainable development” has been defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”¹. To begin

¹ Brundtland Commission, Report of the World Commission on Environment and Development: Our Common Future, <http://www.un-documents.net/our-common-future.pdf>

with, however, projecting the needs of future generations is a difficult task. Moreover, conditioning the needs of the present by unknown requirements for tomorrow poses the risk of losing the battle before it has even begun. Structurally speaking, the SDGs are attempting to do the impossible: As the world tries to respond to the needs of today while serving the needs of tomorrow, we are holding the victims of today hostage to inherently unforeseeable assessments of what may be needed tomorrow.

Conflation of “needs” with “values”

The SDGs are a political concept as much as a techno-managerial one. The word “sustainability” itself is laden with value and principle. As with any such concepts, it leaves room for contention. Differing ideas of the future inevitably result in an “us” vs. “them” argument, something the MDGs has successfully managed to avoid.

The need of today is clear: billions of people who are poor, lack access to affordable energy and education, face daily challenges to their very survival, and are outside the realm of humane living. This need is current; it is an obligation, nothing short of an ethical imperative that the international community must respond to with effective commitments of action. Faced with such ethical imperative, it is difficult to think of any conditions of the future that would justify inaction or an approach laden with caveats.

In his synthesis report, UN Secretary General Ban Ki Moon has made a proposal for an integrated set of six elements that can help conceptualise the negotiations of the SDGs and facilitate discussions between member states: dignity, prosperity, justice, partnership, planet and people.¹ The report recommends committing to integrate sustainability in all activities, addressing inequalities in all areas, ensuring that all activities advance and respect human rights and addressing climate change drivers and consequences.

Unfortunately, these six elements only serve to heighten suspicion that the transition from the MDGs to the SDGs is likely to

¹ United Nations: Synthesis Report of the Secretary-General On the Post-2015 Agenda, December 2014, The Road to Dignity by 2030: Ending Poverty, Transforming All Lives and Protecting the Planet, http://www.un.org/disabilities/documents/reports/SG_Synthesis_Report_Road_to_Dignity_by_2030.pdf

be marked by a change from non-intervention in a state's sovereign affairs to micro-interventions. Along with Goal 16 of the SDGs, which calls for the building of accountable and inclusive institutions and providing access to justice for all, and target 4.7, which seeks to promote a "culture of peace and non-violence"¹, such guidelines make it easier for fund transfers to be linked to so-called "good" behaviour on the part of developing countries. They potentially endanger the meeting of pressing socio-economic goals. Besides, many of these principles tend to be mere rhetoric, difficult to clearly define and measure. What, for example, is a "culture of peace and non-violence" or a "culture of sustainable development"? And who has monopoly over defining these values?

Financing the SDGs

The omnipresent question accompanying most international agreements concerns financing; it is the same for Sustainable Development. Who will fund the SDGs? While 17 goals and 169 targets may be regarded as highly ambitious, having more goals does not easily translate to more money being channelled to developing nations. There is an inherent divergence between the objectives of expansiveness and ambition. The United Nations Conference on Trade and Development's (UNCTAD) World Investment Report 2014 estimates investment needs in developing countries to be between \$3.3 trillion to \$4.5 trillion per year, roughly four percent of the world's GDP. At current levels of investment in SDG-relevant sectors, developing countries face an annual gap of \$2.5 trillion per annum.²

The nature itself of the financing is a question. After all, financing for climate-mitigation activities is not the same as financing for development. While significant scope exists for developmental activities within the adaptation framework, there is concern that the SDGs could encourage fund transfers only in cases of developing countries conforming to a pre-set "green"

¹ United Nations, Sustainable Development, Open Working Group proposal for Sustainable Development Goals, Op. cit.

² United Nations Conference on Trade and Development, World Investment Report 2014 http://unctad.org/en/PublicationsLibrary/wir2014_en.pdf

agenda. Attempts to paint climate financing with the same brush as developmental aid will undoubtedly cause strain in the relationship between the rich and the poor.

In July 2015, Addis Ababa is hosting the UN Financing for Development (FFD) conference. The timing of the conference, which comes before the SDGs are set to be announced in September 2015, sends a clear signal that credible financial commitments are required if developmental goals are to be successfully renewed.

Politics is not only about promises but is as much about priorities. Clearly, there is never going to be enough resources to accomplish every single thing. Priority areas should thus be set within the broader SDGs: the eradication of extreme poverty first comes to mind, and the improvement in quality of life, which requires access to health facilities, education, and clean environment. The priorities can be set based on urgency of action required and the value of return of investments on these goals. A study by the Copenhagen Consensus Centre asked economists to look at the 169 targets and see which offer “best rates of return”: 19 targets were found to pay back up to 15 dollars for every dollar invested and could offer four times more benefits by quadrupling the aid budget. Most of these relate to health, education and nutrition.¹

There is also the issue of the Basel III conversations, a comprehensive set of recommendations developed by the Basel Committee on banking supervision to strengthen the regulation, supervision, and risk management of the banking sector. These recommendations run contrary to developmental goals and concerns have been raised by the emerging and developing economies, primarily regarding capital requirements. Research indicates that a 20-percent increase in capital stocks and liquidity reserves would diminish GDP per capita by two percent globally, but by a higher three percent in emerging and developing economies.² A Countercyclical Capital Conservation Buffer (CCCB) was also

¹ Copenhagen Consensus Centre, Nobel Laureates Guide to Smarter Global Targets to 2030, <http://www.copenhagenconsensus.com/post-2015-consensus/nobel-laureates-guide-smarter-global-targets-2030>

² Financial Times, June 2012, Basel III will ‘damage developing countries’, <http://www.ft.com/intl/cms/s/0/d18ac52a-b615-11e1-a511-00144feabdc0.html>

introduced in the framework that prevents banks from excessive lending during periods of high credit growth. This has the potential to be applied *prima facie* and, given different circumstances for emerging and developing markets, such as stage of economic development and maturity of financial markets, it could end up undermining economic growth.

Global capital markets play an important role in creating new opportunities for investment in areas of sustainability and climate change. The role of pension funds, insurance, and stock markets in these areas is set to become increasingly important and market innovation is required in the area of credit enhancement, to ensure development of more thematic markets in the development arena.¹

Conclusion

The SDGs have the opportunity to build on the substantial progress achieved by the MDGs and could help shape a post-2015 developmental agenda that, while ambitious, may still prove effective. Significant doubts, however, remain about the framing of the SDGs and the pathways through which they can be achieved.

First, uniform “values” across 189 nations will be hard to agree upon and construct. Value-based goals could also be used to frame and enforce conditional (political agenda-driven) support for development. This is an old and unimaginative approach that has failed in the past. The poor need to be able to meet their basic needs, irrespective of their so-called “cultural commitments”. Unlike the MDGs, which were clearly understood as a framework to enable the rich to help the poor, the SDGs mean multiple things to multiple actors. Truisms such as values, dignity, justice, and planet — lofty though they may be — are not enough to compel developed countries to share their resources with the poor. Discussing issues such as “sustainable tourism” for example is an unwanted distraction from the real issue and risks the grave consequences of the failure to achieve the SDGs.

The sovereign, and through the sovereign, the communities need to be able to determine their own priorities within the cumbersome basket of targets and goals that are likely to be part

¹ India Advisory Council, UNEP & FICCI, Designing a Sustainable Financial System for India: Interim report, <http://ficci.com/spdocument/20546/UNEP-Interim-Report.pdf>

of the final development goals. There could be a lesson from the climate conversation (nationally determined priorities), where countries could opt for some of these goals and targets as being ones that may apply to them and for which global flows of funds and capacity (technology) should be made available. For example, India may suggest that only the first eight or nine goals may be of relevance to it.

As it stands now, the document is an ambitious statement of purpose. The challenge would be to simplify this in order to focus squarely on the provision of current and basic needs of the poor in developing countries, without being prescriptive about specific policies and measures for achieving such goals. SDG's must not become a tool for policy interventions and regime change or the basis for denial of development funding to those that we may not like or who may not resemble our social and political arrangements.

It is urgent to ensure that finance and funding obligations of the developed economies to respond to climate change under the United Nations Framework on Climate Change (UNFCCC) process, remains distinct from the moral and universal commitment of fighting poverty and ending social inequity. Financing for development and funding response to climate change (adaptation and mitigation) must remain discrete and should not be conflated. The development goal document as it stands today runs the risk of this terrible conflation.

Modern infrastructure, lifeline energy, access to healthcare, education and social provisions, are not up for negotiations. They must be available at the lowest price points, unfettered by any concerns around environment or climate. The developed countries must own up to larger climate-mitigation responsibilities as the poor and developing countries develop their societies. The provision and access to each of these must not be constrained through banking and financial regulations.

The current conversations on prudential norms and development finance are at cross-purposes. Similarly, South-South cooperation must be supported and encouraged, but should be clearly understood as complimentary only. It cannot be an underwriter of the obligations of the developed world. Additionally, such cooperation must not be socialised and structured to reflect

the traditional “aid for development” frameworks. Their creative and different patterns of “Donor-Donee” relationships offer new agency to the developing world and this must be safeguarded.

An ambitious global agenda also needs to be accompanied by a clear strategy for communication. An unambiguous and needs-driven mission statement will go a long way in ensuring a targeted, collective and effective approach to the 17 stated goals of the SDGs. The socio-economic challenges are pressing; strategies and actions must be seen to be responding to the scale of the challenges ahead. The SDGs must be communicated specifically to different constituencies that are depending on it. They must be seen as a commitment for action and not as another round of sermons emanating from the Atlantic countries.

CHAPTER 8

PEACE AND SECURITY RESPONSIBILITY FOR BRICS FOR GLOBAL STABILITY, NEW THREATS AND CHALLENGES AND OPPORTUNITIES FOR BRIC

BRICS at Seven: Finding and Funding the Nexus between Peace, Security and Development in Africa

*Buntu Siwisa*¹

Introduction

The story of how BRICS came to be has been laboured to death. And yet from that death, it does not say what BRICS is, particularly at the age of seven. The story portrays BRICS as a renegade within the political and financial world system, striving to offset the status quo and bring forth a ghettoised global South-dominated world system. Literature on this is replete with this narrative. This paper firstly assesses what BRICS is, institutionally, in the realm of the political and financial world system.

In this, the main objective of the paper is to discern how BRICS can and should practically link peace and security with sustainable development in Africa. Having been formed out of the vexation that the challenges of the global South are not well-reflected and well-addressed in world institutional systems; its formation then is meant to concentrate thinking on BRICS countries' shared, common goal: development. The ideal is to carve out development instruments and vehicles for the global South in a manner unencumbered by

¹ Nelson Mandela Metropolitan University

the fallibilities of a biased world framework. This thinking is aimed partly at translating peace and security challenges into development opportunities. This paper thus seeks to explore potential ways in which this nexus could be found, and funded, producing well-coordinated and measurable development outcomes.

The narrative here tracks the mandate of BRICS on peace and security challenges through its summit declarations. Consequent to that, it settles on making a distinction between “hard” and “soft” peace and security challenges, and the wisdom of advising BRICS countries on these against the background of competing national, foreign policy and regional economic communities’ interests, who consider these challenges their prerogatives to address.

It is proposed in the paper that South Africa’s presence in the BRICS provides a link towards achieving the actualisation of sustainable development petering out from the linkages between peace, security and development. This is a proposal made on the strength of South Africa’s foreign policy, based on the tenets of South-South cooperation, the African Agenda, and the consolidation of African regional economic communities. It is also proposed against South Africa’s experience and expertise in peace-making, peacekeeping and peace-building in Africa post-1994.

The argument follows, suggesting practical measures of linking peace, security with development. It does so through illustration, with hypothetical case studies of African countries, of how BRICS countries, collectively through the New Development Bank (NDB), can work on actualising this link in Africa.

BRICS AT SEVEN

What is BRICS at Seven?

What BRICS, and many other multilateral arrangements renounce is the unworkability of the unipolar international relations system. Between the collapse of the Berlin Wall and the US invasion of Iraq in 2003, this system witnessed ten large-scale military interventions, one occurring every fifteen months.¹ Hence President Vladimir Putin’s assertion that, “The myth about the unipolar world fell apart once and for all in Iraq.”²

¹ Dilip, H. (2009) *After Empire: The Birth of a Multipolar World*, (Nation Books, New York).

² *Ibid.*, pp. 271 — 81.

In the midst of all this narrative, BRICS is reformist, perhaps radical-reformist, as a consequence of the economic might it amassed in direct proportion to the weakening of the global North countries. BRICS does not want to rock the boat, but, as it were, to steer it in the right direction. In all the BRICS Summits' declarations (Sanya, 2011; New Delhi, 2012; eThekwini, 2013; and Fortaleza, 2014), BRICS espouses the interdependence and the remedying of the world system, and not its revamping. In the Sanya Declaration (2011), BRICS maintained that:

7. We share the view that the world is undergoing far-reaching, complex and profound changes, marked by the strengthening of multi-polarity, economic globalization and increasing interdependence.¹

In the New Delhi Declaration (2012), BRICS positioned itself thus:

4. We envision a future marked by global peace, economic and social progress and enlightened scientific temper. We stand ready to work with others, developed and developing countries together, on the basis of universally recognized norms of international law and multilateral decision making, to deal with the challenges and opportunities before the world today.²

In the eThekwini Declaration (2013), BRICS noted thus:

...we reaffirmed our commitment to the promotion of international law, multilateralism and the central role of the United Nations (UN). Our discussions reflected our growing intra-BRICS solidarity as well as our shared goal to contribute positively to global peace, stability, development and cooperation.³

The Fortaleza Declaration (2014) further affirmed that:

2. Our shared views and commitment to international law and to multilateralism, with the United Nations at its centre and foundation, are widely recognized and constitute a major

¹ Sanya Declaration (2011), BRICS III Summit, Broad Vision, Shared Prosperity.

² New Delhi Declaration (2012) BRICS IV Summit, Partnership for Global Stability, Security and Prosperity.

³ eThekwini Declaration (2013) BRICS V Summit, BRICS and Africa: Partnership for Development, Integration and Industrialisation.

contribution to global peace, economic stability, social inclusion, equality, sustainable development and mutually beneficial cooperation with all countries.¹

BRICS therefore champions the consolidation of a multipolar world based on the principles of interdependence, mutual prosperity, and universally shared values.

Statistics on the development dynamics of BRICS countries may portray a constellation of countries poised to counter-balance the US and Western Europe's political and economic might in the world system. China will have surpassed the US by 2017 as the world's largest economy. India has already surpassed Japan as the world's third largest economy. BRICS, representing almost three billion people or 40 per cent of the world's population; has a combined nominal GDP of US\$16.04 trillion in combined foreign reserves.² Rather, what this should portray of BRICS at seven is its "...capacity to conduct sovereign public policies"³ due to the ascendancy of raw materials prices and their huge demand in international markets. During this period, by the end of 2008, China had amassed US\$1.95 trillion in foreign reserves.⁴ BRICS at seven years old, therefore, carries this potential to steer its developmental policies in the face of the seemingly intractable will of the global North to reform world institutions, particularly the World Bank and the International Monetary Fund (IMF), in favour of the developmental and governance needs of the global South. The Sanya, New Delhi, eThekweni and Fortaleza declarations all

¹ Fortaleza Declaration (2014) BRICS VI Summit, Inclusive Growth: Sustainable Solutions.

² William, S. (2014) BRICS As A Counter-Balance to US and Europe, (Washington, D.C. Forum, 08 October 2014, Round Table Discussion). See also, Ochkina, A. (2013) BRICS As A Spectre of Alliance, in, Bond, P. (ed.) BRICS in Africa: Anti-Imperialist, Sub-Imperialist or In Between?: A Reader for the Durban Summit, (CCS, UKZN; groundwork; South Durban Community Environmental Alliance; with Pambazuka News).

³ Tautz, C. (2013) Watchdogging the BRICS Bank, (p. 53), in, Bond, P. (ed.) BRICS in Africa.

⁴ Zhongping, F. (ed.) (2009) China's New Security Perceptions and Practice, (pp. 31 — 48), in, Peral, L. (ed.) Global Security in a Multipolar World, (Chaillot Paper no. 118), (Institute for Security Studies, Brussels).

reaffirm their disappointment and serious concern with the “... non-implementation of the 2010 International Monetary Fund (IMF) reforms, which negatively impacts on the IMF’s legitimacy, credibility and effectiveness.”¹

BRICS at seven years old is now a reality beyond its vision as merely a platform for dialogue, with real potential might to steer a new direction through the intractabilities in the current multipolar international relations system. It is a new formation steadily institutionalising itself into a formidable entity in the world system. Having legitimised its existence and built its credibility in the last six years, it is now settling its institutional planks to exploring ways of translating its shared, common goal: development, into a reality.²

BRICS at Seven: Tracking the Mandate on Peace and Security

From its inception, the BRICS has acknowledged the unavoidable linkages between peace, security and development. In the Sanya Declaration (2011), BRICS coalesced on the point that:

3. It is the overarching objective and strong shared desire for peace, security, development and cooperation that brought together BRICS countries with a total population of nearly 3 billion from different countries. BRICS aims at contributing significantly to the development of humanity and establishing a more equitable and fair world.³

In the New Delhi Declaration (2012), BRICS continued in the same vein:

BRICS is a platform for dialogue and cooperation amongst countries that represent 43% of the world’s population, for the promotion of peace, security and development in a multi-polar, inter-dependent and increasingly complex, globalizing world.⁴

In the eThekweni Declaration (2013), BRICS committed itself to:

22. ... building a harmonious world of lasting peace and common prosperity and reaffirm that the 21st century should be marked by peace, security, development, and cooperation. It is the overarching

¹ Fortaleza Declaration (2014), (Paragraph 18).

² Chen, D. (2014) 3 Reasons the BRICS’ New Development Bank Matter.

³ Sanya Declaration (2011).

⁴ New Delhi Declaration (2012).

objective and strong shared desire for peace, security, development and cooperation that brought together BRICS countries.¹

In the Fortaleza Declaration (2014), BRICS maintained that, “Since its inception, BRICS have been guided by the overarching objectives of peace, security, development and cooperation”.²

The mandate of finding a nexus between peace, security and development is palpable in BRICS’ mandate. However, the formidable challenge is searching for practical ways of linking peace and security with development, and identifying practical means of bringing out development objectives and output from this nexus. The avenues of translating these peace and security challenges into sustainable development opportunities become increasingly more glaring as BRICS’ institutionalisation gains momentum over the years. The establishment of BRICS’ New Development Bank (NDB), for instance, presents itself in this instance, as the most concrete instrument and vehicle that BRICS can, and should, use in the exercise of translating these peace and security challenges into sustainable development opportunities in Africa.

Facing Reality: Advising BRICS on Peace and Security Challenges

BRICS, reaching consensus on a platform of common foreign policy ethos of non-interference; respect for each other’s sovereignty; mutual respect; have coalesced on working on the following peace and security concerns throughout the summits: drugs and narcotics; terrorism; multilateral diplomacy in the UN; MDGs / post-2015 Development Agenda; transnational organised crime; piracy / peace-building in piracy-affected communities; ICT and cybercrime; post-conflict reconstruction and development; and corruption.

The first challenge in addressing such peace and security challenges, and in finding the nexus with development, is that there are no particular vehicles or measures which have been worked out to deliver these objectives. More worrying is that there are no specific outputs measurable which have been agreed to. The second challenge is the realisation that the BRICS Academic Forum has to embrace, that many of these concerns are the prerogatives of the BRICS

¹ eThekweni Declaration (2013)

² Fortaleza Declaration, (Paragraph 4), (2014).

countries, their foreign policies and national institutions that address these through bilateral and multilateral initiatives, and regional economic communities. Taking into consideration sensitive national interest issues, and that all BRICS countries are regional political and economic powerhouses with experiences and mandates of peace-making and peace-building in their regions, many of these peace and security challenges will remain the prerogatives of national and regional bodies of BRICS countries. It is therefore important for BRICS institutions such as the Academic Forum to sober up to this reality, and henceforth identify or find “soft” peace and security challenges, particularly within the realm of peace-building, that BRICS could fund and generate sustainable development measurable out of them.

BRICS, South Africa and peace-building in Africa

South Africa: BRICS’ Link to Peace-building in Africa

South Africa links Africa to the BRICS, and brings forth to the BRICS and the world Africa’s political and economic concerns and interests. South Africa consolidates and brings to bear BRICS’ interests on peace, security and development in Africa through its foreign policy ethos; its position as a gateway and link to Africa, its African Agenda, its experience and interests in peace-making and peace-building in Southern Africa and in the rest of the continent. South Africa’s rich experiences, credibility and legitimacy in addressing peace and security challenges in Africa are established in multilateral diplomatic experiences and reach with the African Union (AU), the Southern African Development Community (SADC); other regional economic communities in Africa, the UN Ad Hoc Working Group on Conflict Resolution in Africa, and with international NGOs.

South Africa’s foreign policy is the first and real link between actualising peace and security challenges with development through the vehicles and instruments that BRICS could provide. It had been crafted against the background and ethos of South-South cooperation, with Africa’s development as the lead factor. This is clearly expressed in South Africa’s White Paper on Foreign Policy, Building a Better World: The Diplomacy of Ubuntu. ¹South Africa places great importance in strengthening its relations with countries in the Southern African

¹ See, Building a Better World: The Diplomacy of Ubuntu, (White Paper on South Africa’s Foreign Policy, Final Draft, 2011, 13 May), (<http://www.info.gov.za/DownloadFileAction?id=149749>).

region and the rest of the continent. It uses it as a natural rationale for fostering relations with countries in the global South to address trade and underdevelopment challenges, and working towards the betterment of multilateralism. In promoting multilateralism, South Africa has taken leading roles in various multilateral fora, such as the Southern African Development Community (SADC), the African Union (AU), the Non-Aligned Movement (NAM), G77 + China, the Commonwealth, and the United Nations (UN).

Further reflecting the position of South Africa's foreign policy on multilateralism, the White Paper on South Africa's Foreign Policy maintains that:

Reflecting national interest, South Africa's foreign policy recognises that states are interdependent, and promotes cooperation over competition and collaboration over confrontation. In this context [South Africa] is committed to development partnerships around the world. It draws on the spirit of internationalism, pan-Africanism, South-South solidarity; the rejection of colonialism and other forms of oppression; the quest for the unity and economic, political and social renewal of Africa; the promotion of poverty alleviation around the world; and opposition to the structural inequality and abuse of power in the global system.¹

With all these rich experiences that South Africa brings to bear in BRICS, "...it takes from its past involvement in Africa. Considering its past experience with peacekeeping and PCRDA activities, the matter of maintaining coherence, strategic planning and sustainability will probably be the most vital aspect in ensuring success while working with IBSA or, perhaps in future, BRICS."²

BRICS' New Development Bank: Funding the Nexus between Peace, Security and Development

The global South now matters politically and economically in an increasing, inexorable, and inevitable way. More important is that its development institutions are becoming permanently etched in the development architecture of the world. Now, the value of South-South trade now exceeds North-South trade by US\$2.2

¹ See, Building a Better World: The Diplomacy of Ubuntu, (White Paper on South Africa's Foreign Policy, Final Draft, 2011, 13 May), (<http://www.info.gov.za/DownloadFileAction?id=149749>), pp. 10 — 11.

² Chen, D. (2014) 3 Reasons the BRICS' New Development Bank Matters.

trillion, with over one-quarter of global trade. The BRICS' NDB comes in significantly at this juncture, as the World Bank estimates that US\$1 trillion is required in funding the “infrastructure development gap” in developing countries, and existing multilateral development banks are able to fill approximately 40 per cent of this infrastructure development gap.¹ So, as the NDB develops, with perhaps more countries joining, after a couple of decades, NDB bank loans could “dwarf World Bank loans”, as in CAF , which now funds more development projects in Latin America than the World Bank and the Inter-American Development Bank combined.²

The NDB's purpose and function is to “...mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, complementing the existing efforts of multilateral and regional financial institutions for global growth and development.”³ The Agreement on the NDB further maintains that the Bank (NDB), in fulfilling this mandate, shall support public or private projects through loans, guarantees, equity participation and their financial instruments, and shall cooperate with international organisations and other financial institutions in providing technical assistance for projects supported by the Bank.

In this context, the BRICS' NDB, in potentially funding peace-building activities in Africa, in particular, enters into a realm of aid and donor activity in an interdependent multipolar world, with governments; multilateral institutions; international NGOs and regional economic communities, all playing increasingly significant and complex roles. The emergence of the NDB and the exploration of BRICS' role playing in this realm therefore has generated “a new politics of aid and donor activity”⁴ in this multipolar world context, not defined by the liberal, global North-dominated architecture.

¹ Desai, R.M. & Vreeland, J.R. (2014) What the New Bank of BRICS is About.

² Ibid.

³ Agreement on the New Development Bank, (2014, July 15), (Fortaleza, Brazil).

⁴ Richmond, O. & Tellidis, I. (2013) The BRICS and International Peacebuilding and Statebuilding, (NOREF, Oslo), (p. 2).

Rendering the multipolar world more complex and dynamic is the changing face and might of the UN system in addressing “soft” peace and security challenges, and the entry into this orbit of unfamiliar agents. The UN concedes to that it no longer has adequate capacity on its own to address conflict management, mainly affecting developing countries, particularly in the area of international organised crime. To that effect, the UN professes that there is a need for cross-sectoral engagement on conflict management and resolution, and on consolidation relations with the AU Peace and Security Council, and the UN Ad Hoc Working Group on Conflict Resolution in Africa. This then provides the NDB, South Africa and the BRICS an engagement-strengthening mandate in finding the nexus between peace, security and development.

Within this multipolar world realm, there is also the emergence of the so-called “Washington Bubble”, which in essence is the US Government’s “military drive-down”, an urge for frameworks in conceptualising civil-military relations on peace-building activities in developing countries tied to US foreign policy interests.

Another unfamiliar agent in the realm of peace-building activities in developing countries is the private sector, and more significantly private armies and private intelligence agencies. It is an undisputed fact that the private sector, particularly transnational companies, wields vested political interests in developing countries, tied with their financial fortunes. The financial and economic interests of these companies are proportionate to their political connections and power in developing countries. To that effect, their interests and concerns in peace and security developments in developing countries are inextricably linked to their survival and prosperity in the developing countries they have invested in.

Also, the European Union (EU) has recognised the need for strategic partnership and involvement with the BRICS, in the wake of its weakened economy. The EU points out how the current economic EU economic crisis has demonstrated the interdependence between the developed countries, the BRICS and other emerging economies. There is, therefore, positivity in the nature of such interdependence. It realises the importance of the deep, mutual link between the stable economic growth of developed and developing countries. To that effect, there is a need for dialogue between the

EU and the BRICS, in the spirit of partnership, and with an overall aim of achieving an inclusive new system of governance. The EU therefore stresses the need for continued high-level meetings between the EU and the BRICS countries, which would provide a valuable opportunity to build relations of trust, and reconciling positions and encouraging BRICS countries to assume greater responsibility in a new system of global governance.¹

In all this, the national interests, mandates and experiences of the BRICS countries cannot be discounted. China targets infrastructure development in the hope of gaining access to contracts and resources, particularly in Africa, although respectful of sovereignty and non-interference. India and Brazil are racing for a UNSC seat and elevating their international status. They have their own experiences of poverty and poverty eradication, inequality and development strategies to offer. Russia is interested in elevating its international status in the wake of a multipolar world system and the fall of the US and Western Europe-dominated unipolar system. South Africa brings an interest in discrimination, racism, human rights development, and carries on its back SADC and Africa's development interests, mandates and concerns.²

The following table / matrix elicits ideas that identify workable niche areas on 'soft' peace and security challenges in Africa that BRICS, the New Development Bank and South Africa could generate into fundable projects, taking into consideration various affected and interested agents and stakeholders in the multipolar world system that all operate in. These are suggestions, generated from hypothetical case studies.

Conclusion

The area of linking of peace, security with development in developing countries is well-charted, and has generated its own intricate and dynamic politics since the Cold War. It is the well too familiar realm of donors, development agencies, the private sector's corporate social responsibility, and philanthropy. It is an

¹ Report on the EU Foreign Policy Towards the BRICS and other Emerging Powers: Objectives and Strategies, (2012), (EU Committee on Foreign Affairs).

² Ibid.

Table: Finding and Funding the Nexus between Peace, Security and Development

Countries Identified	Grade: Conflict / Post-Conflict	Issues Identified	BRICS Countries Affected / Interested	Stakeholders Affected / Interested	NDB Mechanisms to be Used	Timeframe
Democratic Republic of Congo (DRC)	Grade 2: Post-Conflict, but unstable, with regional effects	<ul style="list-style-type: none"> - DDR in Eastern DRC - Resettlement of refugees in Eastern DRC - Education and advocacy on land tenure systems; land rights; agricultural production; and exploration of potential for agribusiness / bio-energy production in Eastern DRC. - Youth mobilisation or entrepreneurship activities in Eastern DRC - Women mobilisation for entrepreneurship activities 	<ul style="list-style-type: none"> - Brazil (South-South Cooperation on agricultural / bio-energy production. - South Africa (Youth & Women education and mobilisation) - India (Exploration of ICT development and employment creation potential, particularly targeting youth) 	<ul style="list-style-type: none"> - South African Development Partnership Agency (SADPA), working with the development agencies of Brazil and India, co-ordinating targeted international NGOs 	<ul style="list-style-type: none"> - Guarantees to SADPA 	<ul style="list-style-type: none"> - 5 years, renewable, with review and monitoring
South Sudan	Grade 1: Conflict, but relatively stable	<ul style="list-style-type: none"> - Resettlement of IDPs - Training of civil servants - Alignment of civil service 	<ul style="list-style-type: none"> - South Africa (Training of civil servants; alignment of civil service; training of mid to senior 	<ul style="list-style-type: none"> - South Africa, SADPA - India & China, development agencies co-ordinating on 	<ul style="list-style-type: none"> - Guarantees to SADPA. - Guarantees to Brazilian development agency 	<ul style="list-style-type: none"> - To be determined, as South Africa and various NGOs are already

Countries Identified	Grade: Conflict / Post-Conflict	Issues Identified	BRICS Countries Affected / Interested	Stakeholders Affected / Interested	NDB Mechanisms to be Used	Timeframe
Somalia	Grade 1: Conflict, but relatively stable	<ul style="list-style-type: none"> - Training of civil servants and mid and senior political officials on reconciliation - Mobilisation, education and training of youth & women on entrepreneurship and life skills - Review and analysis of primary health care services 	<ul style="list-style-type: none"> political officials on reconciliation; mobilisation of youth and women on entrepreneurship and life skills). -India & China (Resettlement of IDPs). - Brazil (Review and analysis of health care services) 	resettlement of IDPs - Brazil, working through its agency on health services	<ul style="list-style-type: none"> - Guarantees to Indian and Chinese development agencies 	engaged in various development projects in South Sudan
		<ul style="list-style-type: none"> -Demarcation of local government - Training on local government institutional set-up - Training on setting up of municipal services and infrastructure-related programmes 	<ul style="list-style-type: none"> - South Africa, SADPA; Indian development agency (Demarcation of local government; Training on local government institutional set-up), co-ordinating work through development agencies. 	<ul style="list-style-type: none"> - SADPA & Indian development agency. - Russian and Chinese development agencies 	<ul style="list-style-type: none"> - Guarantees to SADPA. - Guarantees to Russian and Chinese development agencies. 	<ul style="list-style-type: none"> - To be determined

Countries Identified	Grade: Conflict / Post-Conflict	Issues Identified	BRICS Countries Affected / Interested	Stakeholders Affected / Interested	NDB Mechanisms to be Used	Timeframe
Angola	Grade 3: Post-Conflict, stable	<ul style="list-style-type: none"> -Agribusiness / bio-energy production for MSME -Provision of health care services in rural areas 	<ul style="list-style-type: none"> - Russia & China (Training on setting up of municipal services and infrastructure-related programmes) - Brazil & Russia (Agribusiness / bio-energy production for MSME. - Brazil & India (Provision of health care services in rural areas) 	<ul style="list-style-type: none"> - Brazilian, Russian and Indian development agencies 	<ul style="list-style-type: none"> - Guarantees to Brazilian and Indian development agencies 	<ul style="list-style-type: none"> - To be determined due to high and uncoordinated traffic of work, with little information documented

Source: Author

area often regarded as trailing behind, and serving the national interests of donor countries. BRICS and the NDB enter into this orbit with multiplied actors, functioning in an increasingly complex and interdependent world system.

Main challenges facing this area are two-fold. The first one is one that many donor activities are linked with the national and foreign policy interests of donor countries. The second challenge is that the donor activities, often left to be undertaken by international NGOs and other non-state actors, are often uncoordinated, with outputs difficult to identify and measure. As many of these activities are left to the NGOs and other non-state actors, they are often viewed as ends in themselves, with little review and monitoring meant to link these projects to the bigger ideals and goals of donor countries. To that effect, particularly in the exercise of linking peace and security with development, leaves the root causes of conflict inadequately attended to. This then carries the potential of a relapse into conflict, and wasteful expenditure.

The main challenge for the BRICS countries is to find ways to co-ordinate their activities out of their collective interest of development, and finding sustainable links between peace, security and development. The table above attempts, as far as possible, to align specific development projects with the known experiences and expertise of individual BRICS countries. It is also to concede to the role and expertise of international NGOs and other non-state actors, mainly as a result of their experiences and expertise in conceptualising, conducting, monitoring and reviewing to the details such development projects.

BRICS Countries Shall Actively Promote Transformation of International Security Order

*Wang Hongtao*¹

Current international security landscape and transformation of international security order

The international security landscape is undergoing the most profound and complex transformation since the end of the Cold

¹ China Center for Contemporary World Studies

War. Traditional security problems are still acute. On the one hand, with the Obama administration's rebalancing strategy in the Asia Pacific to reshape the Asia-Pacific security situation and the crisis in the Ukraine incurring the most serious geopolitical confrontation after the Cold War, relations among major countries may go through an "unharmonious period" with rising frictions, confrontation and conflicts.

The speech made by the Japanese Prime Minister Shinzo Abe to a joint session of US congress has demonstrated that Japan, not adjusting its attitude towards history, still holds firmly onto its militarist view and fails to assess World War II correctly, which exacerbates the international community's concern over the resurgence of Japanese militarism. Turbulence in West Asia and North Africa keeps accumulating. Security in Afghanistan, Iraq, Syria and Libya is under constant threat, and the Arab allies led by Saudi Arabia are conducting air strikes against Houthi rebels in Yemen. On the other hand, the US has promoted Iran and other 6 countries to reach an initial agreement on Iranian nuclear program and promoted normalization of US-Cuba relations, bringing a ray of light upon international security landscape. Meanwhile, non-traditional security problems have become all the more severe with the surging of the IS, active operation of AL-Qaeda, frequent attacks by Boko Haram, extended and intensified harassment by Al-Shabaab and rampant spreading of the disease of Ebola in Africa. Cyber security has become an important factor affecting national security. Countries around the world have accelerated formulation of cyber security strategy so as to grasp the right to establish international cyber governance rules. The world is still far from tranquillity. An important reason is that because of evolution of history and changes of conditions, the international security order based on post-WW II power balance fails to adjust to a world of deepening globalization, thus is struggling to deal with various traditional and non-traditional security threats. The theme of this BRICS Academic Forum is "Cooperation for Growth, Security and Prosperity" with security being the precondition since without it there would be no room for development or prosperity. It is increasingly necessary to reform and upgrade the international

security order so as to build a more peaceful and secure world that better facilitates development and prosperity.

2. The current transformation of the international security order is the first peaceful one of its kind

Transformation of post-Cold War international security order is proceeding in an arduous manner. Starting with the establishment of the Westphalian order — the first security order of international significance—the world has then been through successively the Vienna order, the Versailles order and the Yalta order. In this process, the international security order has been in a cycle of “order establishment-order dysfunction-wars-order re-establishment”. Along with all these transformations unexceptionally driven by wars, there had often been worldwide turbulence, divergence, restructuring and battles. The end of the Cold War marked the fourth transformation of international security order. Different from previous ones which were realized through wars, for the first time, the transformation proceeds in a relatively peaceful manner, thus neither fast nor drastic. During this process, which is on-going and will last for a long time, the old security order, though growingly irrelevant, will not be replaced by a new order in the short term. It will take a long time for the new one to be fully functional. At the same time, the world will be unstable with all parties actively shaping the international security order according to their own interests.

3. Trends in current transformation of the international security order

What kind of security order does the world need? Where shall the transformation go? These are difficult questions facing all countries. If they can be addressed properly, the world may embark on a virtuous cycle of “security-growth-prosperity-security”.

Otherwise, there will be a vicious cycle of “instability-poverty-extramalization-instability”. With deepening globalization, the world is faced with a completely new security environment featuring three important trends. Firstly, participants of international affairs are increasingly diversified, ranging from countries to international organizations and even to individuals. Secondly, non-traditional security threats are growing and traditional ones are relatively declining. With traditional security

threats interwoven with non-traditional ones, threats including terrorism, extremism, cross-border crime, epidemics and environmental pollution are severe. Thirdly, the international system has become increasingly integrated. Security of one country is closely linked with that of other countries and no country can stay secure on its own. Competitive cooperation prevails. Under such circumstances, the traditional security concept fails to address problems in the evolving international situation, entailing the creation of a new security concept. According to the traditional security concept which prioritizes nations as the major parties of international order, the goal of national security is the utmost important and military strength is for obtaining the supreme power and to guarantee national security. The stronger the military power becomes, the better the national security is defended. Similar to the traditional concept, the new concept is not a single set of philosophy, but rather a collection of different ideas that have emerged or prevailed after the Cold War or during its last phase, among which the most influential being the concepts of comprehensive, common and cooperative security. All the three concepts hold that national security is not only a relative idea, but also inter-dependent; international security relations, which is a “positive-sum game” instead of a “zero-sum game”, is the only way to avoid security dilemma, facilitate multi-win progress, and maintain security and stability of the entire international system. This round of transformation in international security order can generate more effective international security governance only if it conforms to new features of international security circumstances, reflects changes in international balance of power, and integrates the rationality of both traditional and non-traditional security concepts.

4. For BRICS countries, where is the direction of transformation of the international security order?

BRICS countries are pillars upholding peace and security in their respective regions and important forces promoting world peace and security. Shouldering threefold responsibility of maintaining their own security, providing regional security public goods for and pushing forward international security order, BRICS

countries shall utter a “BRICS voice” in the transformation of international security order, propose a “BRICS plan” and play the “BRICS role”.

Firstly, BRICS countries shall discuss and introduce a “new BRICS security concept”, which may include the following four aspects.

The first aspect is comprehensive security. Since we face intertwined security problems, the national security we aim for shall be a comprehensive package covering external and internal security, territorial security and safety of life, as well as traditional and non-traditional security, so as to eventually facilitate security in political, territorial, military, economic, cultural, societal, technological, information, ecological, resources and nuclear areas.

The second aspect is common security. All countries are equal, enjoying the right to participate in international security affairs on an equal footing and access to inclusive security while shouldering the responsibility to defend world security. No country shall pursue absolute security since it costs the security of other countries, and more importantly entails conflicts and wars among major countries. To build a peaceful world, we cannot accept that the security of a single country or a group of countries at the expense of the insecurity of other countries.

The third aspect is cooperative security. Without cooperation there would be no real peace or security and the world would be plunged into one war after another. Therefore we need to focus on common security interests of different countries and enhance strategic mutual trust through candid and in-depth communication. We can start from areas with low sensitivity, gradually expand cooperation areas and devise ways of cooperation, so as to promote peace and security through cooperation.

The fourth aspect is sustained security. As repeatedly proven by history and reality, underdevelopment in most cases is the fundamental reason behind emergence and lingering of security problems. Security cannot be sustained without development, and it is fair to say that development is the ultimate key to security problems. To realize sustained security, we must treat the root cause

by focusing on development so as to promote sustained security through sustained development.

Secondly, BRICS countries shall steer the international order in a more just and rational direction based on “new BRICS security concept”, uphold “BRICS interests”, voice “BRICS pursuit” and demonstrate “BRICS ideal”. By doing so, we are not challenging the existing international security order or creating a new order. Instead, while actively participating in the current international security mechanism and playing a constructive role, we, guided by the common security of the entire humanity and the interests of developing countries in particular, are trying to change the irrationality in the existing international order and promote a new international order which is equal, just, reasonable and efficient, so as to lay a foundation for lasting world peace as well as common development and prosperity.

Thirdly, BRICS countries shall test and enrich “new BRICS security concept” through practice. Only through application, tests and improvement can we tell whether the new security concept is able to solve problems and facilitate regional peace, stability and prosperity. In this respect, we may draw experience from the Shanghai Cooperation Organization (SCO). Since the end of the Cold War, dual-turbulence in the international and Eurasian geopolitical landscapes has triggered frequent challenges in Central Asia. Apart from traditional security problems, the “three forces” — terrorism, secessionism and extremism — have waged a series of violent terror attacks and become a protruding security threat. Meanwhile, member states of the SCO actively proclaimed and practiced the new security concept within the SCO framework, pursuing a geopolitical strategy of common security through win-win cooperation. And now, the SCO has become an important force stabilizing Eurasia. By carrying out security dialogue and cooperation and exchanging ideas on security, BRICS countries and the SCO can jointly explore effective solutions to regional security problems and coordinate stances on transforming international security order so as to push forward the transformation with more impetus.

Peace and Security: How to Maintain it in a Multi-Hub World Order?

Rebuilding International Law

Tamara Gregol de Farias

Aléxia Monteiro

Daniel Felipe Horovits

Kamila Aben Athar

Padydeh Eghbali

Vitor Senna

Victor Pilicié¹

Introduction

The Second World War has reshaped international law in order to create a system that prevents threats to peace and to human life. The competencies were given to the United Nations Security Council (UNSC) to resolve controversies that threaten international peace and security, which are done by peaceful means (diplomatic) and use of force. Furthermore, the Treaty of Rome has defined the crimes against humanity and created the International Criminal Court (ICC) to enhance the protection of human lives and ensure that those who committed crimes are punished through the due process of law. The international legal system is then based on the operation of both institutions. However, what has been designed to prevent acts of aggression and to tackle instability posed by any actor in the world is now being questioned on its effectiveness, representatively and efficiency.

Since the end of the Cold War, the bipolar system has ended and the unipolar order has started; nevertheless, the way the international system was shaped took into consideration the great powers who won the Second World War (Great Britain, United States, France, China and Soviet Union). As it is well known, to those countries were given the veto on the UNSC. This grants them with the power to hinder or even obstruct certain decisions (UNSC Resolution) that are against their national interests. This UNSC structure on that time could have represented the share of

¹ Institute of Applied Economic Research (IPEA)

the world power through the lens of realism theory of international relations.

Nowadays, power is not concentrated anymore on few States, it has become more diffused in a multi-hub system, where a growing number of states play issue-specific leadership role in a flexible and fluid system (Burke-White, 2009, p.5). Burke-White (2009) points out that for the last decades United States has been the only hegemon, today this new structure has the following characteristics: a) power is diffused, b) power is disaggregated — relative advantages in different types of power (military power, economic power and soft power) with effectiveness in different areas of international law and international relations, c) power is asymmetrically distributed — states can develop advantages over others in an issue-specific basis.

Concluding, this is not a unipolar, bipolar or multipolar system, what one can see now is the multi-hub system with issue-specific leadership roles (Burke-White, 2009). This new structure has implications for international law. First, it promotes international legal pluralism. Second, it creates pressure for a more democratic participation of the new centres of powers. The new emerging countries are not questioning the current international legal framework; they look forward to a change within it.

Another important issue to be raised is the one concerning States-preference in peace and security governance and international regime on peace and security. According to Burke-White (2009), BRICS countries are seeking change in international law in three directions: sovereignty, legitimacy based on participation and process, State-centric approach to economic development. The author affirms that, as soon as those States are able to coordinate their foreign policy agenda, they will be able to become a hub in international relations and international law.

However, the United States scholars reaffirm that a more participation in international law is based on effectiveness, especially when the theme is peace and security and economics. To Steward Patrick (2010) affirmed that rising powers are often inclined to enjoy the privileges of power without assuming its obligations. Indeed, BRICS countries when required to handle the costs of a more participation, faces issues of domestic development

that holds them back to avoid more expenses (Patrick, 2010). Of course, that this last issue has different weight to each BRICS.

Emerging powers may be clamouring for greater global influence, but they often oppose the political and economic ground rules of the inherited Western Liberal order, seek to transform existing multilateral arrangements, and shy away from assuming significant global responsibilities (Patrick, 2010, pg. 44).

Furthermore, there is the issue of compliance of international law. Andrew T. Guzman (2002) affirms that without an understanding of the connection between international law and state actions, scholars cannot hope to provide useful policy advice with respect to international law. Having said that, this paper will analyse the situation and the decisions made with respect to the situations in Palestine X Israel; Pakistan X India and Cyprus by the UNSC, from the years of 1948 — 1968. When it comes to the endeavours made to resolve the situation, understanding the conflict's roots and history is not only a useful tool on the matter, but an essential part of process.

The Israeli-Palestinian Conflict and the United Nations Security Council

The Israeli-Palestinian conflict is a complex and long lasting one that has been debated in the United Nations Security Council (UNSC) since 1948. The always alarming issue represents a threat to peace and security, both in the area of conflict and internationally up to this day. The history of the conflict started in the late 19th century, with the rise of political movements such as Zionism and Arab nationalism.

The Jewish population began to more actively discuss their return to Zion, the Land of Israel, and the desire to re-establish the Jewish Nation due to the Anti-Semitic persecution of Jews in Russia and Europe, resulting in a political movement that called for the establishment of a nation state for the Jewish people in Palestine. This State was meant to become a haven for all the Jews and where they would have the right for self-determination. Because the Zionists believed that this State should be in their historic homeland, they began to encourage immigration and to fund purchase of land in the region of Palestine under Ottoman and British rule. Arab and Syrian nationalisms were dominant

tendencies in the area and with the immigration of Jews to the area, violent incidents started to take place.

In the early 20th century, Arabs and Jews had been killed on account of what settlers called Arab nationalism and hatred. Arab leaders in the region began to identify the Zionist ambitions as threats, especially with the large scale acquisitions of land from Arab owners to Jewish settlements, because the Arab population started to feel dispossessed of their lands. The Ottoman authorities feared that the loyalty of the new immigrants was not only to their faith, but to their countries of origin, particularly Russia. This concern was fomented by the dismantling of Ottoman authority in the Balkan region and the belief that the European immigration imposed a threat to the culture of the region. As result of the Zionist enterprises, the Arab population in Palestine protested against the sale of land to foreigners, but by 1914 the Jewish population in Palestine had risen to 60,000 people.

During World War I, the Ottoman Empire joined the Central Powers and such an alliance presented the possibility of the release of Palestine from the control of the Ottomans, leading the Jewish and Arab populations to support the Triple Entente. In attempts to grant sovereignty to Arab lands under Ottoman control and to form an Arab state, the McMahon-Hussein Correspondence was formed as an agreement in 1915 in exchange for the Great Arab Revolt against the Ottoman Empire. In 1916 the Anglo-French Skykes-Picot Agreement allocated the areas of what today we know as Jordan, Israel, Iraq and the Palestinian territories to the British Empire and, in 1917, the Balfour Declaration proposed to “favour the establishment in Palestine of a national home for the Jewish people, but that nothing should be done to prejudice the civil and religious rights of the existing non-Jewish communities in Palestine”, which was seen by the Jewish as the cornerstone of a future Jewish homeland.

After the war, Chaim Weizmann, future president of the World Zionist Organization, and Faisal I bin Hussein bin Ali al-Hashimi, future king of Iraq, signed the Faisal-Weizmann Agreement for an Arab-Jewish cooperation in which Faisal accepted the Balfour Declaration based on British wartime promises to the Jewish on the creation of their homeland in Palestine. The discontent of the

Palestinian Arab population caused them to reject the Syrian Arab-Nationalist movement that was led by Faisal and agitate for Palestine to become a separate state with an Arab majority.

Due to the desire for self-determination by the Arab population, the Palestinian nationalism grew simultaneously with the number of Jewish immigrants in Palestine during the period of the British Mandate because of the spreading Anti-Semitism in Europe. After the rise of the Nazis to power in Germany, the Jewish population in Germany doubled. From then on, relations between the two populations deteriorated and hostilities intensified. Many Jews were massacred in various cities before the beginning of World War II in large riots like the Jaffa Riots in 1921 and in the 1929 Palestine riots. In response to the violence, the British created the Haycraft Commission of Inquiry, the Shaw Report, the Peel Commission of 1936-1937, the Woodhead Commission and the White Paper of 1939.

For the first time, a two-state solution proposal was presented by the Peel Commission of 1937, whereby Palestine would be divided into two states: an Arab State and a Jewish State. The Arab leadership in Palestine rejected the Peel recommendations and refused to share any land with the Jewish. Ben-Gurion, a Jewish leader, said about the Peel plans:

“The Jewish state now being offered to us is not the Zionist objective. [...] But it can serve as a decisive stage along the path to greater Zionist implementation. It will consolidate in Palestine, within the shortest possible time, the real Jewish force, which will lead us to our historic goal”

20th Zionist Congress

“On the assumption that after we become a strong force, as a result of the creation of the state, we shall abolish partition and expand to the whole of Palestine.”

Discussion in the Jewish Agency

The Woodhead Commission rejected the Peel plan because it would involve a massive force transfer of Arabs. In 1939, the British government sought to implement a one-state solution, reducing the number of immigrants allowed to enter Palestine and the restrictions remained until the end of the British mandate, resulting in waves of illegal immigrants to the area during World War II and the Holocaust, causing even more tensions in the region.

During World War II, many ties were made between the Nazi movement and the Arab leadership, including promises made by Hitler that Germany would, after winning the war, eliminate the existing Jewish foundations in Palestine and due to the joint Palestinian-Nazi military operations in Bosnia and Yugoslavia, deterioration in the relations between Palestinian leadership and the British was unavoidable.

After the War, the Jewish Resistance Movement was established and coordinated attacks against the British military between 1945 and 1946, but it was disassembled in 1946 after the bombing in King David Hotel, in which many civilians were killed. The leadership of the Jewish people decided to dedicate their efforts on the immigration of European Jewish refugees to Palestine. The horrific details of the Holocaust provided a big margin of support to the Zionist cause.

In 1947, the newly formed United Nations resolved that a committee would be created to prepare reports on the situation of Palestine. The committee composed by various countries presented recommendations that: “Palestine within its present borders, following a transitional period of two years from September 1, 1947, shall be constituted into an independent Arab State, an independent Jewish State, and the City of Jerusalem”. The Arab State would contain a tiny Jewish population and the Jewish state would contain a sizable Arab population. Neither state would be contiguous considering that Jerusalem and Bethlehem were to be under the control of the UN. Neither side was satisfied, but the Jews accepted the plan while the Arabs argued that it violated the right of the majority of people in Palestine.

In November of 1947, the General Assembly adopted a resolution recommending “to the United Kingdom, as the mandatory Power for Palestine, and to all other Members of the United Nations the adoption and implementation, with regard to the future government of Palestine, of the Plan of Partition with Economic Union”. The Jews accepted the plan while the Arabs didn't. The plan said that “Independent Arab and Jewish States and the Special International Regime for the City of Jerusalem, should come into existence in Palestine two months after the evacuation of the armed forces of the mandatory Power has been completed but in any case not later than October 1, 1948[...].”

As soon as the resolution was approved, fighting began in Palestine, and as the British evacuation continued, the violence escalated. During the first two months of war, about 1,000 were killed and by the end of March of 1948, 2,000 had died and 4,000 had been wounded. Ben-Gurion declared: “the establishment of a Jewish State in Eretz-Israel, to be known as the State of Israel”.

The Israeli Declaration of Independence sparked a war that erupted after May 14, 1948. The armies of Jordan, Syria, Egypt and Iraq invaded the area that was before part of the British Mandate, followed by Lebanon not long after May 15-16. The Arab League declared: “On the occasion of the intervention of Arab States in Palestine to restore law and order and to prevent disturbances prevailing in Palestine from spreading into their territories and to check further bloodshed”. Assaults by Israeli groups forced a large scale exodus of Arabs, promoting the Palestinian flight.

Israel obtained victory and annexed the territory beyond the partition proposed for the Jewish State going into the proposed Palestinian State. Jordan, Syria, Lebanon and Egypt signed the 1949 Armistice Agreements with Israel. The rest of the territories, the Gaza Strip and the West Bank were occupied by Egypt and Transjordan. Jordan annexed East Jerusalem and Israel ruled over West Jerusalem. In 1950 the West Bank was incorporated into Jordan.

The 700,000 — 750,000 Palestinian Arabs that fled or were expelled from the area taken by Israel are known as the Palestinian refugees. They were not allowed to return to Israel and the neighbouring Arab States denied them citizenship, with the exception of Transjordan. In 1949, Israel offered to allow some refugees to be repatriated, but the Arab States rejected their offers because they feared displaying any recognition of Israel. Most of these refugees still live in camps and their situation is still one of the main issues to be resolved in the conflict. Many Jews were also expelled from their homes in Arab countries and many reached Israel from 1948-1951.

Most of the Arab population that remained in Israel was granted Israeli citizenship and with time most of the discriminatory laws were dismantled, granting them the same rights as the Jewish people. After the 1948 war, many refugees tried to return to Israeli

territory but were deported. The government of Israel stated that the solution to the refugee problems should come from the resettlement of the Arab population in other States.

Violence continued from 1950 to 1967, including attacks on civilians in Israel and reprisals by the Israelis. In 1967, after years of Egyptian-aided Palestinian attacks on the Gaza Strip and increasing number of Egyptian troops on the Sinai Peninsula, along with other threatening gestures from Arab nations, Israel launched a pre-emptive attack against Egypt. This attack became known as the Six-Day War. Israel seized control over the Gaza Strip, the West Bank and Jerusalem, asserting sovereignty over the city of Jerusalem and given permanent resident status to the Palestinians of East Jerusalem. The Arab leaders gathered to discuss their positions towards Israel and decided that there would be no recognition, no peace and no negotiations with the State of Israel.

From January of 1946 until May of 1968, forty-four UNSC resolutions on the conflict were debated and created. The resolutions on the matter, their concerns and their voting records are listed below:

42 — United Nations Security Council Resolution 42, adopted on March 5, 1948, called upon the permanent members of the Council to consult and inform it regarding the situation in Palestine and to make recommendations to the United Nations Palestine Commission. The Resolution also appealed to all governments and peoples, particularly those around Palestine to aid the situation in any way possible. The resolution was adopted with eight votes to none and abstentions from Argentina, Syria and the United Kingdom.

43 — United Nations Security Council Resolution 43, adopted unanimously on April 1, 1948, notes the increasing violence and disorder in Palestine, calling upon the Jewish Agency for Palestine and the Arab Higher Committee to make representatives available to the Security Council to arrange and enforce a truce. The Resolution further calls upon armed Arab and Jewish groups to cease acts of violence immediately.

44 — United Nations Security Council Resolution 44, adopted on 1 April 1948, having received the reports requested in United Nations Security Council Resolution 42, the Council requested

the Secretary-General convoke a special session of the General Assembly to consider further the question of the future government of Palestine. The resolution was adopted with two abstentions from the Ukrainian SSR and the Soviet Union.

46 — United Nations Security Council Resolution 46, adopted on April 17, 1948, having referenced the goals of United Nations Security Council Resolution 43 and noting that the United Kingdom was still the Mandatory Power in charge of the Palestinian territory, it was responsible for ending the conflict there and every member of the Council was due to aid it achieve such a peace. With that in mind it called on both the Arab Higher Committee and the Jewish Agency to immediately cease all acts of violence, to stop outside combatants from entering the territory, stop importing weapons, refrain from any immediate political activity which might later prejudice the rights or claims of any community, cooperate with the British authorities and refrain from any actions which might endanger the safety of any of the Holy Places in the territory. The resolution further called upon all the countries of the region to cooperate in any way they could, particularly enforce the movement of fighters or arms into the territory. The resolution was adopted by nine votes to none, with abstentions from the Ukrainian SSR and Soviet Union.

48 — United Nations Security Council Resolution 48, adopted on April 23, 1948, called on all concerned parties to comply with United Nations Security Council Resolution 46 and to that end established a Truce Commission for Palestine to assist the Security Council in implementing the truce. The resolution was approved by eight votes to none, with three abstentions from Colombia, the Ukrainian SSR and the Soviet Union.

49 — United Nations Security Council Resolution 49, adopted on May 22, 1948, considering that the previous resolutions of the Security Council in respect to Palestine have not been complied with and that military operations were still taking place in Palestine, the resolution called upon all governments and authorities to abstain from any further hostile military action in Palestine and to that end issue a cease-fire order to their military and paramilitary forces to come into effect at noon, May 24, 1948, New York time. The resolution further ordered the Truce Commission for Palestine set

up in United Nations Security Council Resolution 48 to report to the Council on the compliance of the concern parties with the resolution. The resolution passed with eight votes and three abstentions from the Ukrainian SSR, the Soviet Union and Syria.

50 — United Nations Security Council Resolution 50, adopted on May 29, 1948, called upon all governments and authorities involved in the conflict in Palestine to order a cessation of all acts of armed force of four weeks, to refrain from introducing any fighting personnel into Palestine, Egypt, Iraq, Lebanon, Saudi Arabia, Syria, Transjordan or Yemen during the cease-fire, to refrain from importing or exporting war material into or to Palestine, Egypt, Iraq, Lebanon, Saudi Arabia, Syria, Transjordan or Yemen during the cease-fire. The resolution further urged all governments and authorities to do all in their power to ensure the safety of the Holy Places in the area as well as the city of Jerusalem and to ensure free access to them. Instructed the United Nations Mediator in Palestine to make contact with all the parties involved to see that the truce is carried out and offered him as many military observers as would be necessary to that end. The resolution decided that if the conditions set in it and previous resolutions were violated the Council would reconsider the matter with a view to action under Chapter VII of the United Nations Charter. The resolution was adopted in parts; no voting took place on the resolution as a whole.

53 — United Nations Security Council Resolution 53, adopted on July 7, 1948, took into consideration a telegram from the United Nations Mediator dated 5 July 1948, the resolution addresses an urgent appeal to the interested parties to accept in principle the prolonging of the truce for such period as would be decided upon in consultation with the Mediator. The resolution was approved with eight votes, while the Ukrainian SSR, Soviet Union and Syria abstained.

54 — United Nations Security Council Resolution 54, adopted on 15 July 1948, determined that the situation in Palestine constitutes a threat to the peace within the meaning of Article 39 of the Charter of the United Nations. The resolution ordered all governments and authorities concerned to desist from further military action and to issue a cease-fire to their military and paramilitary forces to take effect at a time to be determined by the mediator in the next

three days. It also declared that failure to comply with these orders would demonstrate the existence of a breach of the peace within the meaning of article 39 of the Charter and would require immediate consideration by the Council. The Resolution further ordered that as a matter of special necessity an immediate and unconditional cease-fire in the City of Jerusalem take place the next day. The Resolution instructed the United Nations Mediator to continue his efforts to de-militarize the City of Jerusalem and assure safe access to it, to examine the alleged breaches of the earlier truces established by the Council and to that end requested the Secretary-General provide him with the necessary staff, funding and facilities needed to carry out his tasks. The resolution was passed with seven votes in favour. Syria voted against the resolution while Argentina, the Ukrainian SSR and Soviet Union abstained from the vote.

56 — United Nations Security Council Resolution 56, adopted on August 19, 1948, having received communications from the United Nations Mediator concerning the situation in Jerusalem the Council directed the attention of the Governments and authorities to United Nations Security Council Resolution 54. The Council decided that all parties involved were to bear direct responsibility for all of their regular and irregular forces, that they were to use all means available to prevent the truce from being broken and that any group or subject that did was to be given a speedy trial. The Council also decided that no party would be able to violate the truce on the grounds of retaliation for another violation and that no party would be entitled to gain military or political advantages through the violation of the truce. The resolution was voted on in parts. As such, no vote took place on the whole of the resolution.

57 — United Nations Security Council Resolution 57 was adopted unanimously on September 18, 1948. Shocked by the death of Count Folke Bernadotte, the United Nations Mediator in Palestine, the Council requested that the Secretary-General keep the flag of the United Nations at half-mast for three days, authorized him to meet from the Working Capital Fund all the expenses connected with the brutal death of the United Nations Mediator and to be represented at the interment by the President of the person whom he may appoint for the occasion.

59 — United Nations Security Council Resolution 59, adopted on October 19, 1948, concern that the Provisional government of Israel had yet to submit a report to the Council regarding the progress of the investigation into the assassinations of United Nations Mediator Count Folke Bernadotte and Observer Colonel Andre Serot the Council requested the Israeli Government submit an account of the progress made in the investigation and to indicate therein the measures take with regard to negligence on the part of officials or other factors affecting the crime. The Resolution reminded the Governments and authorities concerned of their obligations to live up to the goals and responsibilities established in United Nations Security Council Resolution 54 and United Nations Security Council Resolution 56. The Council charged the Governments and authorities to allow accredited UN observers ready access to all places where their duties might require them to go, to simplify the procedures on UN aircraft then in effect, to co-operate fully with the truce supervision personnel, to implement instructions to the commanders in the field all agreements entered into through the offices of the Mediator and to take reasonable measures to ensure the safety of all truce supervision personnel and their equipment. The President of the Council announced the resolution had passed in the absence of any objection.

60 — United Nations Security Council Resolution 60, adopted on October 29, 1948, resolved that a sub-committee be established consisting of the United Kingdom, Republic of China, France, Belgium and the Ukrainian Soviet Socialist Republic to consider all the amendments and revision which had been suggested to the second revised draft resolution contained in document S/1059/Rev.2 and prepare a revised draft resolution on behalf of the Council. The resolution was adopted without vote.

61 — United Nations Security Council Resolution 61, adopted on November 4, 1948, decided that the truce established in United Nations Security Council Resolution 54 shall remain in effect until a peaceful adjustment of the future situation of Palestine is reached. To that end the Council ordered the withdraw of the forces in the area back to the positions held on the 14th of October with the Acting Mediator being authorized to establish provisional lines beyond which no movement of troops was to take place. The

Council also decreed that neutral zones shall be established through negotiations between the parties, or failing that, by the decision of the Acting Mediator. The resolution also appointed a committee consisting of the five permanent members of the Council together with Belgium and Colombia to advise the Acting Mediator and, should either or both parties fail to comply with the resolution, they would advise the Council on what further measures it would be appropriate to take under Chapter VII of the Charter. The resolution was adopted with nine votes and one against (Ukrainian SSR), while the Soviet Union abstained.

62 — United Nations Security Council Resolution 62, adopted on November 16, 1948, called for an armistice in all sectors of Palestine, in order to facilitate the transition from the then-current truce (established by United Nations Security Council Resolution 54) to a permanent peace. No vote was taken on the resolution as a whole as it was voted on in parts.

66 — United Nations Security Council Resolution 66, adopted on December 29, 1948, in response to a report by the Acting Mediator regarding hostilities which broke out in southern Palestine on December 22 despite UN calls; 8 for a cease-fire, the Council demanded the immediate implementation of United Nations Security Council Resolution 61. The Resolution instructs the Acting Mediator to facilitate the complete supervision of the truce by the UN observers. The Resolution further instructs the committee appointed in UNSC Resolution 61 to meet at Lake Success, New York on January 7 to consider the situation in southern Palestine and to report to the Council on the extent to which governments have or have not complied with UNSC Resolutions 61 and 62. The Resolution also invited Cuba and Norway to replace the two retiring member of the committee (Belgium and Colombia) on January 1.

69 — United Nations Security Council Resolution 69, adopted on March 4, 1949, having received and considered Israel's application for membership in the United Nations, the Council decided that in its judgment Israel was a peace-loving state and recommended to the General Assembly that they grant membership to Israel.

72 — United Nations Security Council Resolution 72, adopted on August 11, 1949, after receiving a report by the Acting United Nations Mediator in Palestine on the completion of his

responsibilities the UN decided to pay tribute to the late Count Folke Bernadotte, the then current Acting Mediator Dr Ralph J. Bunche and the Belgian, French, Swedish and American officers who served on the staff and as military observers in Palestine. No vote was taken as the resolution was adopted.

73 — United Nations Security Council Resolution 73, adopted on August 21, 1949, noted with satisfaction the Armistice Agreements between the parties involved in the 1948 Conflict in Palestine and then expressed the hope that a final settlement of all questions outstanding between the parties might be achieved soon. The Resolution went on to relieve the Action Mediator in Palestine, as his duties had been fulfilled, and requested the Secretary-General arrange for the continued service of the personnel of the present Truce Supervision Organization as may be required in observing and maintaining the cease-fires and Armistices. The Resolution also requested that the Chief of Staff of the TSO report to the Council on the observance of the cease-fire. The resolution was adopted nine votes to none; the Ukrainian SSR and Soviet Union abstained.

89 — United Nations Security Council Resolution 89, adopted on November 17, 1950, after receiving complaints from Egypt, Israel, Jordan and the Chief of Staff of the Truce Supervision Organization regarding the implementation of the Armistice Agreements designed to end the Arab-Israeli War the Council requested the Egypt-Israel Mixed Armistice Commission give urgent attention to a complaint of expulsion of thousands of Palestinian Arabs. The Council called upon both parties to give effect to any finding by the Commission, repatriating any such Arabs who the Commission believes to be entitled to return. The Council then authorized the Chief of Staff of the Truce Supervision Organization to recommend to Israel, Egypt and such other Arab States appropriate steps he may consider necessary to control the movement of nomadic Arabs across international frontiers or armistice lines by mutual agreement. The Council called upon the governments concern to take no action involving the transfer of persons across international frontiers or armistice lines without prior consultation through the Commissions. The Council then requested that the Chief of Staff of the Truce Supervision Organization report to them at the end of ninety days, or before he deems it necessary on the compliance

given to this resolution and upon the status of the operations of the various Commissions. The Council finally requested that he periodically submit to the Security Council reports of all the decisions made by the various Commissions and of the Special Committee provided for in article X, paragraph 4, of the Egyptian-Israel General Armistice Agreement. The resolution passed with nine votes to none, with two abstentions from the Kingdom of Egypt and the Soviet Union.

92 — United Nations Security Council Resolution 92, adopted on May 8, 1951, recalling its previous resolutions demanding a cease-fire in the Arab-Israeli conflict the Council noted with concern that fighting had broken out in and around the demilitarized zone established by the Israel-Syrian General Armistice Agreement of 20 July 1949 and that fighting was continuing despite the cease-fire order of the Acting Chief of Staff of the United Nations Truce Supervision Organization in Palestine. The Council called upon the parties of persons in the areas concerned to cease fighting and called them to comply with their obligations and commitments to previous resolutions and Agreements. The resolution passed with ten votes; the Soviet Union abstained.

93 — United Nations Security Council Resolution 93, adopted on May 18, 1951, after hearing a report from the Chief of Staff of the United Nations Truce Supervision Organization in Palestine, the representatives of Egypt and Israel as well as a determination by the Egyptian-Israel Mixed Armistice Commission that determined that a “prearranged and planned attack ordered by Israel authorities” was “committed by Israel regular army forces against the Egyptian regular army” in the Gaza Strip on February 28, 1951. The Council condemned this attack as a violation of the cease-fire provisions of UNSC Resolution 54 and as inconsistent with the obligations of the parties under the General Armistice Agreement between Egypt and Israel and under the United Nations Charter. The Council again called upon Israel to take all necessary measures to prevent such actions and expressed its conviction that the maintenance of the General Armistice Agreement is threatened by any deliberate violation of it and that no progress towards the return of peace in Palestine can be made until both parties comply strictly with their obligations. The resolution was adopted with ten votes; the Soviet Union abstained.

95 — United Nations Security Council Resolution 95, was adopted on September 1, 1951. After it reminded both sides in the Arab-Israeli conflict of recent promises and statements saying they would work for peace, the Council chastised Egypt for preventing ships bound for Israeli ports from travelling through the Suez Canal and called upon the Egyptian Government to immediately cease all interference with any shipping save that which was essential for safety. It was passed by 8 votes to none, with 3 abstentions by China, India and the Soviet Union. It was a rare resolution critical of the Arab states in the Arab-Israeli conflict, passed before the period that the Soviet Union invariably used its veto power against such resolutions. The resolution was adopted by eight votes in favour, and three abstentions from India, the Republic of China and Soviet Union.

101 — United Nations Security Council Resolution 101, adopted on November 24, 1953, noting reports by the United Nations Truce Supervision Organization in Palestine the Council found that the retaliatory action taken by Israeli forces at Qibya on October 14–15 and all such action constitute a violation of the cease-fire provisions of United Nations Security Council Resolution 54 and are inconsistent with the parties' obligations under the General Armistice Agreement between Israel and Jordan as well as the Charter of the United Nations. The Council expressed the strongest possible censure of this action and took note of the substantial evidence of crossings of the demarcation line by unauthorized persons. The Council then called on the Israeli and Jordanian governments to co-operate with each other and requested that the Chief of Staff of the TSO report within three months with recommendations. The resolution was adopted by nine votes to none; Lebanon and the Soviet Union abstained from the vote.

106 — United Nations Security Council Resolution 106, adopted unanimously on March 29, 1955, after hearing reports from the Chief of Staff of the United Nations Truce Supervision Organization in Palestine and representatives of Egypt and Israel the Council noted that the Egyptian-Israel Mixed Armistice Commission determined that a “prearranged and planned attack ordered by Israel authorities” was committed by regular Israeli forces against elements of the Egyptian Army in the Gaza Strip on February 28,

1955. The Council condemned this attack as a violation of United Nations Security Council Resolution 54, called upon Israel to take all necessary measures to prevent such action and expressed its conviction that the maintenance of the General Armistice Agreement was threatened by deliberate violations and that no progress towards the return of permanent peace in Palestine would be made unless the parties complied strictly with their obligations.

107 — United Nations Security Council Resolution 107, adopted on March 30, 1955, after a report by the Chief of Staff of the United Nations Truce Supervision Organization in Palestine the Council called upon the Governments of Egypt and Israel to cooperate with the Chief of Staff with regard to his proposals. The resolution was adopted unanimously by the Council members.

108 — United Nations Security Council Resolution 108, adopted unanimously on September 8, 1955, after another report by the Chief of Staff of the United Nations Truce Supervision Organization in Palestine, the Council noted the acceptance by both parties of the appeal of the Chief of Staff for an unconditional ceasefire. The Council went on to endorse the view of the Chief of Staff that the armed forces of both parties should be clearly and effectively separated by the measures he proposed and declared that freedom of movement must be afforded to UN observers in the area.

111 — United Nations Security Council Resolution 111, adopted unanimously on January 19, 1956, noted that according to the Chief of Staff of the United Nations Truce Supervision Organization in Palestine, Israel was in direct violation of the General Armistice Agreement and that there was interference by the Syrian Authorities with Israeli activities on Lake Tiberias. The Council held that this interference in no way justified Israel's actions and condemned her for them. The Council called upon both sides to live up to their obligations under the GAA, requested the Chief of Staff to pursue his suggestions for improving the situation in the area, called for an immediate exchange of all military prisoners and called upon both sides to work with the Chief of Staff.

113 — United Nations Security Council Resolution 113, adopted on April 4, 1956, after recalling past resolutions where the Chief of Staff of the United Nations Truce Supervision Organization in Palestine was requested to undertake certain specific steps for the

purpose of reducing tensions along the armistice lines the Council noted with grave concern the proposed steps had not been carried out. The Council considered the situation as likely to endanger the maintenance of international peace and security and requested the Secretary-General survey the various aspects of enforcement of compliance with the four General Armistice Agreements. The Council then requested that the Secretary-General, along with the Chief of Staff arrange for the adoption of measures they believe would reduce tensions along the armistice demarcation lines including withdrawal of forces, full freedom of movement for UN observers and the establishment of the local arrangements for the prevention of incidents and the prompt detection of any violations of the Armistice Agreements. The Council then called upon the parties to the General Armistice Agreement to co-operate with the Secretary-General in the implementation of this resolution and requested the Secretary-General report back to the Council inside a month. The resolution was adopted unanimously by all members of the Council.

114 — United Nations Security Council Resolution 114, adopted unanimously on June 4, 1956, after receiving a report from the Secretary-General the Council noted that progress had been made towards the adoption of the specific measures set out in United Nations Security Council Resolution 113 but that full compliance with the General Armistice Agreements and a host of Council Resolutions had not yet been effected. The Council declared that all parties to the Armistice Agreements should cooperate with the Secretary-General and the Chief of Staff of the United Nations Truce Supervision Organization in Palestine and that the United Nations observers must be given full freedom of movement. The Council further requested that the Chief of Staff report to them whenever any action undertaken by one party to an Armistice Agreement constitutes a serious violation of that agreement and that the Secretary-General continue his good offices with the parties and report to them as appropriate.

127 — United Nations Security Council Resolution 127, adopted on January 22, 1958, dealt with complaints by Jordan regarding Israeli activities between the armistice demarcation lines. Taking into account a report by the Acting Chief of Staff of the United

Nations Truce Supervision Organization in Palestine, the Council noted that neither Israel nor Jordan enjoyed sovereignty over any part of the zone. The Council then directed the Chief of Staff to regulate activities within the zone so that Israelis would not be allowed to use Arab-owned properties and vice versa, and directed the Chief of Staff to conduct a survey of property records with a view to determine property records with a view to determine property ownership in the zone.

The resolution then endorsed the recommendation that parties should discuss, through the Mixed Armistice Commissions, civilian activities in the zone and that until an agreement could be reached such activities in the zone should be suspended. The Council then called upon all parties to abide by the General Armistice Agreement and for the Chief of Staff for report to the Council on the implementation of the present resolution. The resolution was approved by all members of the Council.

162 — United Nations Security Council Resolution 162, adopted on April 11, 1961, after a complaint submitted by Jordan and noting a decision of the Israel-Jordan Mixed Armistice Commission, the Council endorsed that body's decision and urged Israel to comply with it. The Council requested the member of the Commission to cooperate to ensure that the General Armistice Agreement between Israel and Jordan will be complied with. Representatives from Jordan and Israel were present at the meeting. Resolution 162 was adopted by eight votes in favour, none against, and three abstentions from Ceylon, the Soviet Union and the United Arab Republic.

171 — United Nations Security Council Resolution 171 was adopted on April 9, 1962. Following a report by the Chief of Staff of the United Nations Truce Supervision Organization in Palestine (TSO) regarding military activities in the Lake Tiberius area, along with statements by Syrian and Israeli representatives, the Council condemned both parties for their actions and determined that Israel had flagrantly violated UN resolutions. The Council then called for both parties to live up to their obligations under UN resolutions, the UN Charter and the General Armistice Agreement, and to cooperate with the Chief of Staff. The Council also endorsed the Chief of Staff's recommendation for the strengthening of the TSO. The resolution was adopted with ten votes; France abstained.

228 — United Nations Security Council Resolution 228, adopted on November 25, 1966, after hearing statements from representatives of Jordan and Israel as well as a report from the Secretary-General U Thant concerning the military action, the Council observed that this incident constituted a large-scale and carefully planned military action against Jordanian territory by the armed forces of Israel. The Council deplored the loss of life and property and censured Israel for this violation of the United Nations Charter and of the General Armistice Agreement. The Council emphasized to Israel that actions of military reprisal cannot be tolerated and that if they are repeated the Council would have to consider further and more effective steps to ensure against them. The resolution passed with 14 votes to none, with one abstention from New Zealand.

233 — United Nations Security Council Resolution 233, adopted on June 6, 1967, after an oral report by the Secretary-General regarding the outbreak of fighting and the situation in the Near East, the Council called upon the governments concerned to take all measures for an immediate cessation of all military activities in the area and requested that the Secretary-General keep the Council promptly and currently informed on the situation. The resolution was adopted unanimously without debate.

234 — United Nations Security Council Resolution 234, was adopted on June 7, 1967, after its appeal to the governments concerned to immediately cease all military activities in the Near East failed. The Council, concerned with the possibility of a broader conflict, demanded that the governments involved discontinue all military activities by 20:00 GMT on June 7, 1967. The Council also requested that the Secretary-General keep them promptly and currently informed on the situation. The meeting was called by the Soviet Union and the resolution passed unanimously. Jordan and Israel accepted the resolution, provided other parties accepted as well. The following day the United Arab Republic also accepted the ceasefire solution, on condition of reciprocity.

235 — United Nations Security Council Resolution 235, adopted on June 9, 1967, after noting that the governments of both Israel and Syria have accepted the Council's demand for a cease-fire, the Council demanded that hostilities should cease forthwith and

requested that the Secretary-General make immediate contacts with the Governments of Israel and Syria to immediately arrange compliance with the cease-fire and to report to the Security Council within 2 hours of the resolution. The meeting, requested by the Soviet Union and United States, adopted the resolution unanimously. The same day, Syria and Israel accepted the terms of the resolution.

236 — United Nations Security Council Resolution 236, adopted on June 11, 1967, after noting the oral reports of the Secretary-General, the Council condemned any violations of the cease-fire called for in resolution 234. The Council requested that the Secretary-General continue his investigations and report back as soon as possible and affirmed its demand for a cease-fire. The Council called for the prompt return to the cease-fire positions of any troops which may have moved forward subsequent to 16:30 hours GMT on June 10, 1967, and called for the full co-operation with the Chief of Staff of the United Nations Truce Supervision Organization and the observers in implementing the cease-fire. The meeting as requested by Syria, unanimously adopted resolution 236.

237 — Following the Six-Day War, United Nations Security Council adopted on June 14, 1967 Resolution 237, which called upon the government of Israel to ensure the safety and welfare of the inhabitants of the areas where military operations had taken place and to facilitate the return of those inhabitants who had fled. The resolution also recommended the governments concerned to respect humanitarian principles governing the treatment of prisoners of war and the protection of civilian persons in times of war contained in the Geneva Conventions. The Council also requested the Secretary-General to follow the effective implementation of this resolution and report back.

240 — United Nations Security Council Resolution 240, adopted on October 25, 1967, condemned the violations of the cease-fire worked out in past resolutions (primarily United Nations Security Council Resolution 234) and expressed its regrets at the casualties and loss of property that resulted from the violations. The Council reaffirmed the necessity of the strict observance of the cease-fire resolutions and demanded that the member states concerned cease immediately all prohibited military activities in the area

and co-operate fully and promptly with the United Nations Truce Supervision Organization. The meeting, requested by Israel, Syria and the United Arab Republic to contest various allegations, adopted the resolution unanimously.

248 — United Nations Security Council Resolution 248, adopted on March 24, 1968, after receiving letters from Jordan and Israel as well as supplementary information from the Chief of Staff of the United Nations Truce Supervision Organization, the Council reaffirmed its previous resolutions and condemned the military action launched by Israel in flagrant violation of the UN Charter. The Council deplored all violent incidents in violation of the cease-fire and called upon Israel to desist from acts and activities in contravention of resolution 237.

250 — United Nations Security Council Resolution 250 adopted unanimously on April 27, 1968, warned Israel against holding an Independence Day Parade in Jerusalem, Israel's proclaimed capital. Israel ignored the resolution. In response, the Council passed UNSC resolution 251 condemning Israel's actions.

251 — United Nations Security Council Resolution 251, adopted unanimously on May 2, 1968, the Council deeply deplored Israel holding a military parade in Jerusalem in disregard of the unanimous decision adopted by the Council in resolution 250.

252 — United Nations Security Council Resolution 252, adopted on 21 May 1968, after a letter from the Permanent Representative of Jordan, hearing statements from Israel and Jordan, and the actions Israel had taken against General Assembly resolutions taken on the matter, the Council reaffirmed that the acquisition of territory by military conquest is inadmissible and deplored the failure of Israel to comply with the General Assembly resolutions. The Council considered all legislative and administrative measure and action which tend to change the legal status of Jerusalem are invalid and cannot change that status and urgently called upon Israel to rescind all such measures already taken and to desist forthwith from taking any further action which tends to change the status of Jerusalem. The resolution passed with 13 votes to none; Canada and the United States abstained.

Drawing conclusions from the history of the conflict and the approaches and decisions made by the UNSC, we can notice

that even though the Council represents, in a way, international authority, its decisions and demands are not always heard and complied with. This lack of strong voice derives from the many conflicted interests found inside the Council that lead to the absence of firm actions. This can be a downside when it comes to conflict solving, especially when threats are presented, not only to international peace and security, but to the lives of those involved in the matters discussed.

In the Palestine question, since the end of the Second World War, the fate of that area was decided not by the people, but by those who saw themselves as fit to make the decisions based on their relations to other countries, their deals, their arrangements and their concerns. The organizations involved, including the League of Nations when the Palestinian territory was given to the British to rule, have been calling the shots and leaving aside the civil society's demands. With such a complicated relation between the Jewish and the Palestinians, nothing was done to prevent their conflicts and focus on a possible dialogue before the situation deteriorated and violence escalated. Only after many have suffered and died attempts were made to try to resolve the divergences and stop this ongoing state of war and it was never enough or it didn't present a voice strong enough to be heard.

India Pakistan Conflict and the United Nations Security Council

After the end of the Second World War, the whole world arrangement changed due many aspects. Back then, Great Britain possessed many lands and colonies in South Asia, including the territory that encompassed India, Pakistan and Cashmere. In 1947, India and Pakistan claimed for independence and they succeeded, dividing the whole territory in a religious-based way (the Muslim majority lived in the territory known as Pakistan and the Hindu majority lived in the territory known as India).

However, the civil war within the countries just got worse after recognition of the independencies, in which many people were murdered (between 400 thousand and 1 million deaths). Both countries wanted to take control over Cashmere (situated in the north of both countries) and the dispute would not stop until one victor arise. Pakistan alleged that a Muslim majority composed that

territory, being in this way a territory that belonged to Pakistan sovereignty. On the other hand, India would not give up on the territory because many of its people and its ruler was Hindu.

Therefore, the expected result happened and the Cashmere split itself into two in 1949, after the cease of the first war that begun in 1948. The East territory remained under Pakistan control and the West territory under the Indian control. However, the situation did not last and a second war begun in 1965. This started because of the infiltration of Muslim militants from the Free Cashmere Movement within the Cashmere territory controlled by India. The Indian Government reacted and attacked Pakistan directly, resulting into the death of more than 7.000 people.

It must be remembered that this happened during the Cold War, where the arms and nuclear races were essential to the establishment of a certain country as a global power. In this way, Pakistan and India developed their nuclear technology and the conflict inside Cashmere became more discussed worldwide. Besides India had remained in British Commonwealth influence, the country had approached to URSS, getting more infrastructure and technology from the soviets. Pakistan, on the other hand, kept the influence of China and USA inside its country.

When many believed the hostilities would stop, in 1971 occurred the third war. The motivation was the process of political autonomy in a small part of the Pakistan territory located in East of India. The Indian Government supported the rebellion of Eastern Pakistan against the control of Western Pakistan, helping them to proclaim the independence and become the country known today as Bangladesh. Moreover, the Government of India wanted to repatriate almost 10 million of Eastern Pakistan refugees inside India, showing the repatriation as a mechanism of control and a tool to get more influence in the region.

In 1976, after the independence of Bangladesh, the diplomatic relations between India and Pakistan were achieved and remained in that way until the 90's, where the Independence Movement for Cashmere started to grow more and more again. 400.000 Indian soldiers were sent to Cashmere and they fought against troops supported by Pakistan. The death toll was over 30.000 deaths in 1999.

Currently, the tension between the countries remains cautious. Both India and Pakistan still develop your nuclear and military technology and the situation in the border gets more dangerous each day. This is a specific case that was accompanied by UN and it shows the fail of its actions in certain situations.

The resolution S/RES/38 of 6 January 1948 called upon both Governments to take immediately all measures within their power, including public appeals to their people, calculated to improve the situation and to refrain from making any statements and from doing or causing to be done or permitting any acts which might aggravate the situation. The resolution was adopted by 9 votes to none, with abstention of Soviet Union and Ukraine.

The resolution S/RES/39 established, on 20 January 1948, a Commission composed of representatives of three Members of United Nations, one elected by India, other by Pakistan, and the last elected by the two selected. This Commission had the purpose to investigate the facts, to exercise any mediatory influence and to report how far the advices made by the Security Council have been carried out. The resolution was adopted by 9 votes to none, with abstentions of Soviet Union and Ukraine.

The resolution S/RES/47 decided, on 21 April 1948, that the Commission shall be increased to five and the both Governments shall take the necessary measures to restore peace and order and to hold a plebiscite. Furthermore, the Security Council also decided that India should ensure the release of all political prisoners and declared that the Commission should establish observers in Jammu and Cashmere. The five members of the Commission were: Czechoslovakia (nominated by India), Belgium and Colombia (appointed by the Council), Argentina (nominated by Pakistan), and United States of America (designated by the President of the Council, in absence of agreement between Argentina and Czechoslovakia on the member to be designated by them). The resolution was adopted by consensus.

The resolution S/RES/51 of 3 June 1948 continues to appeal to the maintenance of peace and security and to the Commission to further the study and report to the Security Council when it considers it appropriate. The resolution was adopted by 8 votes to none, with abstentions of Soviet Union, Ukraine and China.

The resolution S/RES/80 established, on 14 March 1950, a programme of demilitarization, within a period of five months from the date of the resolution, based on the principles of paragraph 2 of General McNaughton's proposal. The resolution was adopted by 8 votes to none, with abstentions of India and Yugoslavia. Moreover, the URSS was absent.

The resolution S/RES/91 of 30 March 1951 addressed about the resignation of Sir Owen Dixon, the United Nations Representative, in compliance with his request, and decided to appoint another Representative in succession. The resolution was adopted by 8 votes to none, with abstentions of India, Soviet Union and Yugoslavia.

The resolution S/RES/96 of 10 November 1951 noted with gratification the declared agreement of the two parties to those parts of Mr. Frank Graham's proposals, the new United Nations Representative for India and Pakistan, which reaffirmed their determination to work for a peaceful settlement. The resolution was adopted by 9 votes to none, with abstentions of Soviet Union and India.

The resolution S/RES/98 of 23 December 1952 only repeated its concerns and urged that the Governments of India and Pakistan to enter into immediate negotiations in order to reach side of cease-fire line at the end of the period of demilitarization. The resolution was adopted by 9 votes, with abstention of Soviet Union.

The resolution S/RES/122 declared, on 24 January 1957, that the convening of a constituent assembly as recommended by the General Council of the "All Jammu and Cashmere National Conference" and any action that assembly may have taken or might attempt to take would not constitute a disposition of the State. The resolution was adopted by 10 votes, with abstention of Soviet Union.

The resolution S/RES/123 of 21 February 1957 did not decide any other action. It just reaffirmed and condemned the situation while requested the President of the Security Council, the representative of Sweden, to examine any peace proposal. The resolution was adopted by 10 votes, with abstentions of Soviet Union.

The resolution S/RES/126 of 2 December 1957 also did not decide any other action. It just authorized the United Nations Representative to visit the subcontinent in order to make some

progress in the situation. The resolution was adopted by 10 votes, with abstention of Soviet Union.

The resolution S/RES/209 of 4 September 1965 called upon the Governments of India and Pakistan to cease-fire, to respect the cease-fire line, and to co-operate with the United Nations Military Observer Group in India and Pakistan (UNMOGIP). The resolution was adopted by consensus.

The resolution S/RES/210 requested, on 6 September 1965, the parties to cease hostilities in the entire area. The resolution was adopted by consensus.

The resolution S/RES/211 demanded, on 20 September 1965, that a cease-fire should take effect on 22 September 1965 and called upon both Governments to a subsequent withdrawal of all armed personnel to the positions held by them before 5 August 1965. The resolution was adopted by 10 votes to none, with abstention of Jordan.

The resolution S/RES/214 of 27 September 1965 did not decide any other action. It just condemned the situation and demanded that the parties urgently honour their commitments to observe the cease-fire. The resolution was adopted by consensus.

And the resolution S/RES/215 of 5 November 1965 also did not decide any other action. It just requested both Governments to co-operate towards a full implementation of paragraph 1 of resolution 211 (1965) and demanded that the Governments' representatives meet with a suitable representative of the Secretary-General without delay. The resolution was adopted by 9 votes to none, with abstentions of Soviet Union and Jordan.

It can be noted that from 1948 until 1965, the UNSC requested information, observation and investigation of the conflict; in addition of a excellent but innocent UN proposal to accomplish a plebiscite on the territory, knowing that about 80% of the population was and still is composed by Muslims. It is possible to imagine that the Indian position would be of repression, because it was against its interests the establishment of peace, considering that this peace scenario would put their influence under the Kashmir threatened if the plebiscite were accomplished. Thereby, the ONU indirectly strengthened tensions in the region.

It is also visible the work of the Security Council on Article II of the Charter of San Francisco, that has characteristics of non-

intervention aiming to preserve the sovereignty of the parties, defending that it is an internal matter and because of that we have this characteristic of recommendations and peaceful means.

On the Cold War context, it is notorious the pillar of political idealism that prevailed within Security Council and the expression, much of the time disguised, of the national interest of the Member-Parties of the Council. The Soviet's abstained in protest to Chinese representation in the CSNU (that was being represented by Republic of China rather than Popular Republic of China) is an example of that. Bipolar scenario reflecting the behaviour of countries is also noticeable, if observed the inclinations of Pakistan's foreign policy in partnership with the United States, and India towards the USSR, even if such alliances are more apparent in the 1990s. Such aspects show the appreciation of the political interest ahead humanitarian issues involved in the conflict.

It is necessary that we have a perspective of the international scenario and governances' policies from a Machiavellian point of view, in which analyses the "verità effettuale della cosa" (The effective truth of things). With the political realism, we can understand how nations actually behave and, thus, the prudence would not be necessarily the use of force, but a way to think in viable and effective solutions in regard of obtaining preventive measures in the first signs of a possible instauration of conflictive zones.

Cyprus situation and the United Nations Security Council

One of the most debated issues at the Security Council is the conflict in Cyprus. It is necessary to know about the country's history when trying to understand the decisions taken by the Security Council on that matter. In 1517, the Ottoman Turkish Empire incorporated the territory of Cyprus, mixing their Turkish ethnicity with the native Cypriots that lived there. At that time, they granted more civil equality to the Greek descendants that also lived in the island.

With the decline of the Ottoman Turkish Empire, the United Kingdom stepped in 1878 and got the chance to rule over the entire island, even though it would only become a British colony in 1925. Finally, as a result of Zurich-London agreements and because of the agreement between Greek, Turkish, native Cypriots and the

British government, the island received its sovereignty on August 16th, 1960 and it became an independent nation.

The majority of the people in the island were Greek, and only 5% of them were Turkish or had a social connection with Turkey. As time went by, this complex situation of ethnic mixture became a conflict generated by different beliefs. The government's inefficient structure allowed the conflict to take place by providing unequal voting power to the Turkish people, causing a separation between the Greek Cypriots and the Turkish Cypriots. In 1963, the Greek population ruled the entire country and did not grant any power to the non-Greek, thus worsening the delicate situation.

The difficult status of the country forced Turkey, the United Kingdom, Greece, the UN and especially the United Nations Security Council, to decide on possible ways to intervene and, consequently, make the hard decision of creating a Peace-keeping mission on the island for the sake of its citizens and international peace. This peace-keeping intervention started in 1964 and it was the first mission by the UN in Cyprus. They established that an intervention was necessary to contribute to the maintenance of law and order with the consent of the Government of Cyprus after sending a mediator chosen by the concerned parties (Cyprus, Turkey, United Kingdom and Greece).

However, the first resolution wasn't enforced immediately. It was in a new meeting just a few days after, on March 13th 1964, that the first resolution was made effective. After that, the Council created 21 new resolutions on the Cyprus question until 1970. The many elaborated resolutions were created just to extend the mandate time of the peace-keeping force in Cyprus and no tactics were changed throughout the years, even though it was clear that the decision of intervention wasn't working properly as the SCUN planned, therefore reaffirming that the presence of the UN mission was insufficient to keep the peace and end the threat to international peace and security. It is interesting to remember that the members of the Council explained at the time that they should not intervene in the Cyprus conflict due to the International Law principle that says that no State can breach another State's sovereignty.

With this fundamental knowledge of the context and the decisions of the Council from the 60's to the 70's, we can detect some recurrence in their decisions. After almost a year, the UN and the others countries involved took no action, whatsoever, to try to resolve the conflict. Sensibility is an essential aspect that the SCUN must present when it comes to conflict solving. Knowing the right time to act knowing what is truly happening in the conflict area is essential to comprehend the roots of the conflict.

Sometimes, the conflicts begin because of divergences between groups based on culture, religion, and others. Such divergences can create a threat to international security. The Security Council of the United Nations needs to change the timing of their actions in the maintenance of global peace, because a really effective action has to be taken at the right moment.

When the UN sends observers, they do not, in spite of the efforts, always report the truthful reality of the conflict. And this is a fundamental point that must be amended in the decisions and actions of the Council. These observers need to be experts in the many specific types of conflict and situations including if necessary native leaders in order to report the true reality and faithful aspects of the conflict.

Dr. Daisaku Ikeda, philosopher, pacifist and President of the NGO, Soka Gakkai International, sends a Peace Proposal to the United Nations every year. This year, in his Peace Proposal titled “A Shared Pledge for a More Humane Future: to Eliminate the Misery from the Earth”, he said:

“The effort to achieve the inclusiveness of “all people everywhere” that runs through the proposal by the Open Working Group and to enlist further cooperation to this end will be fraught with difficulty. It is therefore vital that we return to the spirit of the UN Charter, which admits no exception in its pledge — inscribed in the Preamble — to “save succeeding generations from the scourge of war”, to “reaffirm faith in fundamental human rights, in the dignity and worth of the human person” and to promote “the economic and social advancement of all peoples”.

He presents some foundations to eliminate human suffering, caused by poverty and conflicts, talking about the need to reform economic and political institutions, such as the SCUN, in order to

make them more humane. In its root, the mission of the UN Charter is not only the establishment of peace and international security, but also the guarantee of respect to human rights, the celebration of the development of dignity and the empowerment of men everywhere. With this new perspective of what peace really is to society, we can see why the world needs a UN reform.

Is policy coordination in peace and security possible within BRICS in order to influence in the international system on peace and security?

Many scholars (Evans and Sahnoun, 2002) affirm that there is a huge disagreement about the right of intervention, how, when and where it should take place. And the most important question: under whose authority it should be. Furthermore, how should one conciliate the right to intervene on the basis of Responsibility to Protect (R2P) and the State sovereignty?

Talking about the R2P rather than the right to intervene [...] implies the evaluating issues of those needing support, rather than those who may be considering intervention (Evans and Sahnoun, 2002).

In addition, the report of the Secretary General (2001) affirms United Nations decision-making concerning the responsibility to protect should be informed and enriched, whenever possible by local knowledge and perspectives, as well as by the input of regional and sub-regional organizations. [...] Information received through independent sources can be useful supplements to the information received thorough officials sources. [...] These sources could include indigenous and transnational civil society groups, country and regional experts and human rights and humanitarian monitoring groups. (Report of the Secretary General, 2001)

The sole purpose of the existence of the UNSC is to help achieving and maintaining peace and security in the international system, by following the UN Charter and its concerns for human life and the stability of every sovereign nation and the international system. Perhaps, the approaches chosen by the Security Council and its way to act on its decisions should change with a new light focused on a building a new approach of responsibility to protect principle, not only in the conflicts mentioned in this paper, but every threat to the main foundations of global stability.

For instance, in the Palestinian question, its destiny was decided in international organizations arena and the principle of self-determination of peoples was not taken fully into account. First, the League of Nations set up to Great Britain the authority of the region. Second, the United Nations General Assembly voted for the creation of Israeli State in that territory. Third, all the decisions on peace and security are taken at the United Nations Security Council. The dimension and the longstanding of the conflict, made us questioning if intervention has been supported by the Palestinian people, for whose intervention is intended to, and to what extent the opinion of neighbour countries has been taken into account. Finally, according to the principle of reasonable prospects, there must be a minimum chance of success in halting or averting the suffering that has justified the intervention (Evans and Sahnoun, 2002); in Palestine case it has been proved that the chances of success is decreasing in every military attack from both sides (Israel and Palestine).

In order to develop this new approach to R2P, it is paramount to promote international legal pluralism. This will create a pressure for a more democratic participation of new centres of power and its population. BRICS leaders and the BRICS Think-Tanks Council have already made joint declaration on this matter. However, if BRICS intend to play a major role on this issue, there has to be a minimum normative consensus in this matter — peace and security. This normative consensus comprises international law and domestic law as well as enhances the compliance of international law. In addition Guzman (2002) points out that without an understanding of the connection between international law and State actions, scholars cannot hope to provide useful policy advice with respect to international law.

The study on this subject is continuing and intends to find answers to the following questions:

How effective are the UNSC decisions based on articles VI and VII?

Was the time proper to avoid the threat to peace and to human rights?

Was the action good enough that ameliorates the local situation?

Were the population and the civil society information and opinion taken into account?

Was it a horizontal decision provided by the UNSC?

Can BRICS Find Their Voice?: BRICS' Role in Peace and Security

Nandan Unnikrishnan¹

The Logic for an Enhanced Role for BRICS in Global Peace and Security

BRICS started in the public perception as an economic group. Many analysts, therefore, felt BRICS would remain an economic bloc given the enormous disparities among these countries. Nobody thought in terms of a common political agenda.

The relative decline in the economic and political power of the West has highlighted this dimension and has hastened this process of the BRICS finding their political voice in global affairs. Commensurate with their increased economic heft in the world, BRICS is adding to its agenda more issues that are political and beginning to weigh in on matters of international geo-political importance.

BRICS is emerging as an alternative voice to the Western dominated discourse on global/regional issues. The old world order does not appear to have legitimacy nor do the “old powers” have the capacity to sustain that order. While some strides have been made in reforming economic structures/international financial architecture of the world, genuine all round progress requires restructuring political structures in the world. However, the old powers are reluctant to give up or accept a reduction in their powers.

BRICS is for a fair, democratic, polycentric world order. “Coming, as we do, from Asia, Africa, Europe, and Latin America, the transcontinental dimension of our interaction adds to its value and significance.” (Delhi Declaration)

As the draft BTTC document states, “It is evident that forging fruitful partnerships and a stronger global governance template

¹ Observer Research Foundation (ORF)

requires cooperation between developed and developing countries. BRICS has a central role in this regard. Nurturing conditions for cooperation is crucial to construct a different global order where power is more diffused and responsibilities are appropriately shared. BRICS will endeavour to create a situation where developed and developing countries can work towards a common understanding and building consensus for a peaceful world.”

Since the BRICS countries are home to around half the world’s population, it is only logical that they have a say in regional and global issues. Individually also, each of the BRICS is a regional power in its own right.

In addition, Russia, India and China together constitute about half of the Asia’s territory. The three are also nuclear powers and have some of the strongest militaries in the world.

Russia and China are permanent members of the United Nations Security Council (UNSC). BRICS countries individually are members of important groups like the G4 (working for reform of the UN), BASIC (climate change), ASEAN, IBSA, etc. Considering that the BRICS countries are members of the WTO and other International Institutions as well as new donors/aid givers, their economic power is felt across regions.

As their overseas interests broaden and the BRICS countries get more integrated into the global economy, peace and security in other regions of the world have begun to affect the BRICS more and more. For instance, China and India are major importers of oil from the Middle East. Any instability in this region affects their economies.

Naturally, BRICS have a major stake in ensuring that the region is not destabilised at a time when the West, particularly the US, is moving away from the region. US economic interests in the region are reducing due to the Shale revolution and political engagement is perceived to be declining because of the announced policy of rebalancing towards the Asia-Pacific — the so-called “pivot”. Similar changes are occurring in other regions as well.

These shifts are inevitably going to lead to BRICS playing a more important role in shaping the emerging peace and security agenda in the world.

The aim of BRICS is to create a better and safer world order through peaceful diplomacy and multilateralism. As the draft BTTC document says, “BRICS member states are committed to a democratic and just polycentric world order founded on the rule of law, equality, mutual respect, cooperation, coordinated action, and collective decision-making. This vision could be achieved through supporting political and diplomatic efforts to peacefully resolve global disputes.”

BRICS themselves are just beginning to recognise their economic, political, and military influence and that they can and should weigh in on important issues.

Reflecting this, they have started issuing statements on global and regional issues in their summit declarations. The Delhi declaration was the first to go in depth about regional issues, moving away from the abstract ideas expressed earlier. The Delhi Declaration covered a range of issues from the Middle East to Afghanistan and terrorism. This was true of the eThekweni Declaration as well which took up issues like Syria, Palestine, Middle East Peace Process, Iran, Afghanistan, terrorism and the situation in Central African Republic and the Democratic Republic of Congo.

The Fortaleza Declaration reflected on the situation in various parts of Africa, including the havoc wrecked by Boko Haram, Syria, Afghanistan, Iraq, expressed concern about the situation in Ukraine, the Arab Israeli conflict, called for multilateral negotiations for a Code of Conduct on Outer Space Activities, expressed support for the P 5 plus one’s negotiations with Iran, among other things. It also called for efforts to fight against transnational crime. BRICS cooperate in the ECOSOC Commission on Crime Prevention and Criminal Justice for this. The BRICS countries have committed to strengthen their cooperation in the fight against piracy.

Initially the BRICS had different stances on various issues, but increasingly their positions are converging rather than diverging. For instance, in 2011 Brazil supported Resolution 1970 on Libya, which paved the way for Western involvement in the Libyan crisis, while Russia and China abstained. Except for South Africa, which supported it, all the BRICS countries abstained on Resolution 1973 on the same issue.

The Syrian crisis is similar such that while Russia and China vetoed a resolution to overthrow the Assad regime, India and South Africa abstained. But by the 2013 summit in South Africa, their positions became more congruent as is evident from the eThekweni Declaration. The declaration opposed further militarisation of Syria and said, “a Syrian-led political process leading to a transition can be achieved only through broad national dialogue that meets the legitimate aspirations of all sections of Syrian society and respect for Syrian independence, territorial integrity and sovereignty”.

In addition in terms of Ukraine, BRICS is the only major multilateral forum, which has not condemned Russia and has adopted a more nuanced position on the issue.

United Nations: United We Stand

If there is one issue that unites the BRICS, it is that they all believe in the legitimacy of the UN and the United Nations Security Council’s (UNSC) primacy in maintaining peace and security. Given the importance they attach to the UN in dealing with international security affairs, BRICS countries try to play a greater role in the framework of UN either through contributing more available resources or by promoting the reform of UN Security Council.¹

While Russia and China are permanent members of the Security Council, India, South Africa, and Brazil have been elected to the non-permanent seats on the Council. For instance, in 2011, all the BRICS countries were members of the UNSC.² However, the BRICS needs to work more actively to ensure that there is a reform of the United Nations, the UNSC and that countries like India and Brazil become permanent members of the Council.

India, China, and Brazil have been three of the biggest contributors to the UN Peacekeeping Forces. The BRICS also contribute money for peacekeeping forces at a time when donations from the West are decreasing and when lack of funding is becoming

¹ Niu Haibin, “BRICS in Global Governance: A Progressive Force? “, Perspective, Friedrich Ebert Stiftung, New York, April 2012, <http://library.fes.de/pdf-files/iez/global/09048.pdf>, p.2.

² Niu Haibin, “BRICS in Global Governance: A Progressive Force? “, Perspective, Friedrich Ebert Stiftung, New York, April 2012, <http://library.fes.de/pdf-files/iez/global/09048.pdf>, p.2.

a major constraint for collective action under UN auspices.¹ Thus, their contributions are becoming more and more important.

BRICS countries all voted supporting UN General Assembly in 2005 on Responsibility to Protect recognising the right of the international community to intervene in a country which is in crisis. However, as is clear from the intervention in Libya, the principle has been used to intervene unilaterally in the domestic affairs of other countries. This is something, which the BRICS oppose. They support the principle, but argue that any action under this principle should be with a clear UNSC mandate. India would like the BRICS nations to adhere to UN principles on intervention. India also believes that BRICS needs to arrive at a common position on sovereignty and interventions.

As the draft BTTC document says, “The reform of United Nations institutions, in particular the Security Council, is a critical first step to ensure a fair reflection and representation matching the changed conditions and challenges of the 21st century and is essential to restore global confidence in the functioning of the UN system. The 70th anniversary of the establishment of the UN in 2015 provides an excellent opportunity for BRICS to move into the vanguard of UN reform.”

Global Issues-The Middle East

BRICS have similar positions on almost all major issues of global concern today like Iran, Syria and the situation in the larger Middle East.

Russia and China are part of the P5+1 group which is engaged in talks with Iran and has almost succeeded in resolving the issue. BRICS countries support a peaceful resolution to the Iranian nuclear issue and a permanent deal, which also upholds Iran’s “inalienable” right to the peaceful use of nuclear energy in a manner consistent with its international obligation (Fortaleza summit).

Russia has a key role to play in resolving the Syrian crisis. It has already contributed to easing of tensions by initiating the process that resulted in the elimination of Syria’s chemical weapons. India,

¹ Niu Haibin, “BRICS in Global Governance: A Progressive Force? “, Perspective, Friedrich Ebert Stiftung, New York, April 2012, <http://library.fes.de/pdf-files/iez/global/09048.pdf>, p. 2.

Russia, and China were part of the Geneva II talks. BRICS support a political solution to the crisis, which is Syrian led and opposes external interference. BRICS' increased legitimacy and credibility is evident from the fact that the Syrian President wrote to the BRICS asking them to intervene to help bring about a resolution to the crisis.

The BRICS have repeatedly reiterated their support for peaceful resolution of the Arab-Israeli conflict and the Middle East peace process.

Afghanistan, Africa

On Afghanistan as well, the BRICS have similar views. The eThekweni Declaration said BRICS supports “Afghanistan’s emergence as a peaceful, stable and democratic state, free of terrorism and extremism, and underscore the need for more effective regional and international cooperation for the stabilisation of Afghanistan, including by combating terrorism”. The Fortaleza Declaration goes further, “the UN should play an increasingly important role in assisting Afghanistan’s national reconciliation, recovery, and economic reconstruction. The declaration says BRICS supports “engagement with, and coordination by the AU and its Peace and Security Council in addressing instability in Africa”. It also expressed deep concern at the deterioration of the security and the humanitarian situation in West Africa.

New Development Bank

Most scholars agree that poverty is one of the root causes of extremism and instability in the world. To address this, the BRICS decided to establish a BRICS Development Bank, now known as the New Development Bank (NDB). The NDB aims to help poor countries alleviate poverty by extending loans and grants. This bank is not intended to supplant, but to supplement current financial institutions like the IMF, World Bank and ADB. But, by having a better understanding and sense of poverty, it is unlikely that the BRICS Bank would impose the doctrinaire preconditions for disbursement of loans that are insisted upon by the Western dominated institutions.

The New Development Bank has moved ahead from mere pronouncements to becoming a reality. It has been established with its headquarters at Shanghai and KV Kamath as its president is

a huge achievement. It has initial authorized capital of US\$ 100 billion. The initial subscribed capital shall be of US\$ 50 billion, equally shared among founding members. The first chair of the Board of Governors will be from Russia. The first chair of the Board of Directors will be from Brazil. This will go a long way in our efforts to have a more representative, inclusive and democratic global financial order. As the Fortaleza Declaration said, the “NDB will strengthen the cooperation among our countries and will supplement the efforts of multilateral and regional financial institutions for global development, thus contributing to our collective commitments for achieving the goal of strong, sustainable, and balanced growth.”

If the BRICS bank can contribute towards uplifting people out of poverty, it would contribute immensely to peace and security in the world. However, for this they will have to work harder to arrive at a common view on some of the issues still dividing them.

As discussed within the draft BTTC document, we should also try and have uniform ways of dealing with crises around the world. A coordination mechanism for BRICS Foreign Ministers should be set up for this. BRICS should adopt the principle of impartiality and thorough investigation of the roots and causes of conflict in order to suggest best possible solutions, involving interests of all parties to the conflict as the BTTC document recommends.

We should try to have a common approach to the issue of demilitarization of outer space. As the draft document says, we should initiate formal and informal consultations on the issue with the United States, European Union and other nations on this issue.

BRICS should organize and train peacekeeping forces in the framework of United Nations Standby Arrangement System.

A selection of specific issues BRICS can address:

Terrorism

The BRICS have a common interest in fighting international terrorism in all forms. All the five countries could and should play a role in the elaboration of the universal definition of terrorism and promote the adoption of the UN Comprehensive Convention on International Terrorism. China, Russia, and India have all been victims of terrorism. Therefore, BRICS has supported UNSC resolutions against terrorism.

In the Fortaleza Declaration, the BRICS said that they “reaffirm our commitment to the implementation of the UN Global Counter-Terrorism Strategy” and believe that the UN has “a central role in coordinating international action against terrorism, which must be conducted in accordance with international law”.

One way to cooperate on this would be to have meetings of intelligence officials and police officials or at least the heads of intelligence outfits. They could exchange information and help assist each other in capacity building. Counter-terrorism/ counter-insurgency units could also hold exercises together and learn from the best practices of each other. They could set up a unit on cross-border terrorism or a counter-terrorism force. The BRICS nations could also introduce joint investigations of suspected terrorist activities.

One example of low hanging fruit would involve the exchanging of lists of banned terrorist organisations and ensuring that these groups do not operate in their territories, as well as influencing their partners outside BRICS to follow this. Extradition procedures could be simplified.

A measure similar to the EU solidarity clause could be adopted by BRICS. This would oblige members to help each other, if requested, in the case of a terrorist attack.¹ The BRICS could also work on the creation of common security standards for air, road, rail, and maritime traffic, airport security, port security, security for container ports, general shipments, and shipments of energy and hazardous materials.²

On terrorist financing, we have already had two meetings of the Financial Action Task Force (FATF), where participants agreed on deepening cooperation on combating money laundering and financing of terrorism. (Privacy issues)

Cyber security

BRICS needs to come to a common understanding on cyber security. This is important given the growing online populations

¹ For more details, see Jan Wouters and Sanderijn Duquet, ‘The United Nations, the European Union and Multilateral Action against Terrorism’, even Centre for Global Governance Studies and Institute for International Law, Working Paper No. 113, July 2013, p.7.

² Anthony Cordesman, quoted in “Multilateral Responses to Terrorism: The United Nations”, October 2004, http://archive.adl.org/terror/tu/tu_38_04_09.html#.Ux2IID-VWRM.

as well as the rise of digital commerce in these countries. In fact, 38% of the global internet audience is from the BRICS countries. Given their large online populations, India, Brazil, and China are considered to be “swing states” in the discourse on cyberspace and cyber security. However, BRICS are underrepresented in the field of global internet governance and cyber governance. Moreover, most of the discourse on management of cyber-space currently emanates from the West.

In fact, the BRICS Foreign Ministers’ meeting on the side lines of the UNGA in 2013 had expressed concern about “unauthorized interception of communications and data from citizens, businesses, and members of governments, compromising national sovereignty and individual rights”.

They reiterated the need to participate and contribute “in a peaceful, secure, and open cyberspace” and emphasized the importance of “security in the use of Information and Communication Technologies (ICTs) through universally accepted norms, standards, and practices”.

BRICS could exchange best practices in fighting cyber-crime and have regular institutionalised meetings of their emergency response teams. They could establish a working group on cyber security, inform each other of cyber-crimes, and share experiences about fighting cyber-crime.

At Fortaleza, BRICS recommitted to the negotiation of a universal legally binding instrument in cybercrime while reiterating that the UN has a central role in this matter.

It is also critical that the BRICS countries come to a common understanding on cyberspace governance and cyber security. They need to come to a middle path on the crucial issue of freedom of expression versus legitimate security interests of states. It is heartening that the NSAs have already discussed cooperation in this arena in their meetings.

Conclusion

As BRICS broadens its internal understanding of issues, it will opine on a broader range of issues. These opinions will also carry more weight if they are able to coordinate their policies. . If the five countries are able to coordinate their positions on critical issues,

they will have much more chance of influencing world politics and of directing the discourse on peace and security.

BRICS has already attempted to coordinate their positions on regional and global affairs issues through meetings of their Foreign Ministers on the margins of the UN general Assembly. Their National Security Advisors have also met to discuss these issues. Probably these meetings should also take place in stand-alone formats.

That BRICS are making their opinions heard on these issues show that they see their future as closely linked to globalisation and integration with the rest of the world.¹ Therefore, the BRICS countries' interest in and influence on world peace and security is only going to increase in the years ahead.

¹ Niu Haibin, "BRICS in Global Governance: A Progressive Force? ", Perspective, Friedrich Ebert Stiftung, New York, April 2012, <http://library.fes.de/pdf-files/iez/global/09048.pdf>, p. 1.

CHAPTER 9
CULTURE, SCIENCE AND EDUCATION
AS DRIVERS FOR ENHANCED COOPERATION
WITHIN BRICS; INTERCIVILIZATIONAL EXCHANGES
AND DIALOGUE, KNOWLEDGE SHARING ETC

**Culture, Science and Education as Drivers for Enhanced
Cooperation within BRICS; Inter-Civilizational
Exchanges and Dialogue**

Higher Education:

The driver of collaboration in the BRICS Knowledge Society

Nico Jooste¹

Our hyper-connected world requires unprecedented collaboration. Reaching consensus on a path forward requires a deep understanding of how the one world affects the many and how the many worlds affect the one. This, in turn, necessitates a deep awareness of local and regional cultures, perspectives and identities, and how they are responding to each other in an era in which cooperation is a prerequisite for progress' (Now for the Long Term — Report: Oxford Martin Commission for Future Generations, 2013. p.11)

The guideline towards collaboration amongst the different role players amongst the BRICS countries is clearly defined in the Fortaleza Declaration when it states that:

¹ Nelson Mandela Metropolitan University

“Considering the link between culture and sustainable development, as well as the role of cultural diplomacy as a promoter of understanding between peoples, we will encourage cooperation between BRICS countries in the cultural sector, including on the multilateral basis. Recognizing the contribution and the benefits of cultural exchanges and cooperation in enhancing our mutual understanding and friendship, we will actively promote greater awareness, understanding and appreciation of each other’s arts and culture. In this regard, we ask our relevant authorities responsible for culture to explore areas of practical cooperation, including expediting negotiations on the draft agreements on cultural cooperation.”

It is clear from the above declaration that cooperation amongst the Higher Education institutions could provide the necessary structure and capacity to implement the above vision.

This paper will provide an outline on how collaborations amongst the different role players could be implemented to bring structure to the envisaged cooperation.

Consolidating the BRICS cooperation outside governmental, diplomatic and economic spheres has the greatest chance of success through the collaboration of Higher Education institutions. This, however, has not received the attention and focus of Higher Education or Governments as an enabler of cooperation even though this could be one of the “easier” areas of collaboration amongst the BRICS countries as most Universities have already been collaborating globally for a number of years. The fact that they have not done so amongst each other would be the discussion of this paper. This paper will also provide guidelines for such collaboration.

Higher Education collaboration can be central to the understanding of the major challenges and search for solutions to the challenges facing the BRICS countries in a globalized world. For such collaborations to be valuable and successful the BRICS institutions as a collective, as well as individuals, should recognize that collaboration will only be successful if it is amongst collaborators who treat each other as equals. This then pre-supposes that everyone would operate in a commons that is accessible to all. It also requires a common understanding of values that would

guide the participants through their engagements. The paper also explores the values that would be required to provide a “BRICS Commons” that should guide and enhance the collaboration.

All of the above, however, assumes that Higher Education institutions have access to resources and the capacity to collaborate over large distances as well as the skills to collaborate inter-culturally and produce new knowledge that would enhance understanding amongst a diverse group. The paper argues that project funding should be provided to see inter-national mobility amongst the different BRICS partners.

The University’s International Responsibilities in the Era of Globalization

*Zhou Zuoyu*¹

I. Harsh realities in the era of globalization

In his famous short works *Misery, Sorrow and Sleepy*, Anton Chekhov (1860-1904) a great Russian novelist and dramatist depicted how difficult it was to overcome the gulf between people due to lack of communication and understanding and the resulting suspicion and precaution, and one remained a stranger and incomprehensible to the other. If mutual understanding was hard to come by between individuals in the same nation, understanding between nations and countries would be even harder. Today in an era of globalization featuring “the world is flat” and “liquid modernity”, traveling across borders is no longer limited to someone “living elsewhere”. However, when facing other civilizations different from one’s own and the Tower of Babel involving different groups, people are prone to doubt and suspicion, which are root causes of conflicts. *Global Risks 2015* (10th edition) by the World Economic Forum noted interstate conflict is the most likely global risk in the next ten years. At the micro level, there are numerous conflicts between local and international students or among international students themselves, as documented by news reports

¹ Beijing Normal University

in Australian, Ukrainian and Japanese media. (MacWilliams, B.¹ 2004; Brender, A.² 2004; Paltridge, et al.³ 2014)

Meanwhile, as a byproduct of globalization, worsening international development problems continue to rise. Natural disasters, environmental pollution, climate change and public health, among others, are becoming more severe, and tend to go beyond borders to have an impact at the global level. The nearly 900 experts that took part in the Global Risk Perception Survey rated water crises, rapid and massive spread of infectious diseases, weapons of mass destruction, interstate conflict and failure of climate change adaptation as the greatest risks facing the world. If interstate conflicts and international development problems are allowed to continue, then globalization will be considered an accelerating entropy production process, leading to disorder and destruction.

Therefore, interstate conflict and international development problems are two harsh realities facing the world, requiring our joint effort from around the world to overcome the challenge.

II. Inevitable option facing the harsh realities

Interstate conflicts and international development problems can put the world in great jeopardy. Can mankind overcome prejudices in languages, cultures and even ideologies, achieve true communication and understanding, and destroy the Tower of Babel which stands for misinterpretation? Can we address challenges from global and regional environment, climate, energy, public health, natural disaster and regional governance problems, to ensure a future of sustainable development for future generations? The answer is certain and promising. Deepening globalization has greatly sharpened our awareness on the importance of security and sustainable development of our Only

¹ MacWilliams, B. Foreign students attacked in Ukraine [N].The Chronicle of Higher Education 2004 (36), A45.

² Brender, A. In Japan, protection or prejudice? Government slashes number of visas issued to Chinese students [N].The Chronicle of Higher Education 2004(38), A37.

³ Paltridge Toby et al. Welcome and exclusion: an analysis of the Australian newspaper's coverage of international students. Higher Education, 2014, (68), 103-116.

One Earth, as no country or region can keep clear of the challenges from interstate conflict and international development problems, or address them on its own.

The approach to interstate conflict and international development problems is to produce global public goods that facilitate international understanding and development. A UNDP publication in 1999 entitled *Global Public Goods: International Cooperation in the 21st Century* defined “international public goods” as those with benefits that are strongly universal in terms of countries (covering more than one group of countries), people (accruing to several, preferably all, population groups) and generations (extending to both current and future generations, or at least meeting the needs of current generations without foreclosing development options for future generations).¹ International understanding and development matter to our and future generations’ welfare, and the fate of Earth also depends on their supply. Once international understanding and development are offered as international public goods, all countries have the opportunity to enjoy, and people all around the world will benefit from them. Promoting international understanding and development are fundamental universal values, and also the inevitable option, as we face these two stark realities.

III. Universities’ obligation to provide global public goods

With extreme shortage of supply of global public goods², universities should take up the responsibility of providing the global public goods in international understanding and development. In his book *Excellence without a Soul: How a Great University Forgot Education*,³ Harry R. Lewis, former Dean of Harvard College, argued universities should “retain excellence with a soul”. A university’s soul does not lie in how many scarce quasi-public

¹ Kaul, I., Grunberg, I. and Stern, M. (eds.) *Global Public Goods: International Cooperation in the 21st Century*. New York: Oxford University Press. 1999.

² Kaul, I., Grunberg, I. and Stern, M. (eds.) *Global Public Goods: International Cooperation in the 21st Century*. New York: Oxford University Press. 1999.

³ Harry R. Lewis. *Excellence Without A Soul: How a Great University Forgot Education*. Public Affairs. 2006.

goods such as status or training it can offer,¹ but in that universities are public goods in their own right, and are producing public goods including global public goods. Public goods and universities go together, just like water and fish. If universities fail to produce more public goods for the country and society, their existence loses value and meaning.

About 2,500 years ago (near the end of the Spring and Autumn Period), disciples of Confucius discussed the principles of universities in the Great Learning that “the principle of great learning lies in promoting our own bright virtues, helping others to become new citizens like we do, and stops only when we have reached perfection”, which offer important guidance on how universities should offer public goods. Firstly, public goods should demonstrate humanitarian spirit and care.

“The principle of great learning lies in promoting our own bright virtues”, as universities exist not to just disseminate knowledge, but also offer goods that demonstrate bright virtues in human nature. Secondly, public goods should address social issues and crises. “(The principle of great learning lies in...) helping others to become new citizens like we do”, as universities should offer public goods not just for our own enlightenment, but also for the betterment of society. Universities are expected to be a beacon to the society, and when the society feels helpless, it looks to the universities for ray of hope and course forward. Chinese ancient scholars’ mind-set of “worrying about it first before the whole world worries about it” shows their concern at higher learning level for the rest of society, and universities house the wisdom and conscience of a society. Thirdly, public goods should be a step ahead of times and development. Universities should be responsible for the present, but also for the future. Universities should be future-oriented, rise above present interests, and demonstrate pursuit of non-utilitarian values. The Great Learning also says “if one can make progress one day, then he can make progress every day, and then make even more progress every day”, and universities

¹ In public economic studies, higher learning is a public sector, which can offer public goods and quasi-public goods. The latter is a type of goods between public and private goods and has both public and private attributes.

must constantly aim and achieve higher to last long and stay at the forefront. Fourthly, public goods should serve the overall interest of mankind as a whole. “(The principle of great learning...) stops only when we have reached perfection.” Universal values that go beyond countries and national civilizations are the ultimate good. The public goods offered by universities should not limit themselves to benefit one country, but should have the bosom and courage to benefit all countries and regions. If universities are to maintain their value and meaning of existence, they need to shoulder responsibility for offering such public goods.

As the most international and global organization among social organizations, universities are influenced by two symbiotic relationships; today’s universities provide a platform for diversified faculty, students and administrators, and diversification in turn contributes values to universities, producing unique natural advantages in facilitating mutual understanding among subjects from different cultural backgrounds. Meanwhile, as an incubator of talents, innovations in knowledge, mobilization of knowledge and scientific advancements, universities can play a key role in resolving international development issues. Universities should become a conscientious participant and active organizer in global issues, and shoulder the responsibility of offering global public goods that facilitate international understanding and development.

IV. Strategy for BRICS universities to offer global public goods

BRICS countries represent different civilizations in the world, and there are commonalities and differences between these civilizations. Universities in BRICS countries can learn from and complement each other, seek major commonalities and shelve minor differences, and join hands in cooperation across countries to offer a wealth of public goods aimed at enhancing international understanding and development and serve the ultimate welfare of human kind. China’s Outline of Education Plan (2010-2020) has identified such requirements for Chinese universities, “Strengthen education on international understanding, and enhance students’ knowledge and understanding of different countries and cultures”, and “Strengthen cooperation with high-standard universities abroad, establish teaching and research cooperation platforms,

and jointly push forward high-standard basic research and high-technology research”, underlining the national level resolve for Chinese universities to promote international understanding and address international development problems.

BRICS universities should begin with top-level design, to establish long, medium and short-term cooperation plans aimed at promoting international understanding and development, and ensure the completeness and coordination in every step. Firstly, BRICS universities should join hands to develop diversified courses, incorporate international perspectives in course teaching, provide course resources aimed at promoting international understanding and solving international problems, focus on teaching cross-culture knowledge, grasp foreign languages, improve experience in cultural exchanges, attract attention to global issues, and cultivate mutual respect and understanding between cultures. Secondly, BRICS universities should expand the scope trans-border experience for faculty and students. As trans-border experience is an effective way to promote international understanding, BRICS universities can work together to offer more opportunities for faculty and students on visiting scholarships, increase exchange of personnel between BRICS countries, and accumulate experience in understanding other culture. At the same time, BRICS universities should pay attention to the contribution of international students and visiting scholars on diversification on school campus. Thirdly, BRICS universities should engage in cross-country collaboration in research on international development problems. Different universities in BRICS have different comparative strengths in research, and for global development issues that cannot be solved by one country, localized strengths of other countries may well make up for technical bottlenecks in one country.

BRICS countries account for about 43% of world’s population, and as experience in the past years has shown, BRICS serve as the engine for economic growth in the world in the future, as emerging economies and as an international organization with increasing influence. The world has placed increasingly higher expectations on BRICS to shoulder international responsibilities and obligations. When BRICS countries focus on inclusive development, and stand ready to benefit the world with their own development, participating

in offering global public goods in international understanding and development is a specific example of inclusive development.¹ There are more than 10,000 higher learning institutes in BRICS countries, which should, facing international conflicts and crises, shoulder up responsibilities for the future, betterment of the world, and benefit to the mankind, and become an important platform for facilitating international understanding and solving international development problems. When more and more universities shoulder international obligations in offering public goods in international understanding and development, BRICS countries will turn a new chapter in facilitating world development, progress and reconstruction of human civilization.

Educational Systems of the BRICS Countries: Preliminary Findings of a Comparative, Present and Future Time, Adequacy Analysis

*Pedro Lara de Arruda
Ashleigh Kate Slingsby
Olga Ustyuzhantseva
Abdul Nafey²*

Introduction

This paper advances some preliminary results of on-going research concerning the educational systems of the BRICS countries, their past and present policies and programmes, their institutional designs and their adequacy in terms of the countries' social needs and market necessities. At this stage we have limited ourselves to assess the adequacy of the educational system's based on UNESCO's standardized and comparable data series with educational-related indicators. We also take a glance at some demographic forecasts from

¹ Asia Development Bank was the first to propose the concept of inclusive development. On April 15, 2011, China proposed the concept of inclusive development at the 2011 Annual Conference of Boao Forum for Asia, stressing social and individual development at the same time of economic development..

² International Policy Centre for Inclusive Growth (IPC)

UNDESA. As will be revealed in the text, these databases lack crucial information required for a more in-depth analysis. Furthermore, we had no means to access and standardize the national data of the countries in order to possibly compensate for these gaps. Overall, this paper presents the administrative set ups upholding the educational systems of each country, the duration of their educational levels and whether they are mandatory or not. We look at nine educational indicators: expenditure (% of GDP and PPP \$ per capita); gross enrolment ratios (since net ratios are not available); pupil-teacher ratios; repetition and literacy rates; net flow of internationally mobile students; Research and Development (R&D) allocated personnel and expenditure. We also hypothesize about future demands for each educational level in each country, as well as the time pressure facing education-led human capital accumulation as an auxiliary strategy to mitigate the fiscal challenges expected from a demographic transition.

Educational systems

Our overview of educational systems among the BRICS reveals that Brazil provides the longest period of mandatory education (14 years from primary to upper secondary), in which pre-primary and primary education are of municipal responsibility and secondary education is of regional state responsibility. The country has an interesting funding structure, in which subnational units are meant to contribute 2/3rds of their revenue to a national fund (the remaining 1/3rd is provided by Central Government) which is then redistributed evenly among the municipalities and states. Tertiary education is provided and funded almost evenly by central and subnational units (although central and government tertiary education operates separately). Regular TVET (equivalent to secondary and tertiary education) is mostly of central government responsibility: it has been expanding its network. Even so, the country still has a small supply of such services. Differently from all its BRICS peers, Brazil's extra-curricular TVET courses, offered by a myriad of institutions, are not validated by standard examinations. The government does however provide an online gateway where firms can source information concerning the quality of state-recognized TVET institutions issuing each certificate. Brazil has a flagship model of corporate responsibility for providing extra-curricular TVET institutions, the Sistema 'S'. It has a vast network

throughout the country which provides good quality courses. They have recently been made accessible to the poor by means of large central government subsidy programmes inter-twined with other programmes such as Bolsa Familia (Cash Transfer) and PRONATEC (Inclusive Production).¹

Russia provides the second longest period of mandatory education (11 years), encompassing primary to upper secondary. This is mostly provided and funded by regional governments (provinces), even though performance-oriented funds are provided by the Central government. Like Brazil, regular TVET is mostly provided by central government, which is fairly integrated into secondary education, but not so much into tertiary education.²

India and China are the BRICS countries that provide the shortest period of time of mandatory education (8 years), which does not include upper secondary education (available but not mandatory). Primary and secondary education in India is provided by regional state government, but with growing funding and direct provisions from central government since this responsibility has ceased being restricted to regional governments. Of the BRICS countries, India is the country that is most reliant on PPPs to provide public education at these levels of education. Tertiary education is mostly provided by regional state governments, although central supply is also significant. The country is undertaking massive efforts to expand regular TVET which, when available, is fairly integrated with secondary and tertiary formal education. The expansion however still has a long way to go.³

In China, recent modifications have rendered an intermediate administrative unit, the county, responsible for providing pre-primary, primary and lower secondary education (mostly by means of its own funds, but also with some support from the centre). Upper secondary education is provided by the central government. Tertiary education is mostly of local responsibility. Regular TVET, which has high enrolment rates, is an integral part of most public

¹ UNESCO. (2014). BRICS: Building Education for the Future. Paris: UNESCO.

² Ibid.

³ Ibid.

upper secondary educational systems (which is not mandatory), and is fairly integrated with tertiary education as well.¹

South Africa provides 9 years of mandatory education; however it just goes up to lower secondary levels. Upper secondary is available but not mandatory. Basic education is provided and mostly funded by provincial-level government, and the country stands out for having substantial school-level managerial autonomy (with community participation). Tertiary education is mostly provided by central government. Regular TVET is similar to China (an integral part of most public upper secondary educational systems), however with lower enrolment rates.²

Extra-curricular TVET (not equivalent to secondary or tertiary education) is stimulated by the firm's mandatory contributions in China and South Africa. In China, the firms have to provide the training themselves, or outsource the training to specialized companies. South Africa gives the option for firms to provide training themselves or to pay the government, however the government fails to convert these contributions into the supply of adequate training. India funds public and PPP extra-curricular training opportunities, which face the challenge of sustainability. The 12th FYP aims at mitigating this by introducing a mandatory corporate levy and by incorporating the production of Technical and Vocational Education and Training (TVET) institutions into a business model.³

Inclusive production provides the opportunity to stimulate learning by doing. In light of this, the BRICS inclusive production initiatives are concentrated among workfare programmes (like India's MGNREGA, South Africa's EPWP, and China's Yigong-daizhen) and programmes which provide access to credit to promote self-employment and entrepreneurship (like Brazil's Fies and PRONATEC, India's SJSRY and South Africa's NYDA).⁴

¹ UNESCO. (2014). BRICS: Building Education for the Future. Paris: UNESCO.

² Ibid.

³ Ibid.

⁴ Osório, Rafael; Arruda, Pedro. (2014). 'To Brics Or Not To Brics: The Dilemma Of Youth Unemployment', In: Ipc-Ig Policy In Focus, No. 28. Brasilia: Ipc-Ig.

Related to these opportunities for learning-by-doing is state and market support to informal innovation and production practices. In Brazil, such practices are known as Social Technologies, and refer to identifying, funding and scaling up community practices, as well as to providing means for community inclusion in the operationalization of the country's many social programmes. Banco do Brasil, FINEP, Fiocruz and the MDS are some of the main state-actors promoting this agenda. The flagship civil society organization is the ASA (Articulação Semi-Árido Brasileiro): a federation of NGO's and social movements supporting social technologies such as cistern-distribution projects to fight water scarcity in semi-arid, Northeast Brazil. Russia has a fairly large formal labour-market compared to its BRICS peers. This may be the reason informal innovation in the country is more a complementary activity to formal work than a substitute for it, thus there is little public involvement or support for such initiatives.¹

India is the champion country in supporting such initiatives, known as Grassroots Innovation (GRI). They count on large civil society institutions and state infra-structure to actively search for informal innovators to create juridical means of accommodating such knowledge, funding it, and then engaging these innovators in a business model. Some of the Indian civil society institutions operating in this area, such as the HoneyBeeNetwork, have even evolved into global networks.² They have successfully advocated for the implementation of public institutions to support GRI, like the Gujarat Grassroots Innovation Augmentation Network (GIAN), the National Innovation Foundation (NIF), the Micro Venture Innovation Fund (MVIF) and the Grassroots Technological Innovation Acquisition Fund (GTIAF).

China has two main structures in place to accommodate informal innovators. First, folk innovation refers to popular

¹ Soares, F. V.; Arruda, P. L.. (2015). Social Technologies And Public Policies In Brazil. Ipc Research Brief, V. 11. Brasilia: Ipc-Ig.

² Gupta, A.; Sinha, R., Koradia, D.; Prakash, T.; Vivekanandan, P. (2001) Building Upon Grassroots' Innovations: Articulating Social And Ethical Capital, Paper Presented At The World Social Workshop, Brazil, January 25-30. Accessed At: [Http://Www.Hks.Harvard.Edu/Sustsci/Ists/Twas_0202/Gupta_250101.Pdf](http://www.hks.harvard.edu/sustsci/ists/twas_0202/Gupta_250101.Pdf) [22.04.2015]

initiatives without state intervention. The second, more recent structure is indigenous innovation which gathers together public funds and universities to engage local communities in a business model similar to that of Indian initiatives.¹ Finally, South Africa promotes informal innovation and production by means of its Indigenous Knowledge System (IKS), which promotes active search, cataloguing, juridical and fiscal support for scaling up local knowledge, mostly of tribal origin. More recently, the IKS has played a central role in the country's long-term planning as well as in the institutional arrangements of the country's scientific institutions.

Present-time adequacy analysis

In an attempt to assess the present-time adequacy of the education systems described in the first part of this paper, we explore UNESCO indicators available for the BRICS, that serve as proxies of the following: the extent of state public investment (expenditure as percentage of GDP and as absolute per capita values), the system's coverage (gross enrolment); the availability of resources (pupil-teacher ratio); and the overall outputs and outcomes of these educational systems (repetition rates and literacy rates). There is also a brief overview of the profile of education-lead international migration (Net flow of internationally mobile students), and the R&D infra-structure of the countries, by means of indicators of expenditure and personnel in this area.² Naturally, these are just preliminary proxies that required better qualification and contextualisation, a task we couldn't fully undertake at this point due to a lack of more comprehensive data. Such limitations are illustrated when we look at gross enrolment ratios to estimate coverage, even though this can inflate the perception of coverage due to repetition, age inadequacy and other phenomena which could have been controlled for if we had access, for instance, to

¹ Gu, Shulin; Liu, Ju; Lundvall, Bengt-Åke; Schwaag Serger, Sylvia. (2008). 'China's System And Vision Of Innovation: Analysis Of The National Medium- And Long-Term Science And Technology Development Plan (2006-2020)', Presented At The Globelics 6th International Conference 2008, 22-24 September, Mexico City, Mexico.

² Unesco Institute For Statistics. Uis Data Center Website, <[Http://Www.Uis.Unesco.Org/Pages/Default.aspx](http://www.uis.unesco.org/Pages/Default.aspx)>, Accessed 10/05/2015.

net enrolment ratios. Both indicators of R&D (expenditure and personnel), which mostly focuses on formal R&D, do not reflect important dimensions of knowledge production (i.e. innovation, production and learn by doing) among the BRICS countries, such as inclusive production programmes and Social Technologies/Grassroots Innovations. The relationship between the indicators and the various aspects we explore are instrumental. Policymaking upon the hypothesis we suggest must rely on further in-depth research.

Therefore, the first relationship that emerges from our present-time adequacy analysis refers to the necessity to consolidate a BRICS data bank, in order for a full comparable data set to be realised to support more in-depth studies. A specific data set dedicated to the 5 countries would resolve methodological problems of data comparability more efficiently than other available data banks which include hundreds of countries, thereby providing little room for adjusting their standards according to the statistical needs of specific countries. A classic example of this is the lack of recent data of the age-specific population count for Brazil since 2006 (notably, enrolment ratios and school life expectancy). UNESCO and other global institutions have standardized procedures that make it a challenge to unravel inconsistencies like the current mismatch between UNDESA'S demographic forecasts and abrupt, unexpected population phenomena (such as Brazil's extremely sharp reduction in fertility rates). A BRICS specific data set could possibly facilitate discussion on alternative ways to overcome such challenges (for instance, estimating the absolute number of people at each age-specification out of inter-censitary national surveys, such as Brazil's PNAD). In many cases there is plenty of information at an individual, country level. What is lacking is a data set that standardizes such data in a comparable way — this demands uniform data indicators for all the countries, as opposed to different countries having similar indicators with certain differences.

Due to this data limitation, illustrating our argument for creating a BRICS data bank, there is little conclusive analysis for Brazil that can be made based on UNESCO's data. It is clear that Brazil has dedicated a substantial and growing budget to education in the past decade (both figures, as percentage of its GDP

and as absolute per capita values, fare among the highest of the BRICS countries), however an objective analysis of the country's educational coverage would depend on updated enrolment ratio data that is not available. There is data on absolute enrolment numbers, which indicate an upward trend for the past decade. Conclusive data on the expansion of the age-groups meant to be enrolled is needed for a categorical evaluation of the country's educational system's coverage. Other indicators (like the almost 100% literacy rate among the youth), as well as the set of new policies that have been undertaken in the last decades, suggest there has indeed been growth in coverage. The country has high pupil-teacher ratios when compared to its BRICS peers, although this might be a consequence of a possible expansion in the system's coverage. The repetition rate (the highest among the BRICS) is indicative of severe quality problems. Brazil is mostly a "sender" of students, as it has more national's studying abroad than it receives. The number of Brazilian's studying abroad as well as that of foreigners studying in Brazil is small in comparison to other BRICS countries. Both of Brazil's R&D indicators rate well in relation to the other BRICS. Despite a marginal increase in the relative number of personnel involved in these activities in the past decade, the expenditure in such areas has increased sharply in the same period.

Russia's data on expenditure is out-dated (the latest figures refer to 2008), but overall, they indicate intermediate expenditure in both the percentage of GDP and absolute per capita terms when compared to the other BRICS. Russia's capacity to transform its moderate investment into extraordinary results is impressive, suggesting a smart institutional design of its educational system. Its system relies on a national administrative arrangement considerably more efficient than those of Brazil, India and South Africa. Apart from primary education, the country performs very well in terms of all the observed indicators; particularly in terms of gross enrolment at tertiary education (where the country has almost 3 times better figures than its BRICS peers), pupil-teacher ratios (which are the smallest among the BRICS nations), among others. Russia and China differentiate themselves from the group by having an almost null repetition rates. And despite all the BRICS (with available data) holding almost universal literacy rates, Russia

and China are the only countries that show these figures for over a decade in the past: this indicates that the solidity of their educational systems come from a long tradition, while the other countries are all improving their more historically vulnerable educational systems. Since there is no available data on Chinese public expenditure on education, one cannot analyse its efficiency. Despite the positive indicators already presented, including coverage and pupil-teacher ratios for primary education, the country does display coverage and input gaps for the other educational levels. China sends more students abroad than it receives (it actually has the biggest number of national's studying abroad, compared to its BRICS peers), and despite the number of personnel in R&D being kept almost stable for past years, its expenditure on such activities has skyrocketed during the same period.

Possibly due to the large role allocated to private institutions in supplying primary and secondary education in India, the country has surprisingly low public expenditure (both, as a percentage of the GDP and in absolute per capita terms) if compared to its peers. It is indicated by the outputs and outcomes of this strategy, that the gap in state investment in education is not been adequately covered by the market, as enrolment ratios are low and repetition and pupil-teacher ratios are high (both, in absolute terms and in relation to the other BRICS countries). Worryingly, India is the only country which lacks recent data on literacy rates. This gap that must be remedied with urgency so that the country can make informed decisions about its educational policies. The data on India also reveals an imbalance in public expenditure among the different educational levels; wherein India's discrete budgetary improvements to education (as opposed to the sharper improvements among its BRICS peers) are disproportionally in favour of the tertiary education budget. In terms of student migration, India has a large flow of students to outside the country, possibly as a consequence of its large diaspora, rendering the number much higher than the number of foreign students in India.

South Africa's overall expenditure on education is high (amongst the highest of the BRICS), though the pre-primary and tertiary educational levels are more neglected. Absolute per capita expenditure on tertiary education even goes so far as to

suggest South Africa has a high budget, but this impression is instead the outcome of the country's very limited number of public universities (less than 30). Gross enrolment rates corroborate this, however for other educational levels the figures are much better, suggesting intermediate to high coverage when compared to the other BRICS. The seemingly favourable coverage at primary and secondary levels has not been accompanied by a parallel increase in the number of teachers (since South Africa has the highest pupil-teacher ratios among the BRICS countries). The country has no data on repetition rates, however its latest 2003 figures, as well as its school life expectancy lasting longer than the regular time for primary and secondary levels of education, suggest there are severe quality gaps. Despite having almost universal literacy rates among youth and adults, South Africa's low literacy rates among the old-age population (69% by 2012) is indicative of the vulnerabilities of the past educational systems. Overall, the country receives more foreign students than the number it sends to study abroad, and despite having a stable proportion of its population working on R&D (with figures comparable to India and China) it is the only country of the group that saw decreasing expenditure in the area since 2008.

Future-time adequacy analysis

In order to complement this present-time adequacy analysis with a future-time adequacy analysis, we hypothesised whether the demand and supply mismatch for education among these countries could be expected to be aggravated or reduced in the long-term, due to predicted demographic changes. For this exercise we look at the expected absolute sizes of age-groups which characterize the demand for each educational level, and based on that, we estimate whether the efforts needed to fully accommodate the present demand for education in the BRICS would have to be expanded or not. Related to this analysis, we also hypothesise how close each country is to its demographic transition crossing line (the point after which the percentage of Economically Active Population will start to reduce and the percentage of the Dependant Population will start to grow), which will subsequently pose a challenge to the countries' welfare financial sustainability if they don't increase their production by means of human capital

accumulation, including increasing the educational levels of the population. The hypothesis deriving from one such analysis can add more or less pressure to the necessity of the BRICS countries to compensate for educational gaps of the past through means of TVET and learning-by-doing strategies, on top of the provision of regular education.

For both exercises, we look at demographic data from the UNDESA, Population Division estimated for the years of 2015, 2030 and 2050, all of them considering a medium fertility scenario.¹ The 2050 horizon is in-tandem with Goldman Sachs' seminal evaluation of the structural potentialities of the BRIC (originally without South Africa), which lead to the proposition that the countries' aggregate economy would overcome that of the G7 by 2050.²

For the first of these exercises, our data analysis (also due to data scarcity) is limited to rough, imprecise approximations, as well as several methodological shortcomings. In this exercise, for instance, we do not count on age-specific forecasts that could be adjusted according to the age-groups of reference for each educational level of each BRICS country. Instead we estimate the increase in demand for each educational level based on forecasts for the UNDESA age-groups (0-4; 5-9; 10-14; 15-19; 20-25). This is not the most compromising shortcoming of the exercise, considering UNDESA age-groups do contemplate the core of each country's own age-group of reference for each educational-level. What is more compromising is the fact that estimating demand from the age-group of reference for each educational level does not take into account that demand for education is also affected by phenomena like repetition and age-inadequacy, which do play a significant role in many of the BRICS countries, but which is not controlled in this exercise (since we don't even have access to net enrolment ratios). Finally, it must also be considered that we have adopted forecasts based on medium fertility scenarios. Despite being the "safest bet"

¹ UNDESA, Population Division. Population Estimates and Projections Section, <<http://esa.un.org/wpp/>>, accessed 10/05/2015.

² O'Neill, J. (2001). 'Building Better Global Economic BRICs', Goldman Sachs Global Economics Paper, No. 66, 30 November. New York: Goldman Sachs.

collectively and without further auxiliary analysis, it might not accommodate Brazil (given its recent drop in fertility rates).

Such limitations preclude analysis based on marginal age-group absolute size variations. But in cases where there are radical variations, one can expect at least to a certain extent, that they illustrate whether the actual demand will grow, remain almost the same, or reduce. Naturally, the extent to which there will be a possible growth or reduction in the demand is far beyond the scope of this study, demanding more precise and methodologically consistent research.

Our exercise foresees a potential reduction in the demand for all levels of education (especially for secondary education) in Brazil by 2030 and, even more by 2050. A similar phenomena is less likely, though yet possible in India with respect to educational levels from pre-primary to upper secondary, but not between now and 2030 (only between now and 2050). The demand for tertiary education in India will possibly remain somewhat the same as it currently is by both, 2030 and 2050. Russia, China and South Africa's demand for upper secondary and tertiary education will possibly grow larger than it currently is by 2030, though it will possibly return to roughly what it currently is by 2050 in Russia and South Africa. China will possibly see an even larger absolute reduction between 2030 and 2050 to below the 2015 current level. South Africa's demand for pre-primary and primary education will possibly reduce between now and 2030, mostly between now and 2050. A similar trend is possible for China and Russia, though the reduction from 2030 to 2050 will likely be less accentuated for China, whereas Russia will possibly see stabilization in this demand between 2030 and 2050. The African country can possibly see its demand for lower secondary education remaining somewhat stable between 2015 and 2030, while China and Russia will possibly see it grow in the same period. All the three countries will possibly have this demand further reduced to levels slightly below the current demand.

In none of the countries is the variation to such a large extent that it could not be rendered virtual or misleading due to our methodological shortcomings. Our hypothesis tends to be most pertinent to the countries where school abandonment, age inadequacy and repetition are less prevalent.

Finally, the second exercise reveals that Brazil will cross its demographic transition line gradually between now and 2030, and more sharply from there to 2050. In Russia and China this gradual transition started back in 2010, and will possibly move to a higher pace in Russia than in China by 2030, after which Russia will possibly carry on the transition at a slower pace than China. India's EAP will possibly keep growing (relative to the total population) until 2030 and stabilize from there to 2050, while the African country has the potential to reach 2050 with a still growing EAP (relative to the total population). Accordingly, Russia (despite its favourable indicators) and China (whose educational indicators reveal more gaps) are facing the greatest impetus to complement regular education with TVET and other educational structures capable of compensating for past gaps. This would increase productivity through education-lead human capital accumulation as a means of maintaining its welfare state's sustainability in an 'adverse' demographic context. The other countries have a longer time-span to accumulate education-led human capital by means of regular education. This is except for Brazil whose first generation to confront the demographic challenge are current pupils older than 5 years-old, and mostly the youth (15-24 years-old) — who will all be the core of Brazil's EAP by 2030. Thus, Brazil must overcome its shortcuts in secondary and tertiary education to guarantee these cohorts of children and youth born before 2010 receive proper regular education. Despite being under less time-pressure than Russia and China, Brazil must also invest in TVET, which is capable of mitigating educational gaps of the past by means of work-oriented education and training targeted to the youth and young adults.

Conclusions

Our analysis reveals that Brazil, India and (to a certain extent) China have been seeking to improve their education by allowing for greater participation of the central government in the funding and operation of basic education, which has traditionally and to a large extent, been a subnational responsibility. Brazil does so by means of a centrally controlled participatory fund for education, whereas India has altered its Constitution to designate education as a shared responsibility between the centre and subnational units. China has shifted such responsibilities from its most capitalized

administrative units to an intermediate level between the township and the centre: the province. This centralization movement is not universal among the BRICS, as Russia and South Africa maintain a more decentralized management and funding structure for their educational system. The South African model has been achieving good results in terms of coverage expansion, however several qualitative challenges remain. Russia, shows success in both coverage and quality provision. It is also a flagship case of resource rationalization among the BRICS as it achieves such results with moderate budgets compared to its BRICS peers.

When it comes to TVET, tertiary and non-mandatory education (as is the case for India, China and South Africa), the central government plays a bigger, more direct role in all the BRICS countries: being responsible for a network of institutions similar or bigger to that provided by subnational governments. Overall, the BRICS countries seem to be building corporate responsibility based extra-curricular TVET networks similar to Brazil's Sistema "S".

Despite a vast amount of data existing at the national level, there is still a challenging lack of comparable data series on the BRICS (as exemplified by the lack of data on enrolment for Brazil, repetition for South Africa and literacy for India). This is a major barrier to cooperative policymaking at the inter-regional level. A solution could be to institute a BRICS data bank, different from UNESCO's and other international organizations, with standardised parameters more appropriate to the statistical challenges faced by each BRICS country. Developing cooperation between the countries — since only 5 countries would be monitored as opposed to hundreds would also be beneficial.

Some of the main educational challenges of the BRICS include Brazil's high repetition rates, South Africa's extremely low coverage of tertiary education, the overall high pupil-teacher ratios and low coverage for pre-primary education. China shows a seemingly successful strategy to expand its primary education with relatively high quality, though the remaining educational levels do not show similar advances. Conversely, Russia has the best indicators of the BRICS countries overall, although it's primary education level lags behind others in terms of its indicators. India is a separate case, as it depends largely on PPP to promote education.

Despite the potentialities of this strategy, it has not yet succeeded in overcoming the low coverage, scarce resources and questionable quality that characterize the country's education. Naturally, there are several exceptions within this scenario, notably related to the centrally administered upper secondary schools as well as tertiary education.

When it comes to non-traditional channels for knowledge production and circulation, however, India is the leading country in terms of both civil society and government support for informal innovation and production (or GRI, as it is locally known). It also holds the largest workforce programme, the MGNREGA, though this initiative might be more relevant for its income security effects than for its training and qualification outcomes. These outcomes are more likely due to proper training, capacitation and access to credit oriented programmes, which do exist in all the BRICS countries. Formal R&D shows an overall trend of stable rates of professionals in the area, except in Russia, where the number of R&D professionals is much higher than in the other countries, although it has been decreasing in the past years. The allocated budget for such activities has increased substantially in all the countries, except South Africa (whose R&D expenditure has decreased). In terms of student international mobility, China, India and Brazil, respectively, send the most students abroad; while Russia and South Africa receive the most foreign students.

A glance at future population prospects for the BRICS countries suggests the possibility that the demand for pre-primary and primary education will reduce in most countries, while the demand for secondary and tertiary education might stabilize or increase. These projection are the outcome of, admittedly, methodologically weak forecasts, which ought to be further fine-tuned and controlled for other relevant factors. However, if the methodological shortcomings are not great enough to fully invalidate the hypothesis (for countries with the highest repetition and age-inadequacy rates this hypothesis tends to be more unlikely), they can be interpreted as pressing signals towards improving secondary and tertiary education among the BRICS countries.

Finally, a related analysis suggests Russia (which holds the best indicators) and China (whose educational indicators have a lot

to improve upon) specifically have to heavily invest in TVET and other educational strategies in order to compensate for educational gaps of the past in a short time. In these countries, education-led human capital development must be pursued sooner as an auxiliary measure to maintain the welfare state's fiscal sustainability in 'adverse demographical contexts'. This fiscal imperative suggests Brazil, India and South Africa have more time to accumulate human capital. India and South Africa could even have cohorts of adults who will bear this fiscal responsibility fully completing their regular educational cycle by then, if coverage and quality gaps were to be immediately overcome. However, this does not mean that Brazil, India and South Africa should not seek TVET- like strategies for other equally pressing reasons, such as market adequacy of the labour-force and detrimental historical gaps which need to be compensated for as a matter of equity and social justice.

Appendix 1 — UNESCO data on education (source: uis website)

Indicator	Government expenditure on education as % of GDP (%)														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brazil	3.88	4.01	3.88	3.78		4.01	4.53	4.95	5.08	5.40	5.62	5.82			
Russian Federation		2.94	3.11	3.84	3.68	3.55	3.77	3.87		4.10					
India	4.34	4.25			3.55	3.29	3.13	3.09			3.21	3.32	3.85	3.79	
China	1.91														
South Africa	6.03	5.58	5.29	5.20	5.06	5.28	5.28	5.29	5.18	5.09	5.51	5.96	6.13	6.57	6.23

Indicator	Government expenditure on pre-primary education as % of GDP (%)														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brazil	0.36	0.35	0.32	0.30		0.35	0.37	0.37	0.41	0.41	0.39	0.44			
India	0.04	0.04	0.06		0.05	0.04	0.04	0.04			0.04	0.04	0.05	0.05	
China	0.03														
South Africa		0.07	0.19	0.19	0.01	0.02	0.03	0.03	0.03	0.03	0.05	0.06	0.08	0.09	
Russian Federation		0.44	0.48	0.56	0.55	0.54	0.52	0.54		0.62					

Indicator	Government expenditure on primary education as % of GDP (%)														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
South Africa	2.71	2.57	2.34	2.29	2.11	2.14	2.27	2.39	2.19	2.07	2.26	2.53	2.48	2.62	
Brazil	1.32	1.24	1.17	1.07		1.32	1.54	1.59	1.64	1.72	1.82	1.82			
India	1.30	1.60	1.45		1.28	1.20	1.12	1.09			0.86	0.84	1.03	1.01	
China	0.62														
Russian Federation															

Indicator	Government expenditure on secondary education as % of GDP (%)													
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
South Africa	2.03	1.75	1.65	1.62	1.78	1.88	1.72	1.65	1.74	1.58	1.70	1.87	2.02	1.99
India	1.64	1.70	1.61		1.48	1.37	1.34	1.31			1.12	1.23	1.46	1.45
Brazil	1.38	1.54	1.56	1.53		1.58	1.76	2.17	2.22	2.41	2.51	2.60		
China	0.71													
Russian Federation														

Indicator	Government expenditure on tertiary education as % of GDP (%)														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
South Africa	0.92	0.81	0.77	0.76	0.71	0.70	0.80	0.68	0.68	0.66	0.69	0.71	0.72	0.78	0.77
Brazil	0.82	0.89	0.84	0.89		0.76	0.86	0.83	0.82	0.86	0.90	0.95			
India	0.76	0.86			0.71	0.66	0.61	0.63			1.17	1.20	1.29	1.26	
China	0.46														
Russian Federation		0.47	0.54	0.65	0.68	0.65	0.79	0.85		0.95					

Indicator	Government expenditure per primary student (constant PPP\$)														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Brazil	1181	1200	1171	1118		1513	1852		2251	2520	2705	3011			
China															
India	282	367	346		301						289	307	418		
Russian Federation															
South Africa	1332	1300	1318	1331	1260	1313	1463	1650	1611	1598	1828	2041	2095	2315	

Indicator	Government expenditure per secondary student (constant PPP\$)													
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Brazil				1158		1364	1585		2345	2650	2754	3082		
China	397													
India	586	626	604		538	516	516	538			518	578	720	
Russian Federation														
South Africa	1879	1660	1666	1645	1828	1943	1799	1786	1943	1853	2127	2298	2551	2567

Indicator	Government expenditure per lower secondary student (constant PPP\$)												
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Brazil	1088	1159	1165	1141		1591	1867		2639	2979	3144	3387	
China	253												
India	457	369	339		285	275	287	306			295	309	420
Russian Federation													
South Africa													

Indicator	Government expenditure per upper secondary student (constant PPP\$)												
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Brazil				1189		1014	1151		1879	2132	2144	2612	
China	748												
India	789	999	986		885	844	828	848			790	910	1081
Russian Federation													
South Africa													

Indicator	Government expenditure per tertiary student (constant PPP\$)														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brazil	6240	6231	5317	5061		3858	4220		3859	3755	3813	4064			
China	3095														
India		2393			1862	1769	1786	1830			2957	2928	2702	2627	
Russian Federation		1457	1536	1758	1818	1860	2313	2619		3251					
South Africa															4841

Indicator	Pupil-teacher ratio in pre-primary education (headcount basis)													
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Brazil	19	19	19	23	18	18	18		20	19	18	18	17	17
China	27	27	26					23	22	22	23	24	23	23
India		35		40	40	41	41	40						
Russian Federation	7	7	7	7	7	7	7	7	7	8	8			9
South Africa														

Indicator	Pupil-teacher ratio in primary education (headcount basis)														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brazil	26	25	23	22	22	21	21		24	23	23	22	21	21	
China			22		21			18	18	18	17	17	17	18	
India	35	40	40	41	41								35		
Russian Federation	18	18	17	17	17		17	17	17	17	18			20	
South Africa	35	33	37	34	34	34	30	31	31	30	31	30	29	30	29

Indicator	Pupil-teacher ratio in secondary education (headcount basis)													
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Brazil				19	17	16	15		19	17	17	17	16	16
China		17	19	19	19		18		16	16	16	15	15	15
India	34	34	33	32	32	33					25	25	26	
Russian Federation							10	9	9	9	8			9
South Africa	29	28	27	30	30	31	33	30	29	28	25			

Indicator	Pupil-teacher ratio in lower secondary education (headcount basis)													
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Brazil	23	23	20	20	17	16	16		20	18	18	18	18	17
China	17	18	19	19	20		17	17	16	16	15	15	14	14
India		36	35	36		37					30	31	33	
Russian Federation														
South Africa														

Indicator	Pupil-teacher ratio in upper secondary education (headcount basis)													
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Time				18	17	16	15		17	16	15	15	15	15
Brazil				20	17				16	16	16	16	16	15
China		16	20	20	17		18	18	16	16	16	21	21	
India		31	31	28		28								
Russian Federation														
South Africa														

Indicator	Pupil-teacher ratio in tertiary education (headcount basis)													
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Brazil	14	15	15	15	13	14	16		14	16	18	19	19	20
China	13	14	16	18	20	22	15	18	17	17	20	20	19	
India		24	24	25	26	22								
Russian Federation		12	13	14	15	14	14	14	14	14	14			14
South Africa														

Indicator	Gross enrolment ratio, pre-primary, both sexes (%)														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brazil	57.5	60.3	65.1	65.7	67.0	63.8	69.0								
China	36.1	38.6	39.4	37.6	39.8		47.3	49.7	51.2	53.1	56.0	62.0	69.9		
India	19.1	24.6	25.5	29.2	33.2	34.7	39.8	40.4	47.9	54.5	54.1	55.8	58.1		
Russian Federation	71.5	74.7	80.9	83.1	83.6	84.7	86.2	87.8	89.5	89.9	89.9		88.9	90.9	
South Africa	20.8	32.5	36.6	32.7	35.9	40.6	46.3	49.6	53.9	59.1	66.1	73.8	72.0	76.5	75.8

Indicator	Gross enrolment ratio, primary, both sexes (%)														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brazil	154.0	150.3	148.1	146.0	141.8	140.6	136.3								
China			105.3	108.4	111.8		118.8	123.5	127.7	129.5	128.9	127.9	127.9		
India	94.4	96.3	96.3	97.0	105.4			114.3	115.2	113.9	113.5	112.6			
Russian Federation	103.2	103.0	106.3	114.1	121.2		95.3	94.9	95.4	97.1	98.7		100.3	100.6	
South Africa	113.0	106.5	105.9	106.8	107.4	107.8	107.0	107.3	109.0	108.2	106.5	104.4	102.3	101.6	100.8

Indicator	Gross enrolment ratio, secondary, both sexes (%)														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brazil				109.6	101.9	105.6	105.5								
China	58.2	58.0	58.1	58.4	60.2			67.0	71.3	75.4	79.2	83.1	86.6	89.0	
India	44.2	46.1	46.3	48.2	50.7	52.5	55.1	56.1	58.7	61.9	61.3	65.1	68.5		
Russian Federation	92.3				91.7	85.5	83.2	83.0	83.2	83.3	84.9		91.9	95.3	
South Africa	87.5	84.3	85.3	86.4	87.6	90.0	91.0	93.6	94.4	92.3	93.8	95.4	98.5	101.9	110.8

Indicator	Gross enrolment ratio, lower secondary, both sexes (%)														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brazil	114.9	120.1	122.7	125.5	114.7	114.1	113.7								
China	76.0	75.5	77.0	78.5	82.0			90.0	92.0	94.0	96.7	99.8	102.7	103.5	
India	60.9	61.6	62.0	64.5	67.0	69.5	73.3	74.0	78.7	79.8	77.7	83.0	86.5		
Russian Federation	93.1	92.5	91.7	91.3	89.3	80.3	78.2	78.9	80.7	82.9	86.2		92.7	93.9	
South Africa	98.5	96.5	98.7	100.0	92.3	94.5	97.4	98.2	93.8	92.1	98.1	104.6	109.0	111.0	118.0

Indicator	Gross enrolment ratio, upper secondary, both sexes (%)														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brazil				89.4	85.7	94.7	95.0								
China	37.1	36.7	35.3	35.2	37.0			47.6	54.0	59.9	64.5	69.1	73.0	76.6	
India	30.9	33.7	33.9	35.4	38.1	39.3	41.2	42.4	43.3	48.3	48.8	51.4	54.8		
Russian Federation	90.2				96.8	96.5	92.9	90.4	87.8	84.1	82.5		90.2	98.3	
South Africa	79.9	76.0	76.2	77.3	84.5	87.1	86.8	90.5	94.8	92.5	91.1	89.5	91.7	96.0	106.0

Indicator	Gross enrolment ratio, post-secondary non-tertiary, both sexes (%)														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brazil															
China	2.9	2.6	1.9	1.7	1.4			0.4	0.4	0.4	0.4		0.4	0.3	
India	0.2	0.6	0.8	0.8	0.8	0.7	0.8	1.2	1.3				4.4		
Russian Federation				5.0	4.7	8.8	8.1	7.3	6.9	6.6	6.0		5.5	5.5	
South Africa	8.1	8.2	7.1	8.2	8.6	9.0	7.4				7.3	7.1	7.9	10.7	27.8

Indicator	Gross enrolment ratio, tertiary, both sexes (%)													
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Brazil	14.5	16.0	17.7	20.0	22.2	23.7	25.5							
China	6.6	7.8	9.8	12.4	15.0	17.0	18.3	19.5	20.0	20.2	21.8	23.3	24.3	26.7
India		9.5	9.8	10.4	10.9	11.2	11.0	11.8	13.5	15.4	16.4	18.2	23.3	24.8
Russian Federation	51.4	55.4	61.2	66.6	70.5	70.5	72.6	72.9	74.1	75.0	75.5		76.5	76.1
South Africa														19.7

Indicator	School life expectancy, primary to tertiary, both sexes (years)													
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Brazil				14.6	14.0	14.3	14.2							
China			9.3	9.6	10.0		10.9		11.4	11.8	12.1	12.4	12.6	13.1
India		8.5	8.5	8.7	9.4				10.5	10.8	10.8	11.1	11.7	
Russian Federation	12.1				13.5		13.6	13.6	13.7	13.8	14.0		14.5	14.7
South Africa														13.6

Indicator	School life expectancy, pre-primary, both sexes (years)														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brazil	1.7	1.8	2.0	2.0	2.0	1.9	2.1								
China	1.1	1.2	1.2	1.1	1.2			1.4	1.5	1.5	1.6	1.7	1.9	2.1	
India	0.6	0.7	0.8	0.9	1.0	1.0	1.2	1.2	1.4	1.6	1.6	1.7	1.7		
Russian Federation	2.9	3.0	3.2	3.3	3.3	3.4	3.4	3.5	3.6	3.5	3.6		3.5	3.6	
South Africa	0.2	0.3	0.4	0.3	0.4	0.4	0.5	0.5	0.5	0.6	0.7	0.7	0.7	0.8	0.8

Indicator	School life expectancy, primary, both sexes (years)														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brazil	6.1	5.9	5.8	5.8	5.7	5.6	5.5								
China			5.3	5.4	5.6			5.9	6.1	6.3	6.3	6.3	6.3	6.4	
India	4.7	4.8	4.8	4.8	5.3				5.7	5.8	5.7	5.7	5.6		
Russian Federation	3.1	3.1	3.1	3.4	3.6			3.8	3.8	3.9	3.9		4.0	4.0	
South Africa	7.9	7.5	7.4	7.5	7.5	7.6	7.5	7.5	7.6	7.6	7.5	7.3	7.2	7.1	7.1

Indicator	School life expectancy, secondary, both sexes (years)														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brazil				7.7	7.1	7.3	7.3								
China	3.5	3.5	3.4	3.5	3.6			4.0	4.3	4.5	4.7	4.9	5.1	5.3	
India	3.1	3.2	3.2	3.3	3.5	3.6	3.8	3.9	4.1	4.3	4.3	4.5	4.8		
Russian Federation	6.5				6.3	6.2	6.1	6.1	6.1	6.1	6.2		6.6	6.8	
South Africa	4.4	4.3	4.3	4.4	4.4	4.5	4.6	4.7	4.7	4.6	4.7	4.8	4.9	5.1	5.5

Indicator	School life expectancy, tertiary, both sexes (years)													
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Brazil	0.7	0.8	1.0	1.1	1.3	1.3	1.4							
China	0.3	0.4	0.5	0.6	0.7	0.9	0.9	1.0	1.0	1.0	1.1	1.2	1.2	1.3
India		0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.8	0.8	0.9	1.2	1.2
Russian Federation	2.6	2.8	3.1	3.3	3.5	3.5	3.6	3.6	3.7	3.8	3.8		3.8	3.8
South Africa														1.1

Indicator	Repetition rate in primary education (all grades), both sexes (%)														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011		
Brazil	24.14	20.95	20.25	19.48	20.20	18.35			11.70	10.61	9.14	8.54			
China			0.29	0.31				0.24	0.28	0.27	0.27	0.25	0.17		
India	4.27	3.69	3.69	3.92					3.58			4.99			
Russian Federation	1.10	1.02	0.87	0.73			0.55	0.48	0.42	0.39					0.37
South Africa	8.25	9.32	7.45	5.22	7.93										

Indicator	Repetition rate in lower secondary general education (all grades), both sexes (%)														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011		
Brazil									18.64	17.94	16.21	15.82			
China									0.14	0.11	0.10	0.09			
India				5.09								3.42			
Russian Federation			0.95	0.82	0.75	0.72	0.63	0.49	0.43	0.41					0.37
South Africa	16.24		9.76	6.87	13.01										

Indicator	Youth literacy rate, population 15-24 years, both sexes (%)																
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Brazil		94.2			96.8		97.6	97.8	98.1	97.5	98.5	98.6					98.9
China		98.9								99.6							99.7
India			76.4				81.1										90.2
Russian Federation				99.7							99.7						99.7
South Africa									97.6	98.4	98.6	98.8	98.9				99.0

Indicator	Adult literacy rate, population 15+ years, both sexes (%)																
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Brazil		86.4			88.6		89.6	90.0	90.0	90.3	90.4	91.4	91.3				92.6
China		90.9									95.1						96.4
India			61.0				62.8										71.2
Russian Federation				99.4							99.7						99.7
South Africa									88.7	92.9	92.9	93.1	93.7				94.3

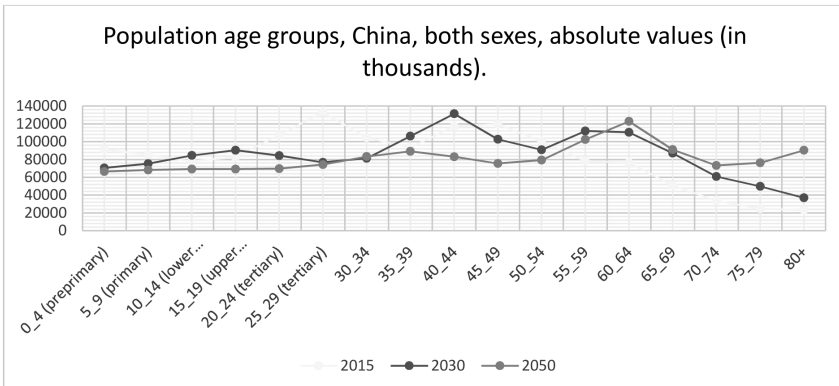
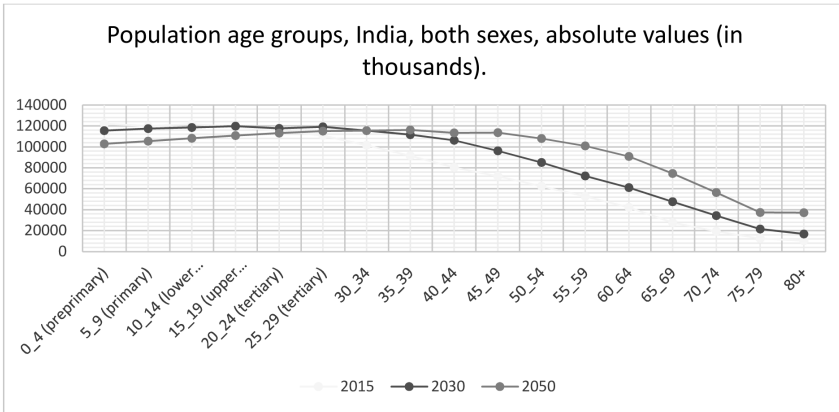
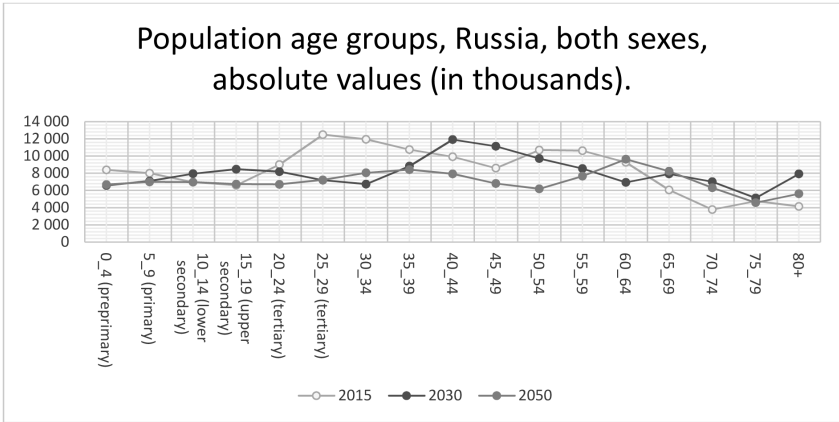
R&D per 1,000 adults	2000	2005	2010
Brazil	1.1	1.5	1.8
Russian Federation	8.4	7.5	6.9
India	0.5	0.5	0.5
China	0.4	0.5	0.9
South Africa		0.9	0.8

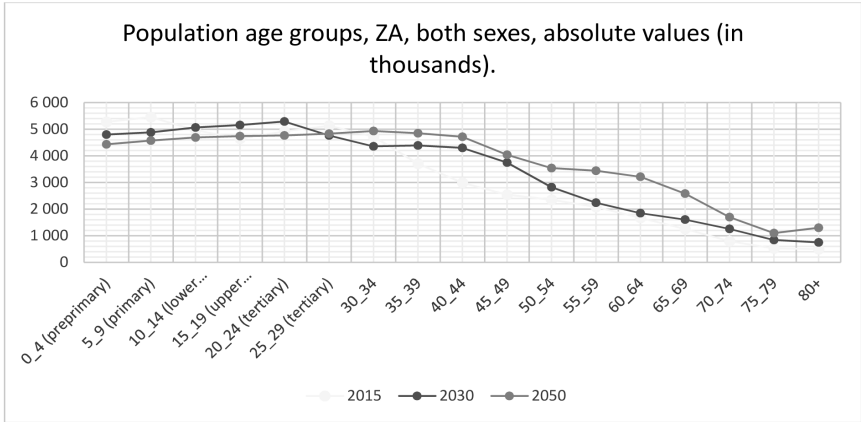
Indicator	Elderly literacy rate, population 65+ years, both sexes (%)													
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Brazil		62.0				65.8		68.1	68.9	69.1	69.2	70.6	72.0	72.8
China												73.9		
India			35.6					35.2						
Russian Federation				97.6								99.2		
South Africa								56.4			67.9	67.2	67.7	69.1

Indicator	Net flow of internationally mobile students (inbound — outbound), both sexes (number)													
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Brazil				-18520	-19087	-18414					-10168	-13263	-15438	-15508
China								-370495	-387820	-408457	-455729	-496511	-570697	-605386
India	-55588	-66711	-92377	-111420	-126493	-134958	-133399						-176718	-161137
Russian Federation		12824	34271	36034	31625	38125	51192	35910	16984	92180	82158		114478	122456
South Africa	30062	39887	33948	40408	43725	45333	44556	47917	53282	58335	54365	59696	64152	35802

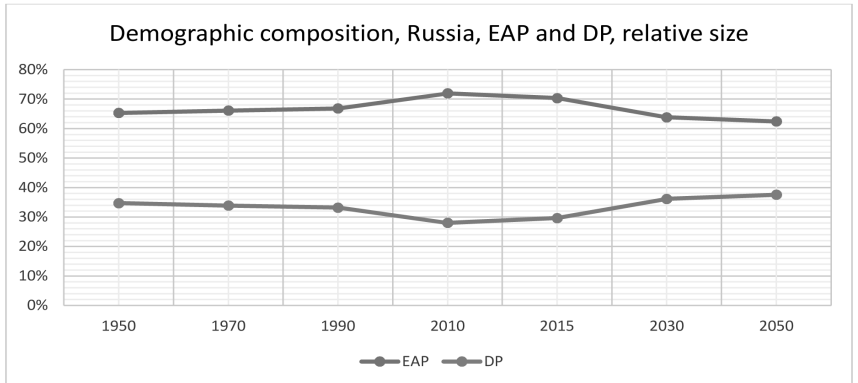
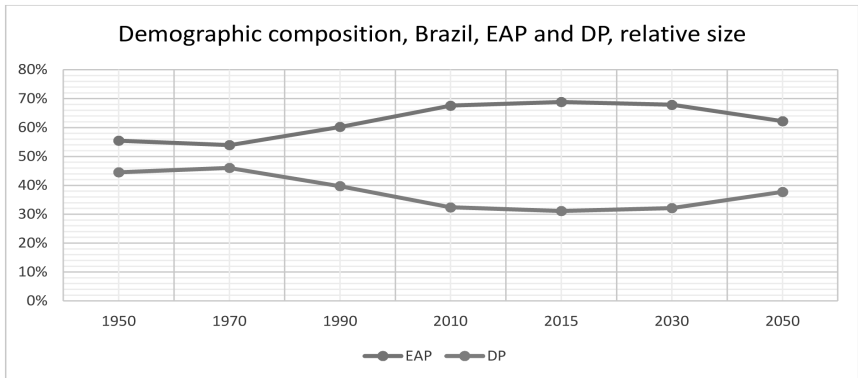
Indicator	GERD per capita (in current PPP\$)																
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Brazil					71.7	75	72.8	72.1	72.7	82.6	90.9	106.5	115.1	119.9	128.7	139.3	
China	9.3	11.7	12.8	16.1	21.1	24.5	30.4	35.9	43.8	53.9	65.2	76.4	89.4	113.1	129.8	150.1	176.7
India	7.8	8.8	9.5	10.6	11.6	11.9	12.1	13	15	18.1	19.8	21.8	24.2	25.5	27.3	29.6	
Russian Federation	53.3	59.5	52.1	58.9	71.6	86.6	100	118.8	117.6	125.9	159.3	184.7	209.2	240.9	230.2	245.3	264.4
South Africa		37.1				50.7		58.8	66.6	75.8	84.4	89.1	93.8	85.8	77.5		

Appendix 2 — population forecasts, age-groups, absolute (source: author’s elaboration based on data from undesa)

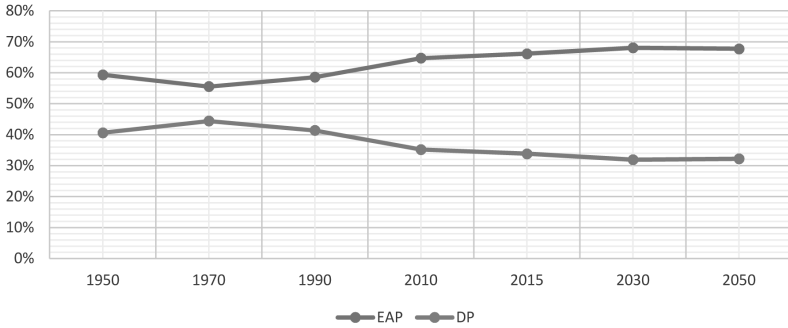




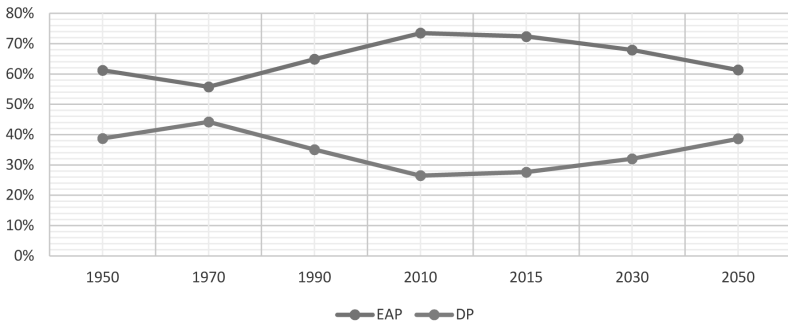
Appendix 3 — population forecasts, eap x dp (source: author's elaboration based on data from UNDESA)



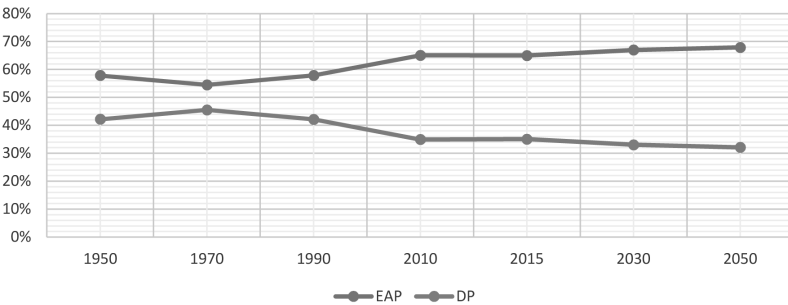
Demographic composition, India, EAP and DP, relative size



Demographic composition, China, EAP and DP, relative size



Demographic composition, South Africa, EAP and DP, relative size



CHAPTER 10

BRICS EVOLUTION VISION INSTITUTIONALIZATION, ENLARGEMENT AND OUTREACH

BRICS Evolution Vision: Institutionalization, Enlargement and Outreach Technologies

The evolution of the BRICS, perspectives for enlargement

Olive Shisana, Matshaba Mothiane, Jaya Josie¹

Introduction

BRICS, made up of Brazil, Russia, India, China and South Africa, is today considered a group of leading emerging nations that has dominated the international stage not only for economic reasons but also for political reasons. They are perceived to be reformers and advocates of the rights of developing and marginalized nations. There have been many discussions regarding the expansion of the group to include countries with similar geopolitical and economic development interests (Mahapatra, 2014. Basu, 2014. Kuzmin, 2014)

The current arguments for and against the evolution of the BRICS into a bigger grouping, revolve around economic and political interests advocated by the BRICS member states in the various heads of state summit declarations. In large measure the declarations seem to reinforce the sentiment that the BRICS group of countries will provide a multipolar alternative to a unipolar world view that permeates international relations today. In this regard,

¹ Human Sciences Research Council (HSRC)

BRICS has taken many strides to create an enabling environment to ensure development goes beyond the borders of the five countries.

Initially, it has promoted an outreach approach to involve countries in the regions surrounding BRICS member countries. This was demonstrated during the BRICS Summit in Durban in 2013 when South Africa hosted and introduced African Heads of State to the BRICS family of nations. The summit in Fortaleza, Brazil followed suit and hosted Heads of State of other South American countries. Most likely future BRICS summits will also bring in countries closely linked to the geo-political and socio-economic status of the BRICS host nation. In light of these developments the question often posed is: on what basis should the BRICS extend and expand the group to include other nations and their interests?

This paper seeks to consider the process and possible ways in which membership in the BRICS can evolve to include and or partner with nations that share the BRICS vision as expressed in summit declarations.

The Founding Principles of BRICS

While representing a group of geographically separated; economically, politically and socially distinct countries BRICS has today moved beyond what many considered to be the countries with the most economic potential in the first half of the 21st Century.

Before presenting a position on whether BRICS should evolve into a larger group, it is important to examine the underlying principles of the group and its key drivers for change. This will help to clarify key issues that may determine an enlargement or representation process.

The principles that underpin BRICS are captured in the declarations of the Heads of State Summit and also summarized in the Five Pillars of the BRICS long Term Vision endorsed by the Heads of State at the 2014 Summit in Fortaleza, Brazil. The pillars include the following issues: the need for economic cooperation; peace and security; social justice, sustainable development and quality of life; political and economic governance, and innovation and knowledge sharing among member states (BTTC, 2014:3).

The establishment of the BRICS New Development Bank and Contingency Reserve Arrangement is an attempt to directly challenge the existing order by encouraging Bretton Woods

institutions to consider deeper reforms of the international financial systems. Many developing countries and emerging economies want to see reforms of these institutions and hence will likely want to support BRICS in this effort.

The BRICS countries have also committed to ensure and maintain international peace and security (BRICS, 2014:26). It is important that BRICS plays an increasing role in preventing and managing national and regional conflicts. Additionally, as articulated in the Fortaleza Declaration, the BRICS commit to the principle stating that the use of force should be avoided and that independence, solidarity, territorial integrity and unity must be upheld.(BRICS, 2014:27) The timely intervention of the BRICS in the UN Security Council (UNSC) to prevent the invasion of Syria was an example of the impact of BRICS in international relations, winning it many supporters in the process.

BRICS economic and political cooperation agreements, in particular the establishment of the BRICS New Development Bank, have been welcomed by many developing nations as important steps to creating a new global order that is more inclusive and equal. In addition, these are steps taken to create a fertile environment for the evolution of BRICS to include other developing countries and emerging economies. But do these developments present sufficient reasons for BRICS to evolve into a larger group? In the following section the paper will explore the arguments for and against the evolution of BRICS into a larger group beyond the current scope of its vision and long-term strategy.

Process and criteria for enlargement

Before engaging and including other countries in the BRICS group, it is crucial that clear processes and criteria are established. The processes adopted might be more important than the criteria used to determine which countries should be engaged. Processes may involve an assessment of the strategic imperatives for engagement.

Although such strategic imperatives may differ among BRICS member states, in principle they could include: political, economic, resource acquisition and social determinants, which may be a prerequisite to the application of criteria for determining suitability for inclusion in and/or cooperation with BRICS as a group. Factors

such as ideological commonality, geopolitical significance, access to resources and value addition in trade relations, may be key to determining whether a country should be invited to become part of BRICS or associated with the group.

For example, there were suggestions that Argentina is a suitable candidate to join BRICS; others called for Indonesia, Mexico, Turkey, Syria and still others listed several countries that should be candidates for BRICS membership. (Brooks, 2011. Mahapatra, 2014) Is this desirable? What will be the impact of expanding BRICS beyond the five member states in terms of effectiveness, influence, coherence, decision-making and identity?

If BRICS grows beyond the five countries it is likely to dilute its impact because expansion does not necessarily mean coherence and effectiveness, especially if the countries' development paths are very divergent. New members may differ in terms of ideology, resulting in internal groupings and politics within BRICS, which may create discordance resulting in an inefficient organization. Exploring this topic, Debidatta Mahapatra (2014) gave a good example of the Non Aligned Movement (NAM), which started with 30 members and ended with 120 and lost its significance as an alternative to post war political grouping. The numbers gave it legitimacy, but also produce inefficiency.

There is no consensus among BRICS member countries that BRICS should expand at this stage. It may very well be that some members feel that BRICS is in its infancy and still needs to define its traits and identity, build coherence, develop policy and strategic direction.

One of the arguments advanced for expanding membership of BRICS has been that if South Africa can be included then why not other countries?

One of the issues that arose as a result of South Africa joining BRICS, was the group's qualifications and standards for membership. Oliver Stuenkel, (2013:311) when discussing the issue of membership highlighted how the inclusion of South Africa was clearly considered for quite some time, as opposed to the group merely opening a spot and then choosing the best candidate. Clearly, there are very specific reasons for choosing South Africa over other potential candidates. An analysis of some of the potential reasons

why South Africa was included in the group, will make it possible to understand the process of membership as well as some of the criteria that may be relevant for the selection of potential members, should BRICS decide to expand its membership.

The BRIC's interest in South Africa as a member came as part of a greater interest in the rise of Africa as a strategic partner in economic and political terms. In a 2013 study by the Standard Bank of South Africa, the BRICS individually trade far more with African nations than they do amongst themselves. In fact, the bank estimates that the total amount of trade between the BRICS and Africa reached a record US\$ 340 billion in 2012 which represents a tenfold increase within a decade (Freemantle and Stevens 2013:4).

It was thus clear that an organization such as the BRIC, that pursued trade and cooperation within the global south, needed an African partner. South Africa which accounts for 22 percent of the continent's GDP, thus its fate is closely linked to that of the 15-member Southern African Development Community (SADC), which collectively play an essential role in the broader African economy (Gumede 2013). On its own, South Africa's possesses a robust economy which has well-developed legal, energy, financial, communications, and transportation sectors, and an active stock exchange (The Johannesburg Stock Exchange) which ranks in the world's top twenty largest stock exchanges by market capitalization and is the largest stock exchange in Africa. Retrospectively, South Africa is invaluable to its BRICS partners, as it has far more established trade links on the continent. According to research by Standard Bank, South Africa is by far the most integrated of the BRICS in Africa's trade calculus accounting for 11 percent of BRICS trade with Africa. (Freemantle and Stevens 2013:2)

Arguing for its position in the BRIC South Africa promoted the narrative of itself as a 'gateway to Africa' and that its membership in the organization would not just be representing itself but rather the continent as a whole (Besada et al. 2013). For Africa the benefits of South African membership in the grouping would be in the expansion of sub-Saharan African markets, infrastructural development, and greater trilateral cooperation. Undoubtedly, there have been many objections to South Africa's membership to the group on an economic basis.

Perhaps one of the most pronounced reasons for the inclusion of South Africa in the BRIC was its legacy of the peaceful transition from apartheid to democracy, its already established relationships with many BRICS members; its reputation and position in the international system as an advocate for the unity of developing countries and the reform of the international system in the interest of the often marginalized global South (Patel, 2012). These advantages in ‘soft power’ played an essential role in the country’s bid for a position in the group.

South Africa also holds considerable political leadership on the continent that is evidenced by its role as an African representative during its 2011 and 2012 seats on the UNSC and by its membership of the G20, notably as the only African country, its election to the head of African Union Commission. Moreover, South Africa has been instrumental in the promoting peace and security on the African continent through peacekeeping missions to Burundi, in the Democratic Republic of Congo, on the border between Ethiopia and Eritrea and in Sudan (Solomon 2010:142)

The decision to accept South Africa’s bid to join the BRICS was in this context favourable and it represented fewer risks. Members of the BRICS through the grouping of India, Brazil, South Africa (IBSA) had very intimate and formative relationships with South Africa and shared similar and tested views on the need for South-South cooperation and global reform that form the basis of the BRICS current agenda.

Many have criticised the BRICS for becoming an elite group of nations which do not represent the interests of fellow developing nations. However, this has not been the case. While an institutional mechanism has not been created to ensure cooperation with so-called outreach nations and organisation, the BRICS have since the Durban Summit made concerted effort to represent the interests of a wide range of emerging and developing nations.

At the 2013 Durban summit president, Zuma hosted the BRICS and Leaders-Africa Dialogue Forum on the margins of the Summit. The Retreat was held under the theme, “Unlocking Africa’s potential: BRICS and Africa Cooperation on Infrastructure. Following this meeting BRICS members undertook to cooperate with Africa in a manner that supported efforts to accelerate

the diversification and modernization of its economies, through infrastructure development, knowledge exchange and support for increased access to technology, enhanced capacity-building and investment in human capital, within the framework of the AU and NEPAD. This summit had the effect of ensuring that the Africa agenda stayed firmly on the BRICS agenda.

Similarly, at the 2014 Fortaleza Summit the BRICS hosted South American nations in a joint session with the view of furthering cooperation with South American states. BRICS members reaffirmed their commitment to the South American integration process, the importance of regional bodies such as the Union of South American Nations (UNASUR), promoting peace and security and sustainable socio-economic development. (BRICS, 2014:3). In Russia at the 7th BRICS Summit it is envisaged that a similar meeting will take place between the BRICS and the Shanghai Cooperation Organization that will bring together regional leaders, as natural partners for BRICS outreach in Russia.

An outreach programme may include offering cooperation development support for BRICS regional economies through the New Development Bank. The Fortaleza Declaration declares that “the Bank shall mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries.” (BRICS, 2014:11) The funds will be provided by the BRICS states and the membership shall be open to members of the United Nations, in accordance with the provisions of the Articles of Agreement of the New Development Bank, and it shall be open to borrowing and non-borrowing members.

This mechanism of the Bank is another example of an instrument that can be used to enlarge the scope of the BRICS beyond membership.

The BRICS New Development Bank could also be a place where the BRICS and external members may exchange information and develop mutually beneficial strategies. Such interaction may lead to a more formalised engagement process to be agreed with observers and partners, creating conditions for dialogue, wider cooperation and mutually beneficial relationships without undermining the founding principles on which the BRICS was established.

The above analysis has shown that there is a wide range of criteria that may be used to engage and cooperate with like-minded developing and emerging economies without turning the focused nature of the BRICS into an unmanageable group of nations with diverse and sometimes conflicting interests.

The questions arise: If BRICS does not expand, will it influence the global agenda that favours the emerging economies? Does it need to have these emerging economies inside BRICS to represent them on the global stage when crucial debates about policy direction are determined? Not necessarily. It is possible that few countries can have a long lasting global impact on a policy issue, which would be near impossible with many role players.

The case of the Revised Drug Strategy debated at the 51st World Health Assembly, which changed the interpretation of the global intellectual property rights, is a case in point. Six countries from Southern Africa (South Africa, Botswana, Zimbabwe, Swaziland, Namibia and Zambia) stood together to argue against the entire western grouping that public health should take primacy over commercial interests with regards to access to medicines. There were massive objections from the entire Western bloc that attended the meeting. The main reason for the objection was the argument that, giving public interest supremacy over commercial interests in the World Trade Organizations' Trade and Related Aspects of Intellectual Property Rights (TRIPS) agreement would potentially undermine intellectual property rights.

Despite the many interventions by a large contingent from the West, the six Southern African countries remained firm in their commitment, and together managed to ensure their wording of the resolution was adopted at the NAM meeting in Cuba. The joint action of the Southern African states paved the way for the 1999 World Health Assembly to adopt the language that endorsed public health interest supremacy over commercial interests in the TRIPS agreement. Given that there was very little enthusiasm and support for the Western Bloc position from NAM, with 65% membership of the World Health Organization, the West decided to support the Southern African position.

This approach was possible because (a) the group was small, (b) it shared similar challenges with regards to the burden of disease

(HIV/AIDS) and lack of access to affordable medicines, (c) it had a common ideology that commercial interests should not override public health interests with respect to intellectual property rights, (d) it held a position that put it on a higher moral ground and (e) due to the group's small size it adopted a coherent approach, supporting each member and building on each other's input during the debates. These factors made the Southern Africa group a formidable force in the negotiations. It is clear that, had the group invited more members from the South and the East, it would not have achieved this great milestone in public health for global benefit.

This case is relevant to the debate as to whether BRICS should expand, or maintain the status quo. If the group wants to make a global impact in public diplomacy, it may want to remain small, be focused, share information among its members and, for support, take its decisions to groupings that may share the same values as the BRICS group. This can be done without increasing the current size of the BRICS. On the other hand, the argument for expanding the group is based on the notion that by retaining the status quo BRICS will be perceived as an elite club, and consequently alienate it from other emerging economies. As the countries increase intra-BRICS trade and develop common policies, it will be defined as exclusionary.

However, BRICS should weigh this criticism against the benefits of effectiveness, efficiency, and agility that come with being small. It is much better for BRICS to be a small, agile, efficient and an effective cheetah than to be slow and vulnerable like an elephant encumbered by its size. Another good example within BRICS itself is the work of the The BRICS Think Tank Council in developing the BRICS long-term vision and strategy, and pathways for its implementation. The development of the vision and strategic pathways to achieve its policy objectives would not have been possible within one year if the group were larger than it is. Also size matters when it comes to personal relations. The drafters of policies are more able to cohere in their chosen approach when they have positive personal relations. Such relationships generate social capital networks that would be more difficult to achieve within large groups.

Conclusion:

In conclusion, this paper has shown the importance of an informed discussion regarding the evolution and possible expansion

of the BRICS to include more countries. Indeed, several countries are often mentioned as possible members of an enlarged group on the basis of their actual and potential global economic significance. However, based on the preceding discussion the founding members of the BRICS need to be cautious and guard against opening the floodgates and risk becoming an ineffective and inefficient international talk-shop as is the case with many other international groupings. BRICS itself needs to address the need for building and consolidating its own strong institutions before considering opening up to other countries and risking undermining the current levels of coherence and cohesion that has brought the group to a stage where it is considered a major force for promoting a multi-polar system of international economic and political relations. This process indeed has already started with the creation of the New Development Bank but also with the very intentional outreach initiatives that have taken place at the last two summits.

MERCOSUR and BRICS

Operating as International Coalitions (2003-2014)

Walter Antonio Desiderá Neto¹

Introduction

In October 2003, the recently elected presidents of Brazil and Argentina (Luiz Inácio Lula da Silva and Néstor Carlos Kirchner) signed a declaration, which became known as The Buenos Aires Consensus. Speaking on behalf of the two biggest South American nations, they decided that social welfare would constitute the main goal of their governments. Furthermore, they reaffirmed their willingness to intensify bilateral and regional cooperation in order to guarantee for all citizens the enjoyment of fundamental rights and freedoms, including the right to development based on social justice.

The new consensus has emerged after the major context of economic crisis and political turbulence in the history of Southern Cone integration. As it is known, the Southern Common Market

¹ Institute of Applied Economic Research (IPEA)

(Mercosur, in Spanish) was created in 1991 by Argentina, Brazil, Paraguay and Uruguay. The economic bloc displayed excellent outcomes in terms of trade and investment until 1997. In the following years, the shaking of financial markets caused by the Asian and Russian crisis brought difficulties to Mercosur. Thus, positive numbers were no longer observed for some years.

In 1999, the Brazilian government was no longer able to sustain its exchange-rate bands regime. The strong devaluation of the Brazilian currency was one negative factor, among others, to hit the Argentine economy. Thereby, a series of accusations from both sides have led analysts to believe the bloc would disappear in that moment.

After a period of crisis, new administrations were elected in both countries. They had critical views regarding past experiences. Thus, it configured a propitious scenario to once again launch the regional integration process. Pointing to possible errors committed by previous leaders, the new presidents insisted to bring new themes to the agenda in the occasion of the Buenos Aires Consensus. The new goals included poverty reduction, hunger eradication, fighting unemployment, and reducing regional imbalances and inequalities. Moreover, they also encouraged the four member countries to act in concert in international politics in favor of themes beyond economy and trade.

Regarding this last aspect, it is important to state that since then Brazil has invited different developing countries to gather in meetings and search for opportunities to act together at multilateral fora where global governance rules are conceived. The aim was adding up power resources to increase the effectiveness of advocating for common goals at the international arena. Among these South-South coalitions, including those constituted by regional partners, such as Mercosur and the Union of South American Nations (Unasur, in Spanish), they also created the India-Brazil-South Africa Dialogue Forum (IBSA), the South America-Africa Summits (SAA), the South America-Arab Countries Summits (SAAC) and the Brazil, Russia, India, China and South Africa Summits (BRICS)¹, these four last groupings having global reach.

¹ South Africa became a member in 2011.

In this article Mercosur's operation as an international coalition in Lula's administration (2003-2010), extending until 2012¹, will be analyzed in the context of these South-South global coalitions' foundation. After this introduction the second section of the paper will look at the voting convergence among the four Mercosur founding countries for United Nations General Assembly (UNGA) resolutions is compared with the voting convergence of Brazil, Russia, India, China and South Africa in the same organization. The goal is to verify in which of these contexts Brazil has found greater similarity of political preferences.

In the third section the position statements on subjects of international politics found in joint communiqués resulting from semiannual Mercosur summits (2003-2014) are compared with those found in final declarations produced by the other South-South summits of which Brazil is part of: SAAC (2005, 2009, 2012), SAA (2006, 2009, 2013), IBSA (2006, 2007, 2008, 2010, 2011) and BRICS (2009, 2010, 2011, 2012, 2013, 2014). Last, the fourth section brings final remarks on the subject.

Voting behavior at UNGA

Differently from some other institutions of the United Nations (UN) system, United Nations General Assembly (UNGA) is a plural organization constituted by all UN member countries. Since 1945, which is the year of its first session, many questions related to peace and security have been discussed at UNGA, as it is provided by article 11 of the UN Charter. Moreover, UNGA has also promoted studies and recommendations intended to foster international cooperation on political, economic, social, cultural, educational and health issues, as it is provided by article 13.

At that forum, the rule is "one country, one vote". In every annual session, hundreds of resolutions on various fields of international politics are approved, on average, three quarters of them without voting and the rest by absolute majority. The resolutions deal with a comprehensive list of themes, with large geographic reach and a broad time lapse. Therefore, analyzing the voting patterns of countries at UNGA can be considered a good indicator of the international profile of nations. It also indicates

¹ Last available data.

proximity of political preferences among members of international coalitions.

Table 1 displays the number of resolutions in which Mercosur countries' votes converged and diverged from 2003 to 2012. Resolutions approved without voting were excluded. Table 2 displays the same data for BRICS. Convergence is understood as all votes equal for the same resolution, which can be “yes”, “no” or “abstention”. Divergence occurs when at least one vote is different from the others.¹

Table 1. Voting behavior of Mercosur countries at UNGA 2003-2012

Year	Convergent	Divergent	Total
2003	56	20	76
2004	50	22	72
2005	61	13	74
2006	75	12	87
2007	65	12	77
2008	61	12	73
2009	58	11	69
2010	53	9	62
2011	56	9	65
2012	59	9	68
2003-2012	594	129	723

Source: Strezhnev e Voeten (2013).
Author's elaboration.

Table 2. Voting behavior of BRICS countries at UNGA 2003-2012

Year	Convergent	Divergent	Total
2003	43	33	76
2004	44	28	72
2005	44	30	74
2006	57	30	87
2007	50	27	77
2008	45	28	73

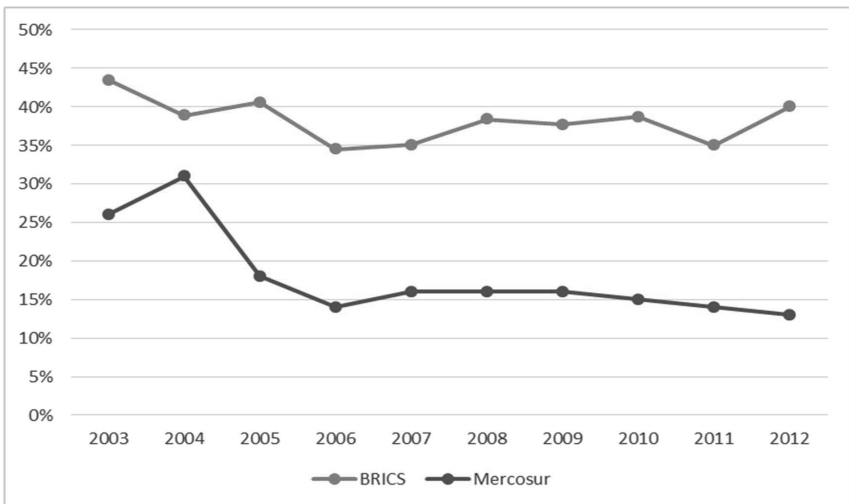
¹ There are cases in which for some reason the diplomats of a country are absent from the Assembly when a resolution is being voted (registered as “absent vote”). Absent votes were not computed as divergent. In any case, the truth is this rarely happens.

Year	Convergent	Divergent	Total
2009	43	26	69
2010	38	24	62
2011	42	23	65
2012	41	27	68
2003-2012	447	276	723

Source: Strezhnev e Voeten (2013).
 Author's elaboration.

It can be inferred from these two tables that the frequency of divergences among Mercosur countries throughout the whole period was 18%, while among BRICS the frequency was 38%. In 2004 it was observed that there was a marked reduction on the number of Mercosur divergences. They stabilized around 15% from 2006 on. As for BRICS, the number of divergences was higher on average and remained nearly stable throughout the period (Graphic 1). This data reveals Brazil has more affinity with Mercosur partners than with BRICS in terms of political positions.

Graphic 1
Divergent votes at UNGA (percentage) — Mercosur and BRICS 2003-2012



Source: Strezhnev e Voeten (2013).
 Author's elaboration.

Table 3 displays the number of cases in which each Mercosur member diverged from the bloc when voting for UNGA resolutions from 2003 to 2012. In other words, these data refer to the amount of cases in which a certain country has voted differently from the other three in that period. As it is revealed by the numbers Argentina accounted for more than one-third of the bloc divergences while Brazil was responsible for one-quarter. Cases in which both countries were responsible for divergence as pairs¹ (not distinguished in the table) represented 1.5%. Therefore, in the majority of times divergences occurred by putting one of the two biggest partners against the three others.

Table 3. Cases in which each Mercosur country is responsible for the divergent vote at UNGA– total (2003-2010)

Country	Cases	%
Argentina	46	36%
Brazil	34	26%
Uruguay	18	14%
Paraguay	9	7%
Couples of countries	22	17%
Total	129	100%

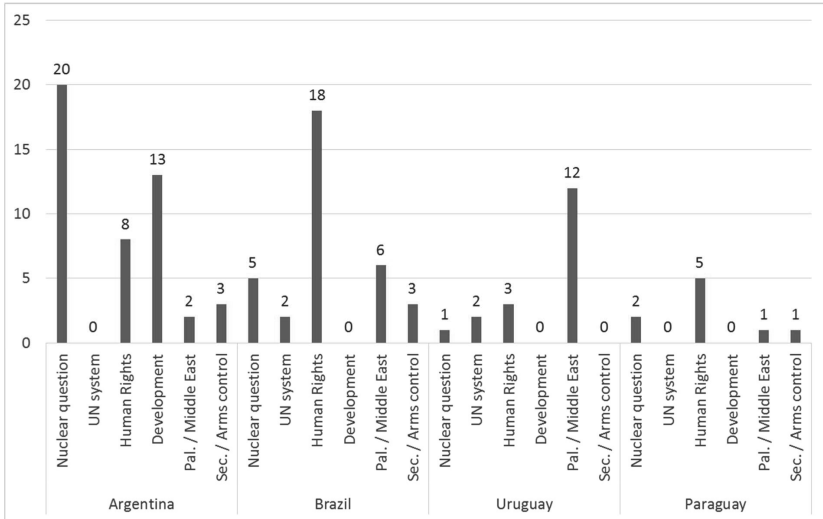
Source: Strezhnev e Voeten (2013).
Author's elaboration.

Graphic 2 decomposes Table 3 data by the issue areas to which each resolution is related with. Taking Argentine cases into consideration, almost half the resolutions dealt with the nuclear question. As for the Brazilian cases, 62% of the resolutions discussed Human Rights. The majority of Uruguayan cases were about Palestine/Middle East, while Paraguayan resolutions related to Human Rights. In this section, it is worth only identifying the issue areas. In the next section I will focus on analyzing how they were addressed by semiannual Mercosur joint communiques.

¹ For example, Brazil and Argentina vote “yes” and the others vote “no”.

Graphic 2

Cases in which each of Mercosur countries is responsible for the divergent vote at UNGA– by issue area 2003-2012



Source: Strezhnev e Voeten (2013).
Author's elaboration.

Table 4 contains the number of cases in which each of the BRICS countries diverged from the others when voting for UNGA resolutions from 2003 to 2012. The main countries shown in that position were Russia, with almost one-third of the cases, and India, with nearly one-quarter. It is worth noticing that, differently from what happened in Mercosur, there was no polarization between the two main nations responsible for divergence. Differently, it was observed a certain likeness of positions between them in some cases. As pairs¹ (not distinguished in the table), Russia and India diverged from the other three partners in 9% of the cases. Taking into account the cases in which they diverged alone, it totalizes 63%. Thus, it can be inferred that without these two countries the convergence within the remaining coalition would double.

¹ For example, India and Russia vote “yes” and the others vote “no”.

Table 4. Cases in which each of BRICS countries is responsible for the divergent vote at UNGA– general 2003-2012

Country	Cases	%
Russia	87	32%
India	62	22%
Brazil	29	11%
China	8	3%
South Africa	5	2%
Pairs of countries	85	31%
Total	276	100%

Source: Strezhnev e Voeten (2013).
 Author’s elaboration.

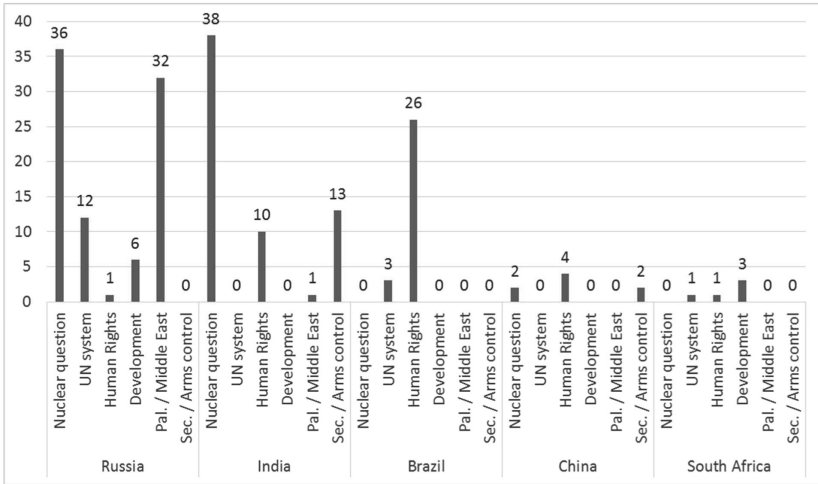
Graphic 3 decomposes Table 4 data by the issue areas to which each resolution is related with.¹ For Russia, the nuclear question and Palestine/Middle East corresponded to 41% and 37% of its divergent cases. 61% of Indian cases were related to the nuclear question. The main issue in which Brazil diverged from BRICS partners was Human Rights, totalizing 90% of cases. For China the main issue area was the same of Brazil’s, although with a lower participation (50%). Last, it is curious to verify that South Africa hardly voted differently from the four others. In these rare cases the resolutions dealt with trade and development issues.

Graphic 3

Cases in which each of BRICS countries is responsible for the divergent vote at UNGA — by issue area 2003-2012

Table 5 separates by issue area the cases in which Mercosur countries diverged when voting for UNGA resolutions from 2003 to 2012. There is an equilibrium between the nuclear question and

¹ “UN system” refers to resolutions designed to create or modify competences and functions of any UN organism. UNGA is authorized to do so as it is provided by article 10 of UN Charter. “Nuclear question” involves disarmament, non-proliferation and pacific use of nuclear technology. “Security/Arms control” resolutions are related to more comprehensive security issues, occasionally determined by the conjuncture. The other issue areas are self-explanatory.



Source: Strezhnev e Voeten (2013).
 Author's elaboration.

Human Rights, which reflects the main fields in which Brazil and Argentina diverged from the others. In other words, the thematic distribution of divergent votes for UNGA resolutions reflects the polarization of the two bigger partners due to the fact that their divergences are concentrated on these two matters.

Table 5. Cases in which there is voting divergence among Mercosur countries at UNGA– by issue area 2003–2012

Issue area	Cases	%
Human rights	42	33%
Nuclear question	34	26%
Palestine / Middle East	25	19%
Development	13	10%
UN system	10	8%
Security / Arms control	5	4%

Source: Strezhnev e Voeten (2013).
 Author's elaboration.

Table 6 separates by issue area the cases in which BRICS countries diverged when voting for UNGA resolutions between 2003 and 2012. The sum of cases in which Russia and India diverged from the three others in resolutions related to the nuclear question concentrated 41% of cases. Curiously, China, although possessing nuclear arsenal, votes alongside Brazil and South Africa (and probably the great majority of the Third World) for this matter.

Table 6. Cases in which there is voting divergence among BRICS countries at UNGA — by issue area 2003-2012

Issue area	Cases	%
Nuclear question	116	42%
Human rights	60	22%
Security / Arms control	40	14%
Palestine / Middle East	33	12%
Development	19	7%
UN system	8	3%

Source: Strezhnev e Voeten (2013).
 Author's elaboration.

The data analyzed in this section leads to three main conclusions. First, it demonstrates that in both cases (Mercosur and BRICS), there are more convergent than divergent votes for UNGA resolutions. Second, taking divergences into account, there is a coincidence of issue areas in which they occur in both groups. This confirms the widespread sensibility of these matters in international politics. Last, the data reveal Brazil displays more affinity with Mercosur partners than with BRICS in terms of political positions.

Content of joint statements and joint communiqués of south-south summits (regional and global)

This section compares the approaches adopted for international political issues found in Mercosur joint communiqués with those exhibited by IBSA, SAAC, SAA and BRICS joint statements. The idea is to demonstrate in which of these South-South coalitions, regional and global, Brazil has had greater likeness of political

positions taking into consideration the content of declarations resulting from the meetings. The period examined is 2003-2014.

Since it was created by the Treaty of Asunción in 1991, Mercosur has adopted the routine of organizing semiannual meetings of its Common Market Council (CMC). The goal has been discussing advances accomplished and difficulties faced by the actual *pro tempore* presidency. Since the beginning of the bloc activities, these meetings have become in practice summits. As Malamud (2005) argues, due to Mercosur intergovernmental status, presidential intervention has been characterized as an important decision-making procedure to stimulate the integration process and to solve every kind of controversies.

During the period in analysis, for each summit organized by Mercosur at the end of every semester (in general, one in June and the other in December) has resulted two final documents (joint communiqués): one signed solely by the presidents of Mercosur full members, the other one signed by full and associate members.¹

Considering joint communiqués signed only by full members, the exam reveals they deal essentially with matters related to the integration process itself. There are rare exceptions in which international politics issues are mentioned. However, in joint communiqués signed by full and associate members, appearances of global issues are frequent and political positions are highlighted. Therefore, these were the communiqués most employed by this analysis.

On the other hand, the analysis of IBSA, SAA and SAAC summits leads to the following conclusion: their joint declarations share the same format, which is characterized by an amount of political position statements roughly balanced with a list of areas to advance international development cooperation among members.

¹ For the record, it must be highlighted that until 2003 the category “associate member” did not formally exist. Until then only Bolivia and Chile had such kind of agreements with Mercosur. In the first semester of 2004 this nomenclature was adopted, also comprising Peru. In the next semester, Colombia, Ecuador and Venezuela have also become associate members. In 2013, Venezuela became a full member. Finally, in 2013 Guyana and Surinam also became associate members. In other words, nowadays the very same members of Unasur are in some way part of Mercosur.

In the case of BRICS summits, until 2010 their joint statements concentrated on establishing political positions for a smaller set of themes. Since 2011, development cooperation among members started to be mentioned and the amount of political statements has grown annually. This suggests that following the entrance of South Africa, the BRICS has taken advantage of the past IBSA experience. In fact, BRICS joint statements have become increasingly similar to IBSA joint statements since 2012 that it can be considered as a plausible explanation for not holding IBSA summits since then.

Table 7 contains the list of themes that are addressed in a very similar manner by Mercosur summits and these aforementioned global South-South coalitions. It must be pointed out that it does not mean these issues have consistently appeared in each summit. Alternatively, this highlights that, when they did, they have not been treated in a different way from the one displayed at the table. When reviewing the BRICS Heads of State summits, until 2010 they had only mentioned climate change, the Millennium Development Goals, the Doha round and the 2008 financial crisis. The other themes such as world drug problem, Syria and Palestine have appeared progressively since then.

Table 7. Issues addressed in a very similar way at Mercosur and at IBSA, SAA, SAAC and BRICS summits 2003-2014

Issue area	Approach
2008 financial crisis	Request for reform, strengthening of legitimacy, capitalization and increase of resources of international financial institutions. Moreover, developed countries are the ones to blame for the crisis
Climate change	Support to the United Nations Framework Convention on Climate Change, the Kyoto Protocol and the principle of common but differentiated responsibilities and respective capabilities. Support to the Rio+20 Conference
Doha round	Trade and development issues. Condemnation of tariff barriers, domestic support and export subsidies practiced by developed countries in the agricultural sector, which distort trade and hinder the multilateral system advancement
Millennium Development Goals	For them to be accomplished, developed countries must offer international development cooperation projects and resources regularly. Likewise, it is important to

Issue area	Approach
	grant market access to developing countries exports and to create innovative financing mechanisms. There is also a concern with the post-2015 agenda and the Sustainable Development Goals
Palestine	Support to the right of Palestinian people to constitute a State, based on 1967 lines and living alongside Israel
Syria	Against external intervention. A Syrian-led political process leading to a transition can be achieved only through broad national dialogue that meets the legitimate aspirations of all sections of Syrian society and respect for Syrian independence, territorial integrity and sovereignty
World drug problem	Holistic focus, based on the principle of shared and common responsibility (regional and global), in accordance with the International Law

Source: Mercosur Summits joint communiques and IBSA, SAA, SAAC and BRICS Summits joint declarations.
 Author's elaboration.

With a further review of the previous section's data, it is worth noticing none of these global issues has been a frequent matter of divergence among Mercosur and BRICS countries when voting for UNGA resolutions in the same period. Therefore, this reveals that such data is a good indicator similarities in terms of political positions from a methodological point of view.

In this regard, it is worth adding that two of the main issues in which the BRICS countries have diverged at UNGA, are the nuclear question and arms control which have received no mention in any of the six joint declarations. As for the issue of Human Rights, it only vaguely appeared for the first time in 2013 when it was expressed that the intention to "examine possibilities of cooperation". In 2014 the issue received a little more attention. In any case the argument remains valid bearing in mind the data consulted for UNGA roll-calls ends in 2012.

Looking at Table 7 issue areas and the way they were addressed, an overview permits to affirm in these cases Brazil was able to reach a minimal consensus with South American, African, Arab and emergent partners. The perspective adopted by them can be broadly labeled as third-worldist and developmentalist. Moreover, there is a constant complainant position against developed countries.

In these issue areas, the communiqués and declarations examined revealed the existence of a common Southern vision, which is connected to development concerns.

There are three more issues that also received typically third-worldist approaches. However, they were not mentioned by all coalitions. The first one is migration. The perspective adopted was a non-discriminatory vision, without prejudice to the migrant and its family legal status, seeking to guarantee, to respect and to promote their Human Rights. In the cases of IBSA and BRICS, it received no mention and from its exclusion can be inferred that India was possibly the dissenting vote due to the issue of Bangladeshi migrants. The second issue is intellectual property which received a focus related to development and public policies and frequently concerned with rights upon biological resources and/or traditional knowledge attached to them. The BRICS joint declarations have not included such a theme which may highlights China dissenting vote on the matter when considering the accusations its industrial products receive. Lastly, the support for Argentina in the Malvinas Islands dispute with Great Britain was not mentioned by IBSA and BRICS. Considering Russia has recently declared its support for the Argentine position, primarily due to the Ukrainian issue and in this instance China and India hold opposing positions due to their territorial issues with some neighbor countries which are well known.

At the same time, there are four other issues that although are mentioned by all groupings, they are addressed in different ways by them. When they are taken into consideration, the perspectives adopted from one forum to another display important nuances therefore they cannot be grouped together as the same approach.

Firstly, when it comes to weapons of mass destruction, Mercosur joint communiqués have addressed the issue under the discussion of the Security Council Resolution 1540/2004.¹ Since 2010, the importance of the Non-Proliferation Treaty (NPT) Review

¹ It decides that all States should refrain from providing any form of support to non-State actors that attempt to develop, acquire, manufacture, possess, transport, transfer or use nuclear, chemical or biological weapons and their means of delivery, particularly for terrorist interests.

Conference has started to highlight an opportunity to advance commitments previously established.

Alternatively, in the context of IBSA summits, the text reflects the Indian position on the theme. Since India has nuclear weapons and it is not subscriber of the NPT, this international regime receives no mention by joint declarations, although Brazil and South Africa are both signatories. This explicitly highlights the demanding position on disarmament against traditional powers. In fact, it is viewed as a condition for non-proliferation, as follows:

“The leaders reiterated their commitment to the goal of complete elimination of nuclear weapons and expressed concern over the lack of progress in realization of that goal. They emphasized that nuclear disarmament and nuclear non-proliferation are mutually reinforcing processes requiring continuous irreversible progress on both fronts, and reaffirmed, in this regard, that the objective of non-proliferation would be best served by systematic and progressive elimination of nuclear weapons in a comprehensive, universal, non-discriminatory and verifiable manner” (1st IBSA SUMMIT, 2006).

In the case of SAAC and SAA summits, the discourse is similar to Mercosur’s. Actually, there is a call for those who did not sign the NPT to do so. This does not mean the complainant tune is not present; it is not the primary focus. At the BRICS summits, as it was mentioned previously, the issue has been absent.

Secondly, on terrorism, the issue is treated by Mercosur in a perspective linked with International Law and the respect to Human Rights. It is important to notice that although these nations condemn the phenomenon in all its forms and manifestations, they assert it must be fought in strict compliance with International Law, Human Rights principles, and countries’ integrity and sovereignty. It is a cautious position in face of potential American onsets, when considering how the United States viewed Cuba as a state sponsor of terrorism. This concern is also related with the presence of drug dealers identified as terrorists in the Andean region, and the accusation of terrorist activities in the triple frontier of Argentina, Brazil and Paraguay.

This cautious position is very similar to the one found at SAAC summits. Indeed, at this forum the necessity to define the terrorist crime and to study the phenomenon is highlighted. As an additional

element, which is not contradictory to Mercosur's approach, they reject any linkage between terrorism and any specific people or religion, ethnicity or culture. This perspective is also found in SAA joint declarations. In both cases it reflects a defensive position against islamophobia. It is consistent with the principles of self-determination and non-intervention, broadly defended by the Brazilian foreign policy, which is also not complaisant with the American policy of Global War on Terrorism.

When it comes to IBSA and BRICS summits, there is an important nuance of treatment. In these contexts, terrorism is considered one of the most serious threats to international peace and security. Likewise, the conclusion of the Comprehensive Convention on International Terrorism is supported. It is necessary to consider, for example, that according to the website *Global Terrorism Database*¹, India was listed as the third country in the world to receive more terrorist attacks in 2010 (MELLO E SOUZA; MORAES; 2013).

Since the 3rd IBSA Summit, held in October 2008, the activities of Taliban and Al Qaeda are condemned by the joint declaration, mainly due to the attacks against the Indian embassy in Kabul, which occurred in July 2008. This condemnation also appears in the 6th BRICS Summit. This kind of nominal accusation is not a typical attitude of the Brazilian foreign policy, therefore, Brazil has moved away from its traditional positions in solidarity for India.

Thirdly, as for the issue of Human Rights, the approach adopted by Mercosur's joint communiqués generally appears as values, at the beginning of the text, in a very generic way, without conceptual detailing or linkages with obligations.

On some occasions, the issue was related to the military dictatorships held in the region until the mid-1980s, in accordance with rights such as memory, truth and justice. Thus, the commitment to democracy, which is an important pillar of the political dimension of regional integration, when considering issues of Human Rights. Thus we find there is an emphasis given to this issue, by the region, although we note the analysis we find the analysis is not offered at a deeper level of inspection, when we

¹ Available at: <<http://www.start.umd.edu/gtd/>>.

consider how issues of gender, human trafficking of children and adolescents rights are frequently mentioned but often are only vaguely described.

At SAAC, SAA and IBSA summits the issue is treated, on the one hand, with a more conceptual detailing, which reaffirmed Human Rights and fundamental freedoms universality, indivisibility, interdependence and inter-relation. On the other hand, there are rare mentions to specific issues within the area. Furthermore, there is a frequent linkage with development concerns. In the specific context of IBSA summits, the substitution of the Human Rights Commission by the Human Right Council at the UN is celebrated.

Even though it seems these are subtle differences of perspective, it is important to observe that the common history in the regional case brings the approach closer to traditional positions advocated by the Brazilian foreign policy. It is important to remember Brazil avoided for a long time subscribing to treaties related to Human Rights. Only since the returning to democracy the main international mechanisms on the matter were ratified. In any case, Brazilian diplomacy continues to avoid signing resolutions in which countries are accused of disrespecting Human Rights. The country defends developed countries that have a double behavior on the matter: they accuse other nations but have their own domestic problems. In the words of the ex-minister for external affairs from 2003 to 2010, Celso Amorim (2009, p. 239), “in this field, as in many others, preaching by example achieves far greater results than rhetoric”.

Last, the only issue in which Brazil showed more affinity with IBSA countries than with Mercosur partners refers to UN reform. In one hand, in Mercosur’s joint communiqués, and also at BRICS, SAA and SAAC summits, it is only stated that for the UN to accomplish its goals a broad, integral and urgent reform is needed, especially for the General Assembly, the Security Council and the Economic and Social Council, so they can be more efficient, democratic, representative and transparent. On the other hand, only in the case of IBSA summits there is a recurrent detailing for the Security Council reform, as follows:

The leaders emphasized that the reform of the Security Council is central to this process to ensure that the UN system reflects

contemporary realities. They expressed their full support for a genuine reform and expansion of the Security Council, in permanent and non-permanent categories of membership, with greater representation for developing countries in both. They reiterated that inter-governmental negotiations on the issue of Security Council reform must commence forthwith. They agreed to further strengthen cooperation amongst their countries and with other member states interested in a genuine reform of the Security Council (2nd IBSA SUMMIT, 2007).

They particularly emphasized that no reform of the United Nations will be complete without a reform of the UN Security Council (UNSC), including an expansion in both the permanent and nonpermanent categories of its membership, with increased participation of developing countries in both. Such reform is of the utmost importance for the UNSC to reflect the representativeness and legitimacy it needs to face contemporary challenges (5th IBSA SUMMIT, 2011).

In this field, the Indian and South African pleas for permanent seats at the Security Council in some eventual reform of the organisation confer greater likeness with the Brazilian discourse when compared with the other contexts. Bearing in mind that Argentina is against Brazilian candidature to permanently represent South American at the Council, in Mercosur's joint communiques the speech is superficial. In the case of BRICS summits, due to the positions of China and Russia which already are permanent members of the Security Council, it is only stated (in the same way in all six summits) that the two countries "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".

One last comment must be made with regards to the analysis of these documents. There are some issues which were only mentioned by one meeting or another due to the fact that they only related to a specific geographic context. To name some examples, the Free Trade Area (AFTA) at Mercosur, New Partnership for African Development (NEPAD) at ASA, UN operations in Lebanon at SAAC and Ukraine at BRICS, among others. Considering these issues could not be compared from one forum to another, they were certainly not the focus of the analysis.

Final remarks

Three main conclusions can be summarized from both the analysis of i) the voting behavior of Mercosur and BRICS countries for UNGA resolutions and ii) the content of final documents resulting from Mercosur, IBSA, SAA, SAAC and BRICS summits (2003-2014). First, as it was mentioned before, there is consistency in political positions for a series of themes in both Brazil's regional and global South-South contexts according to the list displayed by Table 7. For these issue areas, there is a common vision related to development concerns. It is also observed that there is a complainant tendency against developed countries, which is a historical feature of third-worldlist coalitions, like the Non-Aligned Movement and the G-77.

Second, due to the common history and culture, the closeness of relations, and the regional integration process, in the regional context the proximity of political positions is greater when compared to the global one. Therefore, according to the data, Mercosur has operated as an international coalition since 2003 for issue areas that go beyond the economic spectrum, as it was proposed by the Buenos Aires Consensus.

Third, it must be clarified that the political impact of the regional coalition is lower in comparison to the weight of the global ones, mainly IBSA and BRICS. In other words, the sum of power resources is the lowest at the regional level. However, it was observed that the higher the gain in political impact, the higher the amount of edges to be overcome regarding some traditional discourses of Brazilian foreign policy. This is because in these weighty coalitions each member country tends to manifest more independent worldviews.

The Prospects of BRICS Evolution – Goals & Pathways

Georgy Toloraya¹

Abstract

1. Russia's official position — BRICS should evolve as a full-scale mechanism of cooperation: "A long-term objective of the

¹ National Committee on BRICS Research

Russian Federation in BRICS and, accordingly, a consistent goal of its presidency of the association is the gradual transformation of BRICS from a dialogue forum and a tool for coordinating positions on a limited range of issues into a full-scale mechanism for strategic and day-to-day cooperation on key issues of world politics and the global economy”.

2. For that, both *substantial* and *institutional* changes are needed.

3. *Substantial* changes include developing new intra-BRICS areas of cooperation and making cooperation more diverse, broad and deep in existing areas. There has been a burst-like growth of new formats in recent years, but so far they tackle the areas of future cooperation and feasible projects; not so much is happening “on the ground”.

4. Main areas of BRICS cooperation include changing world financial architecture, global governance system, trade and investment cooperation within BRICS (including innovation area), joining efforts in solving social issues, providing added value in preserving peace and security and defending international law, dialogue of cultures and civilizations.

5. The creation of mechanisms to set and systematically monitor the implementation of the targets within these areas is needed. Otherwise setting common targets, developing joint goals and roadmaps to reach them as well as accountability of the member states for their implementation will be questionable.

6. Existing mechanisms include summit meetings, intra-ministerial consultations and other tracks of cooperation (more than 30) as well as academic, business, civic, youth tracks.¹

7. However, these mechanisms are not permanent and cannot carry on day-to-day activities. The virtual secretariat to be created as a result of Ufa summit is mostly for exchange of information.

There are several models of international and regional organizations- from rigid military-political union with intra-block discipline (NATO) to loose groupings and dialogue formats (if we speak about developing countries — such as Non-Aligned

¹ Civil BRICS, <http://civilbrics.ru/en/gr-brics/>; National Committee on BRICS Research <http://www.nkibrics.ru/>

Movement, G77, IBSA, African Union) sometimes nevertheless having some kind of administrative headquarters (ASEAN).

8. BRICS current status is somewhere in between. What is the place of BRICS and how it should position itself? There is a wide-spread opinion even in BRICS countries that further institutionalization of BRICS is a premature idea and that it should not be a centralized process (OECD-type), but rather a spontaneous area-specific process.¹

9. I believe that BRICS should move in the direction of first becoming a para-organization (to which is close now) and then a more structurized organization with a coordinating center.

10. These institutions can work out a *BRICS long-term action plan* (till 2030) which may include the following goals and develop roadmaps for reaching them:

11. In political and institutional interaction:

- To have fully functional Virtual Secretariat by 2016;
- To develop a regular foreign policy consultative mechanism between the foreign ministries;
- To elaborate and sign a BRICS declaration on global peace and cooperation;
- To work towards conclusion of a non-aggression pact/pentilateral cooperation, friendship and peaceful coexistence Treaty;
- To reform the UN to ensure its central role in solving international conflicts and enforcing its decisions, including reform of United Nation Security Council (UNSC) to provide balanced representations of BRICS countries and coordinate activities within its framework based on the modalities of the above-mentioned Treaty;
- To create a multilateral Inter-governmental commission on economic and technical cooperation headed by the Vice-prime Minister-level officials;
- To create Sub-Commissions and Permanent Working Groups on different issues;
- To create special BRICS departments in the governments, affiliated to the Foreign Ministries, but reporting directly to the Heads of States;

¹ See, p.e. In search of Stability, Security and Griwth- Ed by HHS Vishvanvtan, Nandan Unnikrishnan — New Delhi, 2012, pp. 59-60.

— Based on that to establish a permanent international BRICS Secretariat within next 5 years.

12. In the sphere of financial architecture and global governance:

To ensure finalization of the current reform of the IMF and work on further revision of quotas for the benefit of the developing countries (reaching cumulative de-facto veto power of the BRICS — to have over 15% for the five countries and ensuring not a single country in the world possesses such veto power on its own):

— To ensure election of developing countries representatives (BRICS leading the way) to the leadership of International Financial Institutions;

— To expand cooperation within the WTO and conduct study of the possible harmful effects of conflicting/competing projects of trans-regional integration;

— To raise the profile of the BRICS-created financial institutions, their integration into the global governance system;

— To reorganize global internet governance (p.e. creating an international body in place of ICAN).

13. In economy and trade:

— To strive for economic growth which is advanced in respect to global average in order to raise BRICS share in global GDP up to one third in 2020 ;

— To increase GDP per capita at least by 50% in 2020 and all BRICS countries joining the high-income group countries;

— To increase the share of “green energy” (alternative sources and renewables: wind, solar (photovoltaic), biogas and biomass, tidal and hydroenergy, geothermal) to 20% (in all BRICS);

— To promote BRICS cooperation in the new technologies (Internet use to achieve at least 60% by 2025 of population; internet security -completion and follow up on fiber-optic cable connection; Peaceful space use, International Space Station, navigational system (GLONASS etc.);

— To increase mutual trade and investments cooperation (mutual investments at least to 10% of overall volume from the current 2.5%; mutual trade by another 1000% -at least 500 billion USD in 2020);

— To increase BRICS share in e-commerce globally to at least 40% in 2025 and 50% in 2034 (from current 30%) as well as regard easing of mutual interactions ;

— To use newly created NDB for infrastructure projects in BRICS countries.

To set and jointly pursue specific targets on the amount of roads, railroads, ports and supporting facilities to be built; elaborate specific projects (in the framework of China-initiated Silk Road Belt for example); support growth of regional centers in BRICS countries around transport hubs; modernize and expand network of pipelines etc.

14. In Social and humanitarian Sphere

— To eradicate poverty (measured by national standards) by 2034;

— To soften income disparities with gradual decrease of GINI index (currently in Brazil — 54.7, China — 42.1, India — 33.9, Russia — 40.1, South Africa — 63.1);

— To promote BRICS as leaders of educational space (full enrollment in high-schools in all BRICS countries; higher education rate over 40% in each country; functional BRICS Network University on specializations of mutual interest; at least one University from each of BRICS countries being in the top 10 Universities of the world);

— To promote national languages of BRICS countries — modify programs and learning outcomes accordingly;

— To increase humanitarian and cultural exchanges (holding Cultural Festival of BRICS annually; translating and publishing at least one best-selling opus from each of BRICS countries per year; promoting feature and documentary films exchange and joint film-production etc.);

— To ensure healthy lives and promote well-being for all most relevant for BRICS (end epidemics of communicable diseases, prevention and relevant treatment for NCD, prevention and treatment of substance abuse, decreasing number of deaths and accidents from road traffic accidents, achieve universal coverage and high quality of healthcare systems etc.).

BRICS Cooperation in New Phase of Globalization

*Niu Haibin*¹

Abstract

The substance of the new globalization challenge is to rebalance effects of westernization, and the BRICS countries represent the main force of this rebalancing strategy. New globalization at present is still in its early stages, but its development is a process with multiple political, economic and cultural dimensions.

The development of the BRICS countries was influenced by the modernization model created by the Western developed countries, at the same time they also reshaped the model. BRICS countries do not intend to overthrow the Western order, but rather to enrich the globalization process by forging a pluralistic coexistence pattern. In this sense, the kind of globalization led by the dominant Western model will be difficult to continue and the new phase of globalization will be a process with diversified values and forces involved.

Key words

Global governance; Globalization; BRICS

Since the start of the 9-11 terror attacks in 2001, the world is entering a new phase of globalization. On the one hand, international issues such as global warming have become increasingly prominent, and defining the national interest of the international community needs to combine the sustainable development of the globe with the traditional national interests. Faced with these non-traditional security threats on a global scale, no country alone can cope. On the other hand, the globalization process is becoming more diverse, showing a more complex and balanced development, and the leading role of Western countries tends to decline. Major powers in the international system are undergoing changes, the pattern of North-South interactions tend to be more equal. Development models are competing with each other in the international community, the revival of traditional culture is full of new life. In this new phase of globalization, it is increasingly important to understand the role of BRICS.

¹ Shanghai Institute for International Studies

Emergence of a New Globalization

Social Sciences used to define globalization as a global proliferation of Western model. In fact, the non-Western or the third world for passive or active have been extensively following and learning from the West. For a neutral description of this phenomenon is modernization, but there is little doubt that in the eyes of Western scholars modernity is a product of Western model.

In the 1970s, ideas on native development models emerged across the third world, based on their own value, political, and economic and social organization systems, different development models emerged in East Asia, South Asia, Latin America and South Africa, etc. It is notable that each model usually was represented by one major country. Therefore, after the collapse of the Soviet Union, many commentators believe that Western-style democracy and market model would dominate non-Western patterns influence in the global setback. However, this has been found not to be true.

With the rise of the BRIC countries, debates on the speciality versus universality of different development models have been increasing. Development experiences of the BRICS countries and their implications for a global development agenda have been extensively discussed both at home and abroad. Meanwhile, the traditional Western powers have been met with a number of problems since the 2008 international financial crisis in the United States. The responses to some European Union members' financial crisis further illustrate the contradiction between sovereignty and transnational governance. Against this background, BRICS countries represent a new force of development, and are expected to have an impact on the development dimension of globalization.

In the new stage of development, the sole force of developed countries can't deal with global issues. Almost all key international issues are global in nature. Furthermore, population growth, urbanization, climate change and energy and food shortages and other problems are intertwined. The solution to global issues is essentially a matter of achieving sustainable human development and transnational cooperation.

The major change of the current international system is the change of balance of power that is the end of a unipolar world and the emergence of a multipolar world. After two wars in Iraq

and Afghanistan and the impact of the financial crisis in 2008, the ability of the United States to lead the world is declining. The world needs to enhance the cooperation to maintain the global order, which is characterized by updating G20 as the primary platform for international economic cooperation. The cooperation of BRICS regarding the Ukraine crisis further weakened the West's influence in the international political and security matters. This has signalled the change and diversification in the power structures of globalization.

In terms of solutions, the global governance research agenda setting has been dominated by Western powers for a very long period. However, the academic communities of non-Western countries are gradually improving their capacity in shaping the discussion of global governance. There is no doubt that Western powers will not easily give up leadership in the new stage of globalization, but the tendency to cooperate is increasing. Major economies are competing with each other around creative policy thinking on clean energy and sustainable development.

New globalization is not only about economic globalization, but also has cultural and political dimensions, showing a more comprehensive set of features. Major economies are competing on the rules of trade and investment. The United States tries to turn national rules to global standards. Economic globalization has brought the world economy to become a "global economy", in which building capacity to enhance international trade and attract international direct investment and international mobility of production factors became the essential characteristics of the contemporary world economy. In the second wave of economic globalization, China should choose economic globalization strategies based on domestic demand, use high quality factor and domestic market size advantages to accelerate development, and become an important part of the global innovation chains. However, it is noteworthy that G7 countries were preventing all BRICS members from joining the TPP and TTIP processes.

With the development of economic globalization, emerging powers were increasingly raising their voices in the main international mechanisms and enhancing their influence in politics and culture of the world. The study of world history tells us that

some advance sectors of Western economies may have originated in the East, while a country's current culture and religion may also be foreign-oriented; in the deepening of the process of globalization in 21st century, we need to avoid turning national identity into a nationalist identity. There have been ups and downs of world history between the East and West and in the long process of history; the West is not always in a strong position. The rehabilitation process in China has also attracted academics seeking wisdom from the traditions and history for contemporary China. In fact, this trend of localization of international relations theory in academics is reflected in BRICS countries, which showed that emerging powers are working hard to find a theory according to their desire and need. Against this backdrop, the new globalization undoubtedly needs to go beyond the clash of civilizations theory, and theory of the tragedy of great power politics, therefore to find theoretical support for building a new type of major power relations.

Opportunities and Challenges for BRICS Countries

Presuming that the main features of the new globalization are the peaceful rise of non-Western powers (for some countries are re-emergence), freer global flow of economic factors and pluralistic civilization, the BRICS countries as representatives of emerging power are undoubtedly the important players of the new globalization. The new features of globalization offer BRICS countries both opportunities and challenges. On the one hand, the new globalization provides BRICS greater international space in which to play a greater international role. On the other hand, it is difficult for BRICS to maintain peace with the West, to promote a constructive international System Transformation in the context of declining Western powers. BRICS countries need to manage the risk of power transition in the new phase of globalization.

The peaceful rise of non-Western power creates a more favourable environment for BRICS countries. The current development of the international system and a multi-polar structure are helpful to avoid the tragic history of bipolar confrontation. Unlike the bipolar competition during the Cold War era, the BRICS countries mainly rise through participation in economic globalization. Even Western strategists believe that the BRICS countries will not be allowed to challenge the existing

international system fundamentally since they also benefited from the current international system. BRICS countries, during the 2014 BRICS Academic Forum, identified five pillars for cooperation: the promotion of cooperation in order to achieve economic growth and development, to guarantee peace and security, to pay attention to social justice, sustainable development and the public well-being, economic and political governance, and the promotion of knowledge sharing and innovation. From the point of view of these issues, more attention of BRICS cooperation is given to create a favourable external environment for its own sustainable development, rather than to challenge the existing international order.

A more liberal economic order will provide more resources for the development of BRICS countries. Currently the US Federal Reserve's intention to withdraw its monetary easing policy and re-industrialization in developed countries are creating concerns of vulnerability in BRICS countries. From general terms, BRICS as emerging economies are still enjoying the most promising growth potential. Economic fundamentals of BRICS did not have serious deterioration, foreign exchange reserves are still adequate, inflation is within endurable range, the overall unemployment rate remained at a low level, and remains attractive to foreign direct investment. In the long run, based on the BRICS own economic transformation, demographic dividend and scale market, combined with an improved external economic environment, long-term economic prospects of the BRICS countries will be getting better. Besides consolidation of relations with developed markets, BRICS countries are enhancing their efforts to develop economic cooperation with the developing countries. This is conducive to the world economy's balance, but also conducive to the expansion of their development. In addition, the BRICS countries are increasingly focused on technological innovation. Despite the existence of the digital gap, in terms of building a 'big data' economy BRICS countries are not far behind the Western economies. BRICS have expressed concern about internet security and information management.

Regarding their development models and agenda, BRICS countries give more emphasis on building an efficient and stable system for development, in particular highlighting the welfare system and social policy, and anti-corruption importance to achieve

sustainable development. Since the international financial crisis in 2008, the Washington model suffered a lot, and the Occupy Wall Street movement showed that Western civilization has encountered new challenges. The task of nation building is being shared by all kinds of countries. Coping with extreme weather, terrorism and other new global issues are testing of the vitality of major civilizations. More and more people are aware that BRICS countries cannot simply copy the lifestyle of developed countries; both sides need to create a more eco-friendly environment while at the same time guaranteeing quality of life. Arguments about the merits of civilization have been reduced and, countries have begun to put more focus on domestic reform by learning from each other.

With respect to governance mechanisms necessary for new globalization, a central feature of global governance reform is a shift from the “Western governance” to “co-governance”, which constitutes a historical opportunity for the rise of the BRICS countries. This new feature of globalization requires the international community to tackle climate change, energy, resources, food security and other global problems. Players and issues of global governance have changed. BRICS countries are facing global governance through participation in the maintenance of world peace, economic prosperity and to enhance their well-being opportunities. BRICS countries are facing a rare historical opportunity to enhance their voice in major international mechanisms to promote the incremental construction of the international system, to adapt and build international rules.

Besides opportunities, new globalization has posed profound challenges to national capacity, political system, economic competitiveness, and civilized standards. Most BRICS countries are middle-income countries, and share a common challenge in how to get rid of the middle-income trap. Some studies suggest that in low and middle-income stage, the driving force of economic growth is the ratio of fixed capital formation, human capital and opening degree; when the economy develops to a high-income stage, the accumulation of these elements of economic growth role began to decline; economic growth is more sensitive to institutional factors and original technological progress. From the current economic development strategy adjustment, the BRICS countries

will put a lot of effort to enhance human capital, improve the investment on infrastructure, and step up the construction of a clean government. Brazil, China and Russia have declared a war on corruption. In practical terms the BRICS countries, although the role of factor accumulation began to decline, but for Brazil, India and South Africa and other BRICS countries, improving the infrastructure and upgrading the quality of human resources is still very important for the future of sustainable development. BRICS governments' investment in innovation is a growing trend. The Brazilian government launched the "Science Without Borders" project, whose main objective is to train high-tech R & D personnel in Brazil. However, compared with the government investment it is more important to improve the market mechanism and the institutions required to foster innovation.

BRICS countries generally face the challenge of the old development model transformation and upgrading. Although BRICS countries over the past 20 years have started market-oriented reforms, they also emphasized the role of government in economic development, especially in fostering the growth of international competitiveness of domestic enterprises. With the effects of the new phase of globalization on the real economy of developed countries and re-industrialization, plus the BRICS countries reduction in preferential policies for foreign investment and raised labour and environmental costs, BRICS countries attractiveness to foreign investment might be declining. Foreign capitals return to their home country or near the home country of the consumer market is increasing. BRICS countries need more in-depth exploration in improving the quality of opening up in order to enhance their appeal to foreign investors under the new conditions of globalization. Institutional innovation such as China free trade pilot area in Shanghai is an important example of this effort. Taking measures to drive economic growth by structural reform is becoming a consensus for BRICS countries.

An important character of economic globalization is the role of prominent multinationals. In the context of globalization, companies seek a global range of resource allocation. Multinationals in the BRICS countries have partly grown up with initial success in the overseas layout. However, as part of the state-owned background,

BRICS companies and their constraints are subject to the degree of trust between States and this phenomenon cannot be overlooked. According to information disclosed by Edward Snowden, the Brazilian oil company, Huawei and other BRICS competitive multinational headquarters were suffering under the monitoring conducted by American national security system. In this case, BRICS companies find it relatively easy, in the presence of emerging economies and developing countries, to gain greater access to developed markets. This requires BRICS countries participating in the new round of international trade and investment negotiations, to find its essence through a further opening up the BRICS domestic market in exchange for developed markets.

Strategic Choices for BRICS Countries

The essence of the new globalization is emerging forces such as BRICS countries represented rebalancing of the West. This rebalancing does not aim to seek conflicts but to seek a more diverse and balanced world in terms of its strength and value. BRICS countries, as an important force in the new globalization, need a long-term adaptation and preparation of economic development, governance capability and building civilized society.

In terms of an economic strategy, BRICS countries need to comply with the sustainable development trends by participating in a rules-making process and global economic governance mechanisms. Re-industrialization in developed countries aims at expanding exports in order to reverse the situation of trade imbalance, and BRICS countries should actively increase the investment in the developed countries accordingly. BRICS countries' feature a growing middle class, with an upgrading of their industrial structure as well as the accumulated foreign exchange reserves will help BRICS countries to release their potential to import during their participation in the new phase of globalization. A going global strategy for BRICS companies is helpful for the building sustainable growth of the world economy. Outbound investment by BRICS is conducive to sustained global growth and the optimal combination of elements BRIC economies.

Deep involvement of the outside world will promote domestic reform process in BRICS countries. In the case of capital, technology and sales network, increasingly transnational operation of the

BRICS countries need to build a better investment environment, and the rising domestic market will attract high-quality elements inflows. On the one hand, BRICS still need to seek growth opportunities by opening up, strengthening infrastructure-based hardware conditions, while nurturing advanced technology and management capability for their own enterprises. Despite the economic slowdown in the BRICS countries, the policy choice is not to take massive stimulus policies, but to adopt structural reforms to drive economic growth to run better and stronger in the medium term. In fact, a poor performance on domestic employment, social and environmental severely constrained economy is difficult to start domestic demand. On the other hand, BRICS countries should not be excluded from the process of new rules setting process for new globalization. The current fact is that TPP and TTIP advocated free trade rules well ahead of the level of foreign economic cooperation of the BRICS countries, so the BRICS countries need to accelerate domestic reform agenda to reduce the impact of the new rules. Sino-US bilateral investment agreements and Brazil's promotion of the Mercosur free trade agreement with the EU negotiations showed BRICS' wiliness to participate in the new round of economic globalization.

The new policy of the globalization process of coordination in the major economies has become more critical, which requires the BRICS countries to have a greater say in the world's major economic governance mechanisms. Since the international financial crisis in 2008, the importance of coordination of macroeconomic policies of major economies has been widely recognized by G20 members. Even as the central bank of the world's major reserve currency country, the Federal Reserve's policy-making primary consideration is the US economic situation and development prospects. The G20 and IMF need to strengthen early warning and monitoring of monetary policy, considering that the US Congress has blocked the agreement in 2010 on increasing the BRICS share within the IMF. If the implementation of the share reform is achieved, China will be ranked in third in the number of shares held in IMF, whilst the share of Western Europe will decline. Despite the uncertainty of Russia's membership within G8, it is important for all BRICS countries to present in G20.

In terms of participation in global governance, the BRICS countries can add new rules, new norms and positive initiatives to regulate and guide the process of the new globalization. Different from the role of learner in the early stage of globalization, BRICS need to play an important role in the new process of globalization. BRICS countries have successfully supported Brazilian Roberto Azevedo as WTO Director-General, and it is expected to launch in the future strength of the BRICS candidate for the highest office in the World Bank and the IMF. The BRICS Development Bank, though still in preparation, its potential impact on existing international development banks and similar undertakings have been widely discussed. These developments show that the BRICS countries are actively expanding their participation in global governance.

For BRICS countries, an important area involved is shaping the post-2015 international development agenda. With the rapid development of their economies and global diplomacy, the BRICS countries' gradual shift in international development cooperation from the recipient of international development assistance to providers, and have made a great contribution towards the achievement of the Millennium Development Goals. Emerging economies' role in trade and development finance in low-income countries caused great concern from developed countries. BRICS countries now emphasize the capacity of developing countries to participate in shaping the post-2015 development agenda, by emphasizing the location and the division of main responsibility of North-South cooperation, and South-South cooperation as complementary means. With the gradual development of South-South cooperation, how to deal with international development cooperation fragmentation will be a concern for the effectiveness of cooperation. BRICS development partners emphasize their respect for autonomy, attention to infrastructure, to further their understanding of the importance of sustainable development and other characteristics there will be the references for BRICS Development Bank to position its role in the post-2015 development agenda. The BRICS countries active involvement in international development cooperation is not only to provide international public goods, but also to explore their own path to sustainable development.

An important dimension of the BRICS countries to participate in global governance is to strengthen the mechanisms of intra-BRICS cooperation. Globalization is often characterised by multi-speed propulsion, whilst the BRICS countries as a whole have found it difficult to participate in the new trade and investment rules and the process of negotiations such as TPP and TTIP. Though BRICS countries do not take into account the status of free trade agreements, raising the level of mutual economic cooperation mechanism within BRICS is essential. The current cooperation projects between the BRICS countries are mainly based on the complementarity of their comparative advantages, and cooperation on large projects around the primary products, raw materials, energy resources and infrastructure is more prominent. However, just focusing on this complementarity is undoubtedly short-sighted and lacks sustainability. In fact, the BRICS countries have their own comparative advantages in advanced manufacturing, communications, aerospace and other fields respectively. Brazilian regional aircraft, tropical agriculture and bio-pharmaceuticals, Russian military-industrial complex, India's pharmaceuticals, services, and South Africa's financial services have strong international competitiveness. Based on these neglected comparative advantages, the BRICS countries are expected to cooperate with each other toward their mutual betterment. With the facilitation of trade and investment between the BRICS countries, the potential of this economic cooperation will be gradually promoted. BRICS cooperation in various sectors is also expected to deepen cross-border administrative cooperation.

In shaping a civilized and harmonious coexistence, BRICS can strengthen the cultural strategy and soft power. BRICS countries' current international influence is stronger than their soft power. The BRICS Academic Forum of 2014 questions were raised regarding BRICS soft power, which is a very positive development. The BRICS countries' deep involvement in globalization requires better public diplomacy to influence other countries and furthermore in shaping public policy intentions. On the interpretation of major international issues and current affairs, the Western countries' media still holds a dominant position and the BRICS country's media bodies shall enhance their international presence and influence.

Brazil's global news, Xinhua News Agency, Russia today has shown considerable strength and the BRICS international media presence helps to break the monopoly of the developed countries for the right to speak. The new essence of globalization is to build a new pattern of pluralistic civilization with equal interaction. High-qualified public diplomacy will help the political awakening of the non-Western world, and cultivates a new consensus on solving global issues.

BRICS countries represent pluralistic civilizations and their cooperation is a good example of dialogue among civilizations. BRICS countries have a long history, culture and tradition. The challenge is how these factors combine with the globalized world and generate new thinking required to solve important issues of the contemporary world. In this respect, the BRICS countries establish a healthy great-power mentality which is very important. There is a need to get rid of the victim mentality and the mentality of empire. The BRICS need to develop a more international, forward-looking and qualified great-power mentality. In light of the effects of globalization, seeking traditional wisdom is important, but it is more important is to do work on contemporary transformation informed by the changed conditions. In East Asia, for example, it is difficult to look to history for an answer to deal with so many powers in the region. Drawing on the European countries in this regard, or even Brazil's experience, in handling relations with its neighbours will be more illuminative. BRICS countries are geographically far apart, culturally diverse, where nationals of member countries know very little about each other. Therefore strengthening social and cultural exchanges between the BRICS countries in the near future is urgent. In seeking a common increase in global governance processes, BRICS countries need a collective response, however, perhaps it is even more important to build an identity-based imagined community of BRICS.

CHAPTER 11

BRICS AND OUTSIDE WORLD PERCEPTION AND OPPORTUNITIES FOR MANAGING BRICS IMAGE

BRICS and Outside World: Perception and Opportunities for Managing BRICS Image. BRICS Academic Community in Search of Identity, Independent Agenda and Outreach

*Democratising the BRICS image
through inclusive global agendas*

Elizabeth Sidiropoulos¹

Abstract

The BRICS are positioning themselves as a new, alternative force in global politics. As a new power configuration that is made up of key (re-)emerging powers, representing a significant economic and demographic proportion of the world, the BRICS nevertheless may be viewed by other states, especially other developing and low-income economies, as simply replacing one set of dominant powers with another. This paper argues that if the BRICS intend to posit themselves as a positive alternative to the existing dominant actors, and to be respected as such, the BRICS forum should embrace an inclusive developmental agenda in its global engagements. Specifically, the paper identifies tackling four global challenges that would reflect such an inclusive agenda: addressing inequality, advancing sustainable development, minimizing identity's radicalist manifestations, and navigating the nexus between sovereignty and

¹ South African Institute of International Affairs (SAIIA)

global public goods. The paper presents some options for the BRICS to lead the way in addressing some of these global challenges.

Introduction

Delinking themselves from the Jim O' Neill "branding committee" of the early 2000s, the BRICS are shaping an identity that goes beyond their importance as emerging markets (the point that O'Neill emphasised) to address aspects of the current fluid geopolitical and geo-economic configurations.

Since 2009 when the first summit was held, the "BRICS image" has become a well-known brand among the chattering classes. But it is still often, surprisingly, confused with the Jim O'Neill construct in terms of purpose. It has however galvanised interest, even if many, especially in the west, decry it for its seeming incoherence — a mix of different political and economic systems and variable power, influence and core interests.

Some see the BRICS as replacing one form of dominance with another — after all, these five states can be defined as the "new" powerful (with China as *primus inter pares*) — while others (including the BRICS themselves) consider this group as a force for positive global change.

A brand's image is a series of associations that customers hold about particular "products". It is a set of beliefs held about a specific brand (which may or may not be true). A brand has emotional value, and it is an accumulation of contact and observation by people external to an organisation or grouping. Importantly it is developed over time. In the international relations domain, the image and reputation of a country may also form part of its soft power. Soft power is the ability of states to achieve desired outcomes without the use of hard force because as Joseph Nye says, other countries admire a country's (or grouping's) values, emulate its example, and aspire to its level of prosperity and openness. Such power helps to shape the preferences of others and set agendas. Nye also emphasises though that soft power is not normative, but purely descriptive, and can be used for good or bad purposes.

Thus understanding the BRICS' soft power contributes to the external image/perception of the grouping. What might their soft power be? Their soft power as a collective may emanate at this point largely from their particular individual characteristics. China

and India for example, have made tremendous strides in reducing poverty in their countries over the last two decades. Brazil's social transfers system has also won it much kudos, while South Africa's peaceful political transformation and its international engagements since 1994 have endowed it with significant soft power.¹

All the BRICS face substantial socio-economic disparities. Four of them are developing economies with a solid Southern base, while Russia (and the Soviet Union before it) was perceived among many in the developing world as an anti-imperialist power and supporter of national-liberation movements fighting colonialism. From a soft power perspective, these can be attractive characteristics in that they imbue these five countries with the potential for empathy with others in the developing world who face similar challenges.

However, to graduate these individual attributes to the collective requires the grouping's agenda to project attractiveness through inclusivity.

If we assume that the image of the BRICS should be branded around that of positive global change, these countries both collectively and individually should be perceived as responding to key global challenges in a way that is not driven by narrow self-interest alone.

For aspiring global leaders or agenda setters, as the BRICS see themselves, the target audience is quite broad. It ranges from the traditional powers (the US, G7) to regional and middle powers, and low income countries. This audience has very divergent interests — some are diametrically opposed to new power formations, others might be highly cynical of them. If the BRICS is positing itself as a positive force for change — an alternative to some of the less benign experiences of the 20th and early 21st century — its message must be focused on advancing the instruments for a more peaceful, fairer world. In this clearly there is a long road to travel, both in the BRICS' individual practices domestically as well as in their international interactions.

Since the founding summit in 2009, the communiqués of the BRICS have encompassed an increasingly broader agenda. In 2009,

¹ See Sidiropoulos E, 'South Africa's soft power', *Current History*, May 2014.

the communiqué began by highlighting that the four members had “discussed the current situation in the global economy and other pressing issues of global development”. At just under 1,000 words in length it understandably focused on the global financial crisis and the imperative of a reformed financial and economic architecture. By 2012 the communiqué was four times longer and its focus spanned economic and financial issues, Afghanistan, terrorism and the conflict in the Middle East. Even broader and longer was the 2014 Fortaleza communiqué (at some 8,500 words), which expressed concern for the various conflicts in Africa, support for a nuclear-free Middle East, the world’s drug problems, cybercrime and internet governance, and climate change and the sustainable development goals. There is very little that is being discussed globally that has been excluded from the communiqués. What is often difficult, however, is to carry forward key aspects of a wide-ranging agenda in a systematic and outcomes-oriented way.

In this paper I identify four global challenges which are already defining the global landscape, and which states will have to deal with over the next decade domestically and internationally. Clearly, systemically important states cannot solve them (or manage them) on their own, but they nevertheless are indispensable players in addressing them. None of the challenges I outline is foreign to the BRICS discussions or indeed the communiqués, but I argue for a more strongly articulated position on these issues in the fora where these are discussed and decided upon.

I will then move on to what that might mean for the BRICS agenda, and lastly set out some recommendations for an academic agenda.

Major global challenges facing the 21st century

Challenge one: rising inequality.

In his seminal book on *The Idea of Justice*, Amartya Sen argues that “[w]hat moves us [...] is not the realization that the world falls short of being completely just — which few of us expect — but that there are clearly remediable injustices around us which we want to eliminate”¹. The gross unfairness of the inequality that characterises the world today is one such “remediable injustice”.

¹ Sen A, *The Idea of Justice*, Penguin, 2010

Writing about the violence against immigrants South Africa experienced in 2008, Stephen Gelb argues that it was not poverty but inequality that led to the violence: “It is surely not simply that people are poor that leads them to attack other poor people, but instead the sense of unfairness engendered by inequality, of being discriminated against, which creates resentments and hostility towards those perceived, rightly or wrongly, to be better off or to have received preferential treatment.”¹

The significant gains made by the world in the last several decades in reducing extreme poverty have been paralleled by the rise of inequality. In its report 2014 *Even it up*, Oxfam stated that 7 out of 10 people live in countries where the gap between rich and poor is greater than it was 30 years ago. Women are also the prime victims of heightened inequality. In South Africa inequality has grown since the end of the apartheid.² In Sub-Saharan Africa, income inequality is 44.2 on the Gini coefficient in 2008, ranking it second to Latin America and the Caribbean, while 72% of youth in SSA live on less than \$2 a day.³

The World Economic Forum’s 2014 Outlook on the Global Agenda, considered deepening inequality as the top trend, followed by persistent jobless growth. Addressing it requires action from the local all the way to the global. Some of the top solutions to income inequality were identified as tax policy, redistribution and improved education.

Inequality has accelerated social exclusion while retarding social justice. It is the result at the same time of some of the more egregious aspects of market fundamentalism as well as corrupt elites and state capture.⁴

The possible solutions are very much part of the global public debate, but they often need great political clout for the prescriptions to be enforced globally and nationally. These range from tackling illicit financial flows and international tax loopholes (which have

¹ Gelb S, ‘Resentment at inequality is a greater threat than poverty’, Business Day (Johannesburg), 25 April 2014.

² Oxfam, *Even it Up*, 2014.

³ UNECA report on MDGs 2014, p.105.

⁴ Oxfam, *Even it Up*, 2014.

seen the phenomenon of Base Erosion and Profit Sharing), to greater transparency across the economic value chain and to encourage requisite social safety systems to minimize the worst consequences of poverty and inequality. One of the major challenges in Africa is that of limited fiscal resources, which is exacerbated by illicit financial flows in which state elites and multinationals are often complicit, and where other states' jurisdictions turn a blind eye or encourage such activities where they are the beneficiaries.

The Mbeki report on illicit financial flows (IFFs) published earlier this year, estimated that such flows Africa amounted to about \$50 billion annually. Trade mispricing between 2001 and 2010 amounted to some \$400 billion.¹ Although already high, some argue that the actual volumes for Africa are much higher, especially if "bribery and theft by corrupt government officials" is given more attention.²

Global Financial Integrity's 2014 report found that worldwide illicit financial flows from the developing world reached \$991.2 billion in 2012, with sub-Saharan Africa contributing \$69 billion. BRICS themselves are among the top ten countries accounting for most of the total outflows.³

Coordinating efforts at the G20 and other forums to agree on public country-by-country reporting requirements for multinationals (under the BEPS initiative) and an automatic tax information exchange regime should be important elements that the BRICS collectively should push for in the relevant forums. The loopholes in the current international tax system sustain such practices. Strong advocacy (and where appropriate relevant action) from the BRICS would send important signals, even if on their own they would not be sufficient to effect change. BRICS support

¹ Report of the High Level Panel on Illicit Financial Flows from Africa, Illicit Financial Flows, Commissioned by the AU/ECA Conference of Ministers of Finance, Planning and Economic Development, February 2015

² Global Reporters, 'Corruption need not be relegated in Mbeki's IIFs report', 24 February 2015. <http://globalreportersnews.com/2015/02/editorial-corruption-need-not-be-relegated-in-mbekis-iffs-report/>

³ Kar D and J Spanjers, Illicit Financial Flows from Developing Countries: 2003-2012. Global Financial Integrity, December 2014.

to stem the practice of IFFs in the developing world more broadly should be strongly advocated by South Africa in particular.

For Africa and the rest of the developing world to tackle IFFs requires coordinated global, systematic action, underpinned by a strong multi-stakeholder (state and non-state) mechanism. The global tax agenda also needs to have African voices. There should be a strong push for harmonisation of extractive revenue transparency standards and for mandatory revenue disclosure laws, hard as these might be. Many of the global challenges are rooted in opaqueness and secrecy of processes and systems. The BRICS should support a drive to make them less so.

Aid, development and transparency

Fundamentally, challenging inequality is also about the debate around aid and development partnerships, financing and South-South Cooperation. BRICS and other big developing economies can play an important role in shaping the global debates on post-2015 and financing for development, as well as ensuring that they too accept that their development support (not only that of the North) should be designed in such a way that its impact can be evaluated and monitored more effectively. Civil society across Africa emphasises that while SSC may have different historical origins to that of Northern aid, it nevertheless is becoming increasingly important to assess the effect that the technical support or other funding initiatives are having in poor communities — the overall developmental impact.

Brazil, China, India and South Africa have had substantive SSC initiatives over the years. At the level of Academic Forum and Civic Forum — as well as at the government level — there can be a greater commitment to working with other developing countries to develop metrics for effective monitoring and evaluation systems that factor in SSC characteristics.¹

BRICS are active players in all of these debates. Their annual communiqués include many of the above points, but how much of this is converted into actionable plans? What, for example, would a low-income-country-sensitive economic agenda look like? In what

¹ See NeST initiative and website for work on M&E frameworks in South-South cooperation www.saiia.org.za/nest/

areas would BRICS economic cooperation be strongest in mitigating the effects of poverty and inequality in fragile and poor states?

Challenge two: The finite nature of the Anthropocene age

While recognising the historical obligations of the industrialised countries, the pressing challenge of finite resources and excessive consumption is one that all major economies (including developing ones like the BRICS) need to engage more vigorously and boldly at the international level. After all, once the resources are up, the argument about who used them first won't matter much.

Many low-income developing countries and small island developing economies consider the impact of climate change on their survival as posing an existential crisis (if not in the short term, then certainly in the medium to longer term). While the threshold of vulnerability of more developed economies is quite high, it is very low in poor countries (and often in the developing middle income countries), whose ability to mitigate or adapt is severely constrained.

The challenge to all systemically important countries, including the BRICS, is showing the political will to tackle the transition to a lower-carbon future, to work towards developing global and national policies that reflect a common understanding of sustainable development and that bring their collective research capacity to bear not only for commercially viable purposes but also to help other developing countries.

Energy has featured in the communiqués of the BRICS since its inception, as has reference to the green economy and agriculture, and climate change. Individually there have been areas where the BRICS have become leaders in technologies such as solar. While Russia is a major fossil fuel producer and SA has vast deposits of coal, in the interests of preserving the environment for future generations a transition from the current economic development model is important. SA, for example, has over the last two years built 15 solar plants that are now contributing 503 MW to the country's electricity grid. Over the next few years this is intended to grow to some 3900MW with more projects coming on line. China is the leading producer and supplier of solar panels.

Nevertheless, their role in the global debates is equally if not more important. Globally, more effort and incentives need to go into

shifting from fossil to non-fossil fuel economies in ways that don't undermine development and improved livelihoods but actually sustain and improve them. The current environmental framework and consumption trajectory in developed and developing countries has no place for the eradication of poverty or sustainable social dimension. This requires changing the business and wealth models of the last two centuries — the term blue economy is very much in vogue. Developed in the 1990s “blue economy” refers to a more competitive business model that allows producers to offer the best at the lowest prices by introducing innovations that generate multiple benefits, not just increased profits. It is intended to go beyond the “green economy” and argues for example that some of the greatest job opportunities come from replicating the waste-free efficiencies of natural eco-systems.¹

Within the BRICS South Africa is leading on the pillar on Sustainable Development, Social Justice and Quality of Life. Sustainable development means ensuring that all people have the needed resources — food, water, healthcare and energy. South Africa should lead on developing a common definition of sustainable development that will underpin a BRICS global agenda — not only one focusing on domestic initiatives. At the post-2015 summit in New York in September 2015 the BRICS should adopt positions that are also consistent with the concerns raised by other developing economies.²

Tackling climate change also requires serious attention to the balance between industry and environmental costs. With some of the world's biggest multinationals, especially operating in the extractives space, BRICS and their companies should be committing to codes of conduct and ensuring the integrity of environmental regulations. In establishing the New Development Bank, BRICS should ensure that environmental and sustainable development criteria are entrenched in the governance frameworks of the bank.

Furthermore, the BRICS strong science and research sectors, where cooperation is already occurring could accelerate innovative

¹ See <http://theblueeconomy.org/blue/Home.html>

² See for example, the Common African Position on the Sustainable Development Goals

science collaboration that includes participation of scientists from other developing countries as well as a low-income dimension. The Paris Summit later in 2015 should be an important platform for conveying a more inclusive strategy on climate change from the BRICS for a global compact.

Challenge three: Identity and “the other”

From the barbarity of ISIS in the Middle East to the xenophobia in KwaZulu-Natal and anti-immigration movements in Europe, “them” and “us” is rising as a narrative of violence around the world. These are sometimes about different ideologies, but they are also narratives of failed inclusion and integration into societies. Either way they are destructive. Radicalism driven by ideology is the more difficult to challenge as it speaks to often incompatible world views. The second one (of failed inclusion) is difficult but it can be addressed societally by countries working to attain social inclusion and justice. For the BRICS this provides an opportunity to change the global narrative and ways of dealing with “the other”. Whether in South Africa (in March and April) or elsewhere in the world, we are inundated by the prejudices surrounding “the other” be it racial, religious, sexual, ethnic, and gender differences. All BRICS face such challenges, but can we lead in condemning them and developing a paradigm that is inclusive rather than chauvinistic? Narrow identity politics undermine the imperative of cooperation that an interconnected, integrated world with transnational problems requires.

Yet, while diversity is the norm in states — whether we refer to ethnic, religious, language, or gender differences — the trend is to ascribe a “unique identity” against which others who are not part of it may be castigated, excluded or even killed. These are largely domestic problems often an outcome of resource scarcity, but they can also cross borders with marginalization acting as a catalyst to join causes such as IS.

Addressing this form of extremism requires a long-term process of engagement on the social and economic issues — not just the hard power elements and through counter-terrorist measures. Both state and non-state actors have fuelled extreme identity politics. What mechanisms can we collectively draw on — given our own histories of division and conflict — to limit and remove this?

Avoiding the outcomes of politics of humiliation require removing policies that engender a sense of marginalisation, promoting civic education and commitments to financial/economic policies that help to reduce poverty and inequality.

Challenge four: Sovereignty in a world of transnational problems

Sovereignty, a European construct that emerged out of the Treaty of Westphalia in 1648, has had a remarkably long innings — as a regulating principle of international relations it has been willingly embraced (understandably) by newly independent states in the 20th century.

Nevertheless, the 20th century, for all its brutality and the burgeoning number of independent states, also made great strides in pooling sovereignty and creating a global governance architecture intended to mitigate the worst excesses of states. The first (failed) effort was the creation of the League of Nations after the First World War. After the Second World War, the next attempt, the United Nations, was a more effective and resilient system (for all its weaknesses). As the apex body for a global community of nations, the UN (and the various agencies that make up the UN family) has created rules and instruments on matters that require global cooperation — from the nuclear non-proliferation treaty to the banning of land mines, peacekeeping and humanitarian relief. The UN's vision was that it could through its collective actions avoid the worst excesses of power politics in relations among states that had brought the world close to destruction twice in the same century.

In the 1990s the Rome Statute establishing the International Criminal Court aimed to remove the impunity of leaders. The UN General Assembly's adoption in 2005 of the “responsibility to protect” doctrine was ground-breaking in its recognition that sovereignty was not absolute and that leaders had an obligation to protect civilians, failing which the international community could intervene in the internal affairs of a state. This has proved quite contentious, especially in the emphasis placed on the third pillar of R2P, of intervention. Against this has been a countervailing trend, that of a re-assertion of the classical sovereignty principle. Emerging powers, and the BRICS more specifically, have been strong proponents of this, believing that the erosion of sovereignty

through these principles advantages Western (or US) interests to ensure their continued dominance of the international system.

Some of these critiques are well-founded, but others are not. The fact that the principle may be abused does not mean that it should be discarded; rather that we should work harder at ensuring that its intentions are honoured. The necessity of advancing global public goods as well as achieving the loftier ideals of a fairer, more just global society where people's rights are placed above those of the state, require a stronger internationalist approach. Bigger players like the BRICS have a responsibility to underwrite global and regional public goods in the interests of establishing a more legitimate global compact. Such an approach is vital if the legitimacy of our global institutions is to be enhanced.

But what is the trade-off for BRICS between reforms that allow them to maintain their privileged status and more meaningful and inclusive changes in the international system? What answers can we find to the turbulence in parts of the world where civilians are the victims? If BRICS is to adopt a more activist inclusive agenda, then it is people's security that we need to have foremost.

The uncertainty engendered by a world in flux creates opportunities for more robust debate on the kind of global frameworks that would be more legitimate and more effective while not ignoring the ordering principle of "power". At the height of the Second World War, President Roosevelt, set out the Atlantic Charter — a set of principles for the world after the end of "Nazi tyranny". Those principles were the foundation for the post-World War II order, and they were ground-breaking for their time. In South Africa, the African National Congress responded to the Atlantic Charter by issuing an African Claims document which said:

"We urge that if fascism and fascist tendencies are to be uprooted from the face of the earth, and to open the way for peace, prosperity and racial good-will, the "Atlantic Charter" must apply to the whole British Empire, the United States of America *and to all the nations of the world and their subject peoples*. And we urge that South Africa as a prelude to her participation at the Peace Conference in the final destruction of Nazism and Fascism in Europe, must grant the just claims of her non-European peoples to *freedom, democracy and human decency*... The Soldiers of all

racers Europeans, Americans, Asiatics and Africans have won their claim and the claims of their peoples to the *four freedoms* by having taken part *in this war which can be converted into a war for human freedom if the settlement at the Peace Table is based on human justice, fair play and equality for opportunity for all races, colours and classes*".

The demands of the ANC about human justice, fair play and equality ring true to this day and emphasise that ultimately states are there to protect and enable these rights. It is time now for another such Charter/Claim. What would a common BRICS vision adopt?

What does this mean for the BRICS as a grouping?

For the BRICS to have wider resonance as an alternative grouping with an inclusive agenda, if not membership, greater effort in pushing on some of the aspects highlighted above, in proper consultation with other developing countries/RECs, would be symbolically and materially important. This kind of approach lends itself to building up BRICS soft power.

Developing some of these soft power attributes would require taking on some of the major challenges of the 21st century in a manner that has wider resonance and addresses causes rather than symptoms, which sees the BRICS engaging on them for the long haul. This is a difficult path, especially given the domestic challenges the BRICS themselves face.

Can BRICS soft power be expressed collectively?

The BRICS image is not served by simply being a counterpoint to the West. If BRICS wish to convince the hearts and minds of others in the developing world then some of the real problems facing many poorer countries need to be internalised and their solutions promoted by BRICS. Being global players means they also need to constructively engage with the whole world, including the West with a positive agenda that in fact compels the West to make concessions. In Africa the difficult questions being asked about BRICS as a unit and individually is the seeming replication of North-South economic relations, resource extraction, close, un-transparent relations with elites, land dispossession in the interests of large farming interests, poor social and environmental considerations, insufficient civil society consultation. SA's

initiative to create a BRICS-Africa outreach in 2013 was a positive contribution to knocking down barriers between “them” and “us”, but more needs to be done.

An agenda for the academic community?

This paper may come across as overly ambitious or idealistic. However, aspects of the four challenges I have highlighted can form useful components of collaborative research agendas. The academic community is not a praise singer but can serve the BRICS grouping in developing an identity and building a more inclusive outreach. I want to highlight two distinct ways for the academic community:

— First undertaking research in response to specific requests/questions by BRICS governments — preferably through collaboration rather than in national silos.

— Second, developing its own independent research agenda that identifies challenges or over-the-horizon issues that the academic community believes BRICS as a global actor should be focusing on.

The academic community is less encumbered than formal governmental processes from seeking collaboration with other academic communities in areas identified as relevant to the BRICS project. Cross-border academic communities — organically grown initiatives that often operate outside formal tracks as well as within them — illustrate the true essence of the achievement of an academic community. The BRICS academic community should emphasise independence in thinking and outcomes that reflect the pressing challenges of the world, not only primarily national perspectives or intra-BRICS cooperation.

BRICS: Their Role and Image in the Changing World Context

*Vladimir Davydov*¹

Though ultimately the BRICS countries have made a significant progress in the practical realization of their plans and

¹ Institute of Latin America, Russian Academy of Sciences

initiatives, the group of the five ascending countries still is looking for the establishment and clearing up of the very model for this agreement.

The problem of the role and functions of BRICS in international relations is connected with a desirable image and its possible context. At the same time, one must take this problem into consideration according with the two aspects: in the outer sphere, outside the BRICS frameworks, and in the inner sphere of every BRICS member. I think that those two lines are mutually interdependent. A more profound and organic understanding by the sides of each other's interests and strategic orientations creates a corresponding ground for their better perception of each other, and the perception of their individual images, which creates a common platform of perception of the interests of the "Five" outwards.

As it seems, the expert community should play a guiding role in stimulating the mutual understanding within the "Five", appealing to the national states as well as to the civil societies. The importance of this is so more evident if we take into account the unsatisfactory state of affairs in this realm. In spite of the latest progress, the image of the partners within the BRICS scheme still suffers from different *lacunae* and, sometimes, of the residual wrong perceptions.

As the recent high level negotiations between China and India have shown (May 2015), the political will to surmount mutual misunderstanding is still present even in the most difficult cases. Such is a positive influence of the BRICS multilateral format on the format of bilateral relations within the BRICS scheme.

There is ample coverage of the ideas about the role and significance of the group in the declarations of the BRICS summits. The group preaches a non-confrontational *modus vivendi* with other groups of states or separate powers. A key task envisaged, lies in a search for a compromise, if not a consensus, in a reaction on a change in the correlation of forces in the world economy and politics. In such a way, BRICS will be seen as a "security cushion" against chokes in a turbulent transition from the old system of global management to the new one, corresponding to the realities of the XXI century.

This interpretation (taken as a principal position) does not seem to raise opposition in the five member countries.

Next step — is the scope of functions and tasks. The brief timeframe of BRICS history shows that each round (a year-all summit “race”) is accompanied with a significant broadening of the scope of common activity, of the circle of objects and subjects involved. It’s clear that at the initial stages there is an enthusiasm, which stimulates the preponderance of the extensive trends. However, the future development can’t be foreseen without the shift from the extensive to the intensive work, i.e. without the concentration of efforts along the decisive directions. Without stressing the practical side of the affair it’s impossible to gain a significant effect in the desirable time. And this demands a system of priorities. In its turn, this new basis will regenerate an emotional impulse, corresponding to the scale of the BRICS mega-project. Accordingly, the task of the expert community in this stage of development provides the orientation towards practical realization of the strategic initiatives, produced by the “Five”.

As we see, the BRICS countries have already significantly moved in this direction. Two projects have been put forward, viz., the BRICS New Bank of Development and the Contingency Reserve Agreement (CRA). It would be naïve to think that the mechanisms of the Bank and CRA will be put into practice overnight and thereafter immediately create a sound alternative to the Bretton Woods institutions. Such talk is sometimes heard among the most “ardent” BRICS advocates. Truly, the BRICS have ahead of them a large and difficult task in order to produce the desired effect.

In unpacking the are priorities for such an initiative we find the BRICS are finding greater clarity in reaching the desired effect. The BRICS now refer to a wider use of national currencies in the bilateral, as well as in the multilateral schemes of mutual trade. The BRICS have imparted lessons from the late global crisis, which made evident the fact of weakness of the traditional currencies, especially when considering the present geopolitical confrontation of the “collective West” with Russia, including “the war of sanctions”. Our immediate future will be encapsulated by the proper *liaison* of the fund markets via a Stock Exchange union to raise the level of capitalization of the member state’s corporations, towards the creation of the common mechanism for the provision of the energy, and thereafter towards food security.

Using its own possibilities, the presence of its member-states at the world markets, established connections with the traditional as well as with the new partners, BRICS can initiate the creation of the mechanisms of access to the exploitation of the strategic resources in the international level (it can be done within the UN frames, supposedly using the IAEA model, or using a parallel interstate format).

The demand of the quotas and votes in the IMF and the World Bank of course remain a high priority, considering the present weight of the BRICS members in the world economy. The practice shows, that one shouldn't expect a benevolent attitude towards the BRICS from the traditional heavy-weights, who control the Bretton Woods institutions. This task demands a persistent and an object — oriented work with a step by step proceeding.

The list of tasks, of course, can be expanded on by including within it an imperative of a common platform on the world climatic and ecology problems, the UN reform, the anti-terrorist and anti-narcotics policies. It is clear, that without having a strong common policy in the sphere of information, without their proper individual and collective efforts in this field, one cannot count on the introduction of BRICS common approaches into the global agenda. This requires a need for cooperation and accordingly, one should and must speak about the need of a kind of a “pool of information” within BRICS, provided with an ample number of international agencies. with possibly a common multimedia program (perhaps similar to the Euronews example).

Precisely a modern information basis (and only such!) can bring results in the expert work, destined to propagate the BRICS ideas abroad, to prevent the distortions of them on the part of the “collective West” and the tentative to discredit the very project of BRICS, which were undertaken during practically all years of its existence.

What are the lines, along which there are such defamations that are done? Firstly, the BRICS members are different in the economic, political and socio-cultural senses and there is often a conclusion about the incompatibility of their interests in world affairs. Often heard is the thesis, based on the contra posing of the three democratic and the two “authoritarian” states. Contra posed

to this is the three resource — abundant countries, as opposed to the economies of India and China, greatly dependent on the raw materials import. Much is being spoken about the differences in the growth and the technologic innovation dynamics, which really occurred lately. At last, one or another BRICS member periodically becomes an object of the “soft” diplomacy on the part of the “collective West” leaders, who try to attract it on their side by the promise of better “dividends”. In some cases they extract the “hard” diplomacy measures: rude economic sanctions and media high caliber aggression.

It’s futile to think, that in such cases “soft” or “hard” diplomacy is destined only for an individual use (an individual object) and do not pursue an aim to weaken the position of all five.

All this demands a corresponding reaction in the expert work to strengthen the BRICS foundations. It also asks for a stronger projection in the outer world of its collective approaches and the initiatives. The BRICS expert society, step by step, elaborates a common discourse, in spite of the objective differences. Those, meanwhile, do not have an antagonistic character and do not exclude a coincidence of their strategic orientations. They only form up a natural perspective for the international relations field that requires a search for compromises and coordination. It is otherwise well known, that differences allow the very space where economic interdependence exists.

The differences should be interpreted also in another way. It’s a high representative level of BRICS that must be stressed, while thinking about the five great civilizations represented there, which do not enter under the “collective West” zone. And this quality is fully adequate to the needs of the nascent polycentric world order. Accordingly, this quality is an important prerequisite of the BRICS countries in the world politics (comparing them, for example, with the “Big 7”).

Key significance, is given to the problem of the defense and the development of the international law. This aim is determined by the community of values and legal systems of the BRICS member-states and is directed towards a more balanced world order, based on mankind’s higher responsibility of the maintenance of the international security and of the ecological balance of the planet.

The creative potential of the BRICS demonstrates itself in the common work of the expert and academic communities when problematizing human rights concerns. The latter was formed mostly using western criteria and has always been strictly guarded by the West against all possible “free interpretations” leading towards the current period, where we find this conception has ceased to correspond to the realities of the new century.

The innovative BRICS approach to the problem of human rights may be founded upon a rich value-based platform, including 5 civilizations of our planet, on their philosophic heritage and the culture of law. Special significance is now attributed to the right to maintain and reproduce one’s own national and cultural identity.

The authority of BRICS in the course of the innovative re-arrangement of the global management will be fortified by a constructive compromise of all the member states (considering that the BRICS would no longer shy away from such problems), to reform the UN Security Council and therefore addressing the desire of the BRICS members, which do not have permanent seats in that authority. As it seems, such a possibility appears in the context of the so-called “Uruguayan scenario” (which occurred when the Uruguayan Foreign ministry was invited to participate with a non-permanent status in the works of the Security Council). This supposes the broadening of the list of the permanent members, while the old members of the “club” retain the “veto” power. The role, played by the expert society in a preparation of a non-biased scenario of this kind is, without any doubt, great.

So, the international image of the BRICS countries, as such, resolutely speaking, is put into a direct dependence due to the greater role of the “Five” in the re-construction of the existing world order. The re-construction minded approach of the “Five” acts in a non-confrontational basis with an emphasis on possible neutralization of risks as they appear. There may also appear to be some unfavorable deviations depending on the circumstances. In the same manner, as in the individual level, when the country image (*imagen país*) is formed, one can’t do without professional experts either. This work should be necessarily tied to the possibility of cooperation, in the frames of the already proven mechanism of the BRICS “think tanks”.

BRICS and Outside World: Perceived vs Designed Images

*Zhu Tianxiang*¹

“It is time for the world to build better global economic BRICS”, argued by Jim O’Neill in 2001. From then on, BRICs began to be a buzzword in the field of academic research. Since 2008, against the background of financial and economic crises that broke out in the western countries, BRICs was regarded as a new framework for emerging economies to engage in global governance. As a result by 2009, BRICs as a group became more than just a concept and two years later, South Africa was invited to join the summit, and BRICS finally became a cooperative regime composed of five members. Due to the nature and size of BRICS’ power, influence, and initiatives, there is no choice for the rest of the world to pay attention, and is a necessity to consider this emerging giant not only in the global economy, but also in global politics.

Why should the rest of the world care? Three questions would be asked about BRICS image, i.e.(1) what is the BRICS, (2)what does the BRICS do, and (3)what does the BRICS have. The first question refers to the nature of BRICS, for example, when it comes to BRICS, are we referring to a bloc or to individual member nations The second one discusses the goals of BRICS, in this instance referring to what BRICS would like to do. Would it challenge or complement the current system and order? The last one is related to the tools of BRICS, in terms of what could be utilised or depended on to achieve its goals. Therefore, this paper would be divided into three parts. Firstly, the author provides some examples of opinions of the outside world on BRICS image. Secondly, the author compares these images with BRICS self-image and explains where the gaps appear. Finally, the author proposes some policy advice.

BRICS image in others’ eyes

For BRICS, the so-called outside world, according to their levels of development, could be divided into three groups. The first

¹Sichuan International Studies University

one is developed countries, such as U.S., EU, and other G7 members. The second one is other emerging countries excluding the BRICS, such as Bangladesh, Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey and Vietnam (Next Eleven, N-11).¹ The third group involves the developing countries, such as those nations belonging to the Group of 77.

Information extracted from the U.S. Department of State website, one identifies questions about the BRICS from mass media mainly refer to three aspects. Firstly, questions are raised whether BRICS is a single power or not in U.S. foreign policies. Secondly, additional questions are raised whether the BRICS' new initiatives towards the international system viewed as challenges or not to the U.S. dominated international order? Thirdly, the mass media asks whether the U.S. should be concerned about BRICS.

The U.S. officials answered these questions in the following manner: "I don't think we see BRICS as a single entity in any way. I don't think the BRICS would believe that they are a single entity. They have many common interests but they also have a lot of differences. So I think that it would be not just premature, but a misreading of the situation to imagine that BRICS should be treated as a single entity."² On the contrary, U.S. "enjoys good relations with all the countries within the BRICS. We have on-going bilateral dialogues with all of them."³ In addition, comments on President Assad's appeal to BRICS showed that U.S. would not interact with BRICS as a bloc, but "obviously have relationships with those countries individually"⁴

¹ Goldman Sachs Global Economics Group, BRICs and Beyond, 2007, p. 131.

² Philip H. Gordon, Assistant Secretary, Bureau of European and Eurasian Affairs, Published March 1, 2012, Moscow, Russia, February 17, 2012, <http://www.state.gov/p/eur/rls/rm/2012/185053.htm>.

³ Mark C. Toner, Deputy Spokesperson, Daily Press Briefing, Washington, DC, March 30, 2012, <http://www.state.gov/r/pa/prs/dpb/2012/03/187213.htm>.

⁴ U.S. Department of State, On-Camera Daily Press Briefing Index, Wednesday, March 27, 2013, <http://translations.state.gov/st/english/text/trans/2013/03/20130327144885.html#axzz3YwusI84M>

When it comes to the BRICS development bank, U.S. doesn't "view it as an alternative to the World Bank or the IMF. It's a different means of expressing the goal of achieving the same objectives." However, they also reminded that "it's important that any new institutions that develop not look backwards and go through the process of having to re-learn lessons that were learned decades ago."¹ Meanwhile, U.S. would like to wait and see until "many of the important details, including its governance and any relationships with the established international financial institutions are clear".² Of course, similar situations also appeared in the fields of international politics and security.

From the U.S. perspective, the country is not concerned about BRICS at all. Not only because the U.S. has good relations with all the BRICS countries, but also because it is natural for BRICS to have their own dialogue. Therefore, the U.S. does not see BRICS as a threat.³ However, in view of U.S. strong support of current multilateral institutions and its long standing leading role in these institutions, the U.S. thinks BRICS "is something we're going to have to take a look at".⁴

Compared with the U.S., The European Union seems to have a clearer foreign policy towards BRICS. Opinions surfaced from the EU, identify that the BRICS "does not constitute or comprise a formal grouping of countries designed to play a specific role in international affairs", therefore "the EU should develop a relationship with each one of those countries, taking note of their singularity and specific foreign policy objectives and aims". In other words, "the EU should invest in strategic partnerships with

¹ A Discussion with U.S. Secretary of Treasury, Mr. Jacob J. Lew, Moderated by Mr. Godfrey Mutizwa of CNBC Africa, October 29, 2014, <http://www.state.gov/r/pa/ime/africamediahub/releases/233644.htm>.

² Jen Psaki, Spokesperson, Daily Press Briefing, Washington, DC, July 16, 2014, <http://www.state.gov/r/pa/prs/dpb/2014/07/229360.htm>.

³ Press Conference, Robert O. Blake, Jr., Assistant Secretary, Bureau of South and Central Asian Affairs, Beijing, China, March 18, 2011, <http://www.state.gov/p/sca/rls/rmks/2011/158583.htm>.

⁴ Patrick Ventrell, Acting Deputy Spokesperson, Daily Press Briefing, Washington, DC, March 26, 2013, <http://www.state.gov/r/pa/prs/dpb/2013/03/206703.htm>.

each BRICS country”.¹ Europeans are aware that “there are major differences (among BRICS) economically and politically and socially and anyone looking at those countries would see how significantly different they are”.² However, taking into account of BRICS’s “attempt to act as a group in foreign policy terms”, EU should also “focus on the BRICS as a potentially cohesive group of States”.³

In addition, Catherine Ashton, the former EU high representative for foreign affairs and security policy and vice President of the European Commission, pointed out that Europeans “know the economic statistics that have brought about the phenomenal rise of the emerging powers, but for me the essence of this is about the politics. What matters is that the economic clout is translated into political clout, self-confidence and ambition for the role that can be played.”⁴ In this sense, “a multi-polar system has emerged”, which “entails a progressive shift in global economic power to the BRICS and other emerging economies and may further entail a shift of leadership and positive leverage in foreign policy terms from established powers to emerging powers”.⁵

Europeans continued to argue that even though what BRICS did in the UN Security Council pertaining to certain instances, most notably at the onset of the Libyan and Syrian crises and, additionally, by deferring the vote on the role of the EU in the UNGA and by adopting coinciding positions on Côte d’Ivoire and Sudan, showed that “BRICS may seem to be challenging the current

¹ Report on the EU foreign policy towards the BRICS and other emerging powers: objectives and strategies, Committee on Foreign Affairs, 10.1.2012, p. 5. <http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A7-2012-0010&language=EN>

² Catherine Ashton, Speech on EU foreign policy towards the BRICS and other emerging powers, European Parliament, Bruxelles, 01 February 2012. http://eeas.europa.eu/images/top_stories/020212_brics.pdf

³ Report on the EU foreign policy towards the BRICS and other emerging powers: objectives and strategies, Committee on Foreign Affairs, 10.1.2012, p. 8.

⁴ Catherine Ashton, Speech on EU foreign policy towards the BRICS and other emerging powers, European Parliament, Bruxelles, 01 February 2012.

⁵ Report on the EU foreign policy towards the BRICS and other emerging powers: objectives and strategies, Committee on Foreign Affairs, 10.1.2012, p. 4.

system of international governance, but that democratic dialogue, political engagement, including on an individual basis, and true partnership may bring to the fore positive synergies and facilitate a new inclusive system of global governance.”¹ Therefore, EU “insists that the challenges posed by the rise of the BRICS should be seen as an opportunity rather than a problem”.²

However, some member states like Denmark still tended to emphasize that with BRICS playing a larger role in international relations, “Western values will be challenged in ways hitherto unseen. International cooperation will become more complicated and will challenge the role of established institutions — notably the UN, WTO and the International Monetary Fund.”³ The good news may be, from South Korean perspective, “in any case, it would be unrealistic to expect that the BRICS countries’ rise to global economic power will be linear”, and more importantly, “there is little solidarity of the BRICS as a geopolitical coalition.”⁴

Besides official institutions, scholars are also interested in the BRICS image. They would like to clarify the specific role BRICS will play in relation to more industrialized countries and how they will cooperate among themselves. On the one hand, it is argued that “investment in emerging economies, such as the BRICS, is the main chance the EU and the U.S. have to create growth. It is time for G-20 leaders to grab this opportunity as a powerful driver for global growth”.⁵ On the other hand, it is assumed that BRICS would not

¹ Report on the EU foreign policy towards the BRICS and other emerging powers: objectives and strategies, Committee on Foreign Affairs, 10.1.2012, p. 8.

² Report on the EU foreign policy towards the BRICS and other emerging powers: objectives and strategies, Committee on Foreign Affairs, 10.1.2012, p. 9.

³ Mette skak, The BRICS and Denmark—Economics & High Politics, Danish Foreign Policy Facebook 2013.

⁴ Wang Hwi Lee, Sang Yoon Ma and Kun Young Park, Korean Foreign Policy and the Rise of the BRICS Countries, Asian Perspective, Vol. 31, No. 4, Special Issue on «The BRICs Countries (Brazil, Russia, India, and China) in the Global System» (2007), pp. 221-222.

⁵ Peter Drysdale, The BRICS, the G-7 and Deploying New Global Economic Power, European View, 2011, (10): 159–164.

be “an organization capable of changing the international system as long as BRICS members have different kinds of expectations when it comes to the future world order”.¹

Therefore, “BRICS is actually a heterogeneous group”, and “the group will fail to achieve any degree of homogeneity or consistency in their actions with visible results as stated in BRICS summits so far”.² Of course, it is not to say that BRICS serves no purpose or function. “It is safe to assert that the BRICS members do the following: stabilize the international environment and prevent encirclement; exchange ideas and experiences; coordinate common positions and improve their bargaining positions with Western countries; hide in a group to avoid negative attention while advancing their agenda; help other developing countries; strengthen their identity as developing countries; restrain American hegemony and revisionism; and minimize dependence on the U.S. by exploring other options.” In this sense, BRICS could be “conceptualized as an “international regime” operating relatively well in a specific field of international relations, nothing more”.³

Well, if BRICS wants to do and does do something on world stage, then what would be its basis? According to Jeffrey D. Wilson, BRICS could be regarded as “resource powers”, which means that “all the BRICS are well endowed with mineral and energy reserves”, and “contributes to the international status of the BRICS through two mechanisms: the use of resource industries as a base for economic development programmes; and the use of “resources diplomacy” as a tool for international influence”.⁴ But he also pointed out that BRICS “resource diplomacy efforts could sometimes have the unintended consequence of straining rather

¹ Jyrki Kakonen, *BRICS As A New Power in International Relations? Geopolitics, History, and International Relations*, 2014, Vol. 6(2): 85-104.

² Alexandra Sarcinschi, *BRICS — A Homogeneous Group or Just Some Common Interests? Strategic Impact*. 2013, (3): 22.

³ Sadik Unay, *Reality or Mirage?: BRICS and the Making of Multipolarity in the Global Political Economy*, *Insight Turkey*, 2013, Vol. 15 (3): 77-94.

⁴ Jeffrey D. Wilson, *Resource Powers? Minerals, Energy and the Rise of the BRICS*, *Third World Quarterly*, 2015, Vol. 36 (2): 224-225.

than augmenting diplomatic relationships”, which would label BRICS as neo-liberalism or offensiveness.¹

BRICS self-image designed

On June 16, 2009, leaders from BRIC countries stated at their first summit in Russia that “we have agreed upon steps to promote dialogue and cooperation among our countries in an incremental, proactive, pragmatic, open and transparent way.”² Since then, BRIC began to be an interactive platform for Brazil, Russia, India and China. This approach was repeated during the second summit, held the following year in Brazil. By the third summit, BRICS leaders declared that “in the economic, financial and development fields, BRICS serves as a major platform for dialogue and cooperation. We are determined to continue strengthening the BRICS partnership for common development and advance BRICS cooperation in a gradual and pragmatic manner, reflecting the principles of openness, solidarity and mutual assistance.”³

In addition, the Sanya Declaration stated that the progress of the BRICS cooperation in various fields had been “enriching and mutually beneficial and that there is a great scope for closer cooperation among the BRICS”. BRICS will be “focused on the consolidation of BRICS cooperation and the further development of its own agenda”. BRICS countries “are determined to translate their political vision into concrete actions and endorse their Action Plan, which will serve as the foundation for future cooperation”. According to the action plan, BRICS would strengthen their cooperation by holding a series of meetings, such as the meeting of Ministers of Foreign Affairs during the 66th Session of the United Nations General Assembly, the old sherpas/sous-sherpas meeting in due time, the meeting of representatives to international organizations based in New York and Geneva in an informal manner, and the meeting of Ministers of Finance and Governors

¹ Jeffrey D. Wilson, *Resource Powers? Minerals, Energy and the Rise of the BRICS*, *Third World Quarterly*, 2015, Vol. 36 (2): 234.

² Joint Statement of the BRIC Countries Leaders, Yekaterinburg, Russia, June 16, 2009.

³ Sanya Declaration, BRICS Leaders Meeting, Sanya, Hainan, China, April 14, 2011.

of Central Banks under the G20 framework and during the annual meetings of the World Bank and International Monetary Fund.¹

The fourth summit reiterated that “BRICS is a platform for dialogue and cooperation amongst countries that represent 43% of the world’s population, for the promotion of peace, security and development in a multi-polar, inter-dependent and increasingly complex, globalising world.” In addition to what had been mentioned on last summit about BRICS coordination on various occasions, its Delhi Action Plan added another two cases to the list, i.e. meetings of BRICS Trade Ministers on the margins of multilateral events, or stand-alone meetings, as required, and consultative meeting of BRICS Senior Officials on the margins of relevant environment and climate related international fora, as necessary.²

The fifth summit claimed that member states would “aim at progressively developing BRICS into a full-fledged mechanism of current and long-term coordination on a wide range of key issues of the world economy and politics”³, while the sixth summit did further “pledge to deepen BRICS partnership with a renewed vision, based on openness, inclusiveness and mutually beneficial cooperation”, and “to explore new areas towards a comprehensive cooperation and a closer economic partnership to facilitate market inter-linkages, financial integration, infrastructure connectivity as well as people-to-people contacts”. Leaders were also committed to raise their economic cooperation to a qualitatively new level and emphasized the importance of establishing a road map for intra-BRICS economic cooperation. In this regard, they welcomed the proposals for a “BRICS Economic Cooperation Strategy”, a “Framework of BRICS Closer Economic Partnership”, and a Long-term Strategy for BRICS recommended by the BTTC. What was more important was that the Fortaleza Action Plan pointed out one of the new areas of cooperation which could be explored, was a foreign policy plan dialogue.⁴

¹ Sanya Declaration, BRICS Leaders Meeting, Sanya, Hainan, China, 14 April, 2011.

² Delhi Declaration, fourth BRICS Summit, New Delhi, 29 Mar, 2012.

³ Durban Declaration, fifth BRICS Summit, Durban, 27 March 2013.

⁴ Fortaleza Declaration, sixth BRICS Summit, Fortaleza, 15 July 2014.

Judging from the above summits and their declarations as well as action plans, it is safe to say that with the deepening of cooperation, BRICS countries are trying to be a group with more coordination, more cooperation, common strategies, common positions, and common actions, so that they can benefit from BRICS as a whole both within this group and in international society. The prospect is attractive, but the process is really hard. One of the reasons why the outside world does not believe that BRICS could become a coherent group, and prefers to interact with them on individual basis, is due to the diversity amongst BRICS countries “in terms of history, culture, political systems, economic structures, resource endowment, and levels of development”. Although BRICS “members view these as a demonstration of the diversity of the world’s civilizations”¹, they have to look for some solutions to avoid conflicts while making full use of their comparative advantages.

Just as mentioned above, it is reasonable for BRICS countries to cooperate as a whole, in particular when they appear in international relations. Perhaps they could achieve their own goals separately in the name of BRICS, but it is absolutely, at least in general, better for them to act together as BRICS, if their external goals are taken into account. So, what do BRICS countries plan to do in international affairs? The summits also give us clues to find the answer.

Since the first summit, BRICS leaders have been underlining their 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”², which was reiterated at the second summit. The third summit declared that “it is the overarching objective and strong shared desire for peace, security, development and cooperation that brought together BRICS countries with a total population of nearly 3 billion from different continents. BRICS aims

¹ Towards a Long-term Strategy for BRICS—Recommendations by the BTTC, http://orfonline.org/cms/export/orfonline/documents/long_term_strategy.pdf

² Joint Statement of the BRIC Countries Leaders, Yekaterinburg, Russia, June 16, 2009.

at contributing significantly to the development of humanity and establishing a more equitable and fair world.”¹

But how will these objectives be achieved? BRICS leaders share the perception that “the world is undergoing major changes that highlight the need for corresponding transformations in global governance in all relevant areas”.² The BRICS need to determine what will be their entry point for action. Taking into account the origin of the BRIC as a concept and the background of BRICS leaders’ first meeting, it is obvious that economic governance, especially in the field of financial governance becomes the most important subject. In this sense, at the very beginning, BRICS leaders “are committed to advance the reform of international financial institutions, so as to reflect changes in the world economy. The emerging and developing economies must have greater voice and representation in international financial institutions, and their heads and senior leadership should be appointed through an open, transparent, and merit-based selection process”. They also believe that “there is a strong need for a stable, predictable and more diversified international monetary system”.³

The second summit showed that BRICS “will strive to achieve an ambitious conclusion to the ongoing and long overdue reforms of the Bretton Woods institutions. The IMF and the World Bank urgently need to address their legitimacy deficits. Reforming these institutions’ governance structures requires first and foremost a substantial shift in voting power in favour of emerging market economies and developing countries to bring their participation in decision making in line with their relative weight in the world economy”⁴, while Summit 4 clarified the concrete requirements, e.g. the candidatures for the position of the President of the World Bank should be from developing world, the Heads of IMF and World Bank be selected through an open and merit-based process.

¹ Sanya Declaration, BRICS Leaders Meeting, Sanya, Hainan, China, 14 April, 2011.

² II BRIC Summit—Joint Statement, Brasilia, April 16, 2010.

³ Joint Statement of the BRIC Countries Leaders, Yekaterinburg, Russia, June 16, 2009.

⁴ II BRIC Summit—Joint Statement, Brasilia, April 16, 2010.

“Furthermore, the new World Bank leadership must commit to transform the Bank into a multilateral institution that truly reflects the vision of all its members, including the governance structure that reflects current economic and political reality.”¹

However, changes always come too late. On the one hand, BRICS leaders expressed their “concerns at the slow pace of quota and governance reforms in the International Monetary Fund”² and disappointment and serious concerns with the current non-implementation of the 2010 International Monetary Fund (IMF) reforms³, meanwhile criticized “international governance structures designed within a different power configuration show increasingly evident signs of losing legitimacy and effectiveness, as transitional and ad hoc arrangements become increasingly prevalent, often at the expense of multilateralism”. On the other hand, BRICS leaders argued that “the BRICS are an important force for incremental change and reform of current institutions towards more representative and equitable governance, capable of generating more inclusive global growth and fostering a stable, peaceful and prosperous world.”⁴ As a result, the sixth summit declared the emergence of the New Development Bank (NDB) as well as the BRICS Contingent Reserve Arrangement (CRA).

Although the Fortaleza Declaration explained that “the NDB will strengthen the cooperation among our countries and will supplement the efforts of multilateral and regional financial institutions for global development’, and “this (Contingent Reserve) arrangement will have a positive precautionary effect, help countries forestall short-term liquidity pressures, promote further BRICS cooperation, strengthen the global financial safety net and complement existing international arrangements”⁵, and in general reiterated that BRICS cooperation is “inclusive and non-confrontational” and “open to increasing engagement and

¹ Delhi Declaration, fourth BRICS Summit, New Delhi, 29 Mar, 2012.

² Delhi Declaration, fourth BRICS Summit, New Delhi, 29 Mar, 2012.

³ Fortaleza Declaration, sixth BRICS Summit, Fortaleza, 15 July 2014.

⁴ Fortaleza Declaration, sixth BRICS Summit, Fortaleza, 15 July 2014.

⁵ Fortaleza Declaration, sixth BRICS Summit, Fortaleza, 15 July 2014.

cooperation with non-BRICS countries”¹, it is easier for the outside world, in particular those who play dominant roles in existing international frameworks, to consider BRICS to be a challenger or at least a competitor. Anyway, the rise of BRICS as leading emerging economies leads to the changes in terms of balance of power. What is more, BRICS always choose to stand with emerging market economies and developing countries, and be proactive to safeguard the interests of the developing world in many issue-areas, which are impressed by the developed world about the traditional south-north confrontation. This is also the reason why the other emerging economies and many developing countries would hold a relatively positive image of BRICS.

If the above discussion is mainly related to the willingness of BRICS, the subsequent question is about its ability to do so. As we all know, economic growth is the seed for the emergence of BRICS and also the source of its influence in international system. In recent years, with the declining growth rate for some BRICS members, the outside world starts to be sceptical of or worried about the future of BRICS as a group, but BRICS leaders on the latest summit argued that “during the first cycle of BRICS Summits, collectively our economies have consolidated their position as the main engines for sustaining the pace of the international economy as it recovers from the recent economic and financial global crisis. The BRICS continue to contribute significantly to global growth and to the reduction of poverty in our own and other countries.” BRICS leader were also confident that, against the background of significant downside risks to world economy recovery as well as the unemployment and debt levels remaining weak in many advanced economies, “emerging market economies and developing countries (EMDCs) continue to contribute significantly to global growth and will do so in the years to come”². For the outside world, worries mainly originate from the possible loss of investment and assistance, while doubts maybe aim to destroy the basis of BRICS, and further defer its development as a bloc.

¹ Sanya Declaration, BRICS Leaders Meeting, Sanya, Hainan, China, 14 April, 2011.

² Fortaleza Declaration, sixth BRICS Summit, Fortaleza, 15 July 2014.

Manage BRICS image

Image is constructed during the process of interaction. When it comes to the above mentioned three images of BRICS, actions could be taken as follows:

Firstly, BRICS countries themselves need to make it clear whether they would like to form a cohesive group and to what extent such a grouping of the BRICS could be institutionalized. The BRICS Think Tank Council would not only be concerned about the enlargement issue, but also to pay much more attention to the on-going deepening as well as efficient and effective operation of this regime. In addition, BRICS members must learn something from the notion and practice of the phrase “united in diversity”, and transform their differences into a source of power. In addition, in order to better achieve BRICS global goals, intra-coordination with disputes could be acceptable, but the tactics that are displayed in front of the outside world should show the greatest common divisor among BRICS members.

Secondly, for BRICS, it is absolutely right to stand together with other emerging economies and developing countries, but it does not follow that BRICS should choose a road against the West. In theory, we are going to construct BRICS own roles in international system. A challenging approach is too offensive while a competitive approach tends to lead to a zero-sum game. A constructive cooperative approach for global governance may be the optimal choice. In practice, we have to balance the degrees between cooperation and competition, and try to build the Community of Common Destiny with the others. In terms of the list of affairs, BRICS seems to cover more and more issues, but a greater coverage of issues may not have the strongest impact. To some extent, large-scale dialogues usually go in the opposite direction of result-oriented cooperation. After all, time and resources are both limited, therefore, the comparative advantages of BRICS, compared with other regimes and institutions, need to be explored carefully.

Finally, BRICS ought to accept and adapt to the economic new normal, then look for the new ways to keep sustainable growth. Meanwhile, what BRICS wants to do is not only about economy. To promote peace and development needs much more support for the underlying factors that contribute to peace and development.

Therefore, when the concept “resource power” is mentioned, resource, here, could be perceived in broader sense. That is to say, BRICS’ role and influence in the world depends upon not only their economic achievements and natural resources, but also their special values, historical heritages, and rich civilizations. In this sense, on the one hand, public diplomacy towards the outside world is a necessity for BRICS governments; and on the other hand, BRICS citizens need to strengthen their mutual communication and further contacts with other countries. Public opinions will always have the final say about inter-state relations.

Russia and the BRICS

*Pavel Knyazev*¹

Summing up the results of the Ufa summit we can state without any doubt that BRICS is playing very unique role in the fields of information security and Internet governance, as there is no more regional or inter-regional association that attaches so great attention to this issue. You can just count the number of pages in the Ufa Declaration related to the problematic. Surely, there was a great amount of work behind all these pages of final documents.

The real breakthrough took place this year — it was first time when BRICS countries managed to come to terms in Internet governance issue. We agreed on common language, common principles and common terms in this regard, as well as devoted a full-fledged paragraph in Declaration. Russian chairmanship originally set a high-priority task to discuss the issue on the top level and to make BRICS voice sound in this regard as well.

We held long and sometimes rather difficult negotiations before Ufa. It is no secret that our views and approaches coincide on every aspect, and we have some differences (and that is quite natural). But in the end we managed to reflect the joint position of the five countries on a vast range of aspects of the use of ICTs.

It is important that BRICS considered, as consistent with the text of Ufa Declaration, that the Internet is an international

¹ Ministry of Foreign Affairs of the Russian Federation

resource and that States must enjoy equal rights to participate in its development and use, taking into account the need to involve the relevant stakeholders within their roles and responsibilities.

In practical terms, there were several decisions, which are also reflected in the Ufa Declaration and Action Plan. Here I'm talking about the establishment of a separate BRICS working group for cooperation in the field of ICTs. This group will focus on the Internet governance and other issues of cooperation in the field of ICTs, including possible practical collaboration projects. Last Friday we held in Moscow the meeting of BRICS communications ministers. And in the final communiqué they reaffirmed the strong need and intention to deepen cooperation within BRICS and agreed to hold annual meetings of the working group. To add it is also the first time for our communications ministers to meet — and we hope this format will become annual as well.

The next track to talk about is information security. I place it as the second not in terms of priority, but because this issue is not something new to BRICS and has its own place in the BRICS political agenda. In June under the Russian presidency we held the second meeting of the expert working group on security in the use of ICTs. This group was established by South African chairmanship. The meeting was traditionally productive and useful. In addition to discussing a number of tabled documents and initiatives experts held a substantive and detailed discussion on the prospects of practical cooperation.

Moreover the group has played a major role in coordinating the approaches of the BRICS countries at the final meeting of the UN Group of Governmental Experts on information security that adopted its final report to Secretary-General.

At the summit stage we also made a qualitative step forward. We crafted declaration language in a more clear and objective way. So I can single out the most important ideas endorsed in Ufa:

— The need for early adoption of the rules of responsible behavior of states in information space;

— Adherence to the principles of respect for national sovereignty and non-interference in the affairs of other states;

— Recognition of the key role of the UN in the discussion and consideration of the information security issues by international community;

- The concept of non-use of force in the information space;
- Need for development of a universal international legal instrument for cooperation in the fight against cybercrime.

At the level of the heads of States, we also clarified the mandate of the working group on security in the use of ICTs. Among other things, she is now charged with the networking of national teams to respond to computer incidents and joint projects in the area of specific scientific and technological developments.

In conclusion we could state that BRICS entered the stage of comprehensive practical cooperation in the field of ICTs. We continue to work on a wide spectrum of issues ranging from political and diplomatic up to technical cooperation. To the moment we are satisfied with the work done during our presidency. The turn of official ICT-related events is over for Russian presidency, so we wish a good luck to our Indian partners, who are next to pick up the BRICS baton next year.

UNCLOS and BRICS

*Pavel Gudev*¹

It is useful to recall, that last year — in 2014 — we celebrated 20 years since the 1982 Law of the Sea Convention, briefly — UNCLOS, entered into force in 1994. It is an absolutely universal international agreement, which regulates all spheres of maritime activity in the World Ocean. Its development took more than 9 years, from 1973 till 1982.

Today 167 countries from 197 are parties to the UNCLOS. It means that 30 states still haven't ratified the Convention. The most remarkable example is the United States, the largest maritime and naval power. The most surprising in this regard is that the US, as a non-member, finds itself in a very strange company of the so-called former or current rogue states (Iran, Syria, Libya, North Korea), the poorest African and Latin American countries, and former Soviet Central Asian Republics. The US non-participation, without a doubt, erodes and discredits Convention's regime.

¹ Institute of World Economy and International Relations (IMEMO), Russian Academy of Sciences

The issue is complicated by the fact that 20 years practice of Convention's norms and provisions applying, clearly uncover its strengths and weaknesses. A number of legal gaps lead to broader interpretation and even violation of Convention's norms. Moreover, many states refused to bring its national legislation into conformity with the UNCLOS.

The first legal gap is a right of innocent passage through the 12-miles territorial sea, which is under full sovereignty of the coastal State. The Convention does not contain any undisputable indication of whether the warships may enjoy the right of innocent passage. Brazil and India, for example, insist on notification character for warships passage. China argues for prior authorization. Russia insists on its right to regulate the warship passage in respect of the Northern Sea Route's territorial sea, as an integrated transport system under full control of Russia.

Within 24-miles contiguous zone coastal states may exercise control only over violation of its customs, fiscal immigration or sanitary laws. Although the contiguous zone is not recognized as a security zone, China and India claims authority over the area for security purposes. Despite the fact that these claims are contrary to the UNCLOS, it seems clear that fight against such types of threats like terrorism, illegal migration, maritime drug trafficking can lead to the expansion of state's powers in this zone.

The second legal gap concerns the military activity within the 200-mile Exclusive Economic Zone. Here coastal States also do not have any authority in the field of security; their jurisdiction here is limited to resource-related matters. Furthermore, within exclusive economic zone all States enjoy the freedoms of navigation and overflight.

China, India and Brazil, oppose any naval exercises and maneuvers in its zones, insist on prior consent for such activities. Russia does the same due to the Northern Sea Route EEZ.

The Environmental Rhetoric is being often used to restrict naval activities. For example, China quite rightly insists that sonar system from foreign warships operating in its EEZ may harm marine mammals and fish stocks, threatening China's economic and environmental rights in the zone.

India also requires 24-hour prior notice from vessels entering EEZ with cargoes including dangerous goods and chemicals, oil, noxious liquid and harmful substances and radioactive material.

China, India and Russia, from one side, and the US, from the other side, have completely different understanding with respect to the regime of marine scientific research implementation within their EEZ. In the text of the UNCLOS there is no clear definition what the marine scientific research is. Therefore, US agree that a coastal state may require prior permission before anyone conducts marine scientific research (MSR) in its EEZ. However, US insists that military survey activities are not MSR and can be conducted without any permission. Obviously, this strange US stance does not find understanding by most of states.

The last legal gap is the spread of internal historical waters status, which are under full coastal state sovereignty, on different marine areas. As a rule, such kind of claims usually is being made regarding historic bays. However, the Convention does not prohibit the implementation of this status to the adjacent seas. India claims waters of Palk Bay between coast and boundary with Sri Lanka, and waters of Gulf of Mannar, as internal historic waters. Russia claims Peter the Great Bay, and arctic straits — Demitri Laptev and Sannikov, as historic, and thus internal, waters. China tries to extend its sovereignty and jurisdiction over the South China Sea, but we do not know whether Beijing is going to spread historical waters status on these spaces.

Summing up, we can note a general trend. All claims mentioned above, if we consider them as claims, are based on the desire of some BRICS States to achieve the priority level of their national security, particularly military, but sometimes environmental too. First of all, they try to limit foreign, especially American, naval exercises and intelligence activities.

So, I can suppose, that some of these claims can be neutralized in two cases. First, if the US becomes UNCLOS member, thereby strengthening convention's regime and prevents other countries from suspicion in its address. Second, if BRICS countries develop its merchant, fishing fleet in a global manner, and especially the Navy, try to build so called Blue-Ocean Navy with expeditionary capabilities, they will have global interests across the World

Ocean, like the US today, and they will be interested in equal for all countries regulation of maritime activities.

Consideration on the International Space Cooperation among the BRICS Countries

*Wang Yiran*¹

It is a common consensus that outer space is an important public sphere of all the human beings, who put everlasting effort in the exploration of the outer space. With the flourishing space activities in the world, outer space activities play a more and more important role in advancing the social progress and human civilization.

Considering the features of high technology, high risk, high investment, high benefit and long duration of space activities, international space cooperation has become a common choice for many countries to optimize resources for accelerating the national space development.

Part 1. Current Situation of International Space Cooperation

First of all, free exploration and peaceful utilization of outer space are the basic principles for human's space activities all along.

As the public sphere of human beings, space is the common wealth of the whole world. As we know, the Outer Space Treaty of 1967, set up an initial framework and principle to govern space activities of all countries.

Secondly, increasingly worsening outer space environment requires protection through international collaboration.

It is a common concern in the world that space debris, space weather and near Earth objects as well as shortage of frequency and orbit resources have become bottlenecks for the development of space activities. What's more, the soaring number of space objects derived from the emerging large-scale LEO micro-satellite constellations brings huge pressure on the outer space environment.

Thirdly, diversified actors are involved in the international space cooperation in various modes.

¹ China Academy of Systems Science and Engineering

For example, emerging space countries, innovative enterprises, institutes and international organizations have partaken in and brought new energy to the international space cooperation. On the other hand, more and more innovative modes are adopted for international space cooperation.

Fourthly, human spaceflight, deep space exploration and satellite applications have become important areas for international space cooperation.

The achievement on the space science and technology and the continuous improvement based on the relevant applications expand the international space cooperation broader and further. Particularly, human spaceflight, deep space exploration and satellite applications have become main cooperation domains to expand human's presence in space, to ignite scientific and technical innovation, and to serve social and economic development.

At last, existing space regulations need to be changed to adapt the development of the space activities.

Today, it has been widely realized that it is hard for existing space regulations to meet the rapid space development in the world perfectly. For instance, the issues like commercial applications of outer space, booming number of micro satellites, exploitation and utilization of outer space resources, and new participants in space activities have become challenging subjects to the existing space regulations. For these reasons, it is the right time to adjust current international space regulations to guide the more extensive space activities and new commercial business.

Part 2. Challenges and Opportunities for BRICS Countries to Carry out International Space Cooperation

Though the BRICS countries focus on financial and economic cooperation mainly, more attention will be attached on space activities as the cooperation of BRICS deepens and expands further. Luckily, there are abundant cooperation opportunities and broad prospects for BRICS countries to carry out space cooperation. However, challenges exist simultaneously with the opportunities.

The first reason is that it is hard to break the current space cooperation pattern.

At present, the international space cooperation pattern is affected and controlled by developed countries. That's why BRICS

countries have to deal with limits on technical transfer and trade of relevant products. At the same time, there is technical gap between BRICS countries and developed countries, which led to the technical reliance of developed countries for a long period.

The second reason is that the economic slowdown of BRICS countries would affect their investment in space cooperation.

The sluggish economy of developed countries and sharp fluctuation of capital market will drag down external demand and depress the economy of BRICS countries further in a long run. Moreover, the quantitative easing policies of US and European countries worsen the imported inflation pressures in the BRICS countries. All in one, the above factors may influence the economic development of BRICS countries, which would lead to reduced investment in international space cooperation.

However, there is good framework basis and environment for BRICS countries to carry out space cooperation.

Considering the significant meaning of space activities to the national economy, politics, security and people's livelihood, space cooperation is likely to be important content for BRICS countries. On the other hand, BRICS Development Bank is an important supplement to the governmental financing measures to support the construction of space infrastructure and technical R&D of BRICS and other emerging space countries.

On the next aspect, the surging requirement for space technical applications and services in the international market increase the possibility of commercial space cooperation among BRICS countries.

Developing countries have a high requirement for space technical applications and services including satellite data, communications, and navigation services at present and in the foreseeable future. As we know, All the BRICS countries possess satellite application ability of Earth observation, communications and navigation. Furthermore, the wide geographical distribution of the BRICS countries is an advantage for constructing a global application satellite network.

Furthermore, emergence of new space business provides new opportunities for BRICS countries to cooperate in the outer space area.

The emergence and flourish of new types of business including low-orbit communications satellite and remote sensing satellite constellation programs, online-booking launch service, and asteroid mining have already influenced the spacecraft manufacturers, launch service providers and satellite operators to make adaptive changes and adjustments. As a result, the formulation of standards and rules for new space business has become a major issue for space community. Undoubtly, BRICS countries also have the opportunities to initiate relevant programs and participate in formulating international regulations for the emerging subjects.

Last but not least, BRICS countries are qualified for certain outer space activities and cooperation.

For instance, China and Russia have conducted exchanges and cooperation in human spaceflight, jointly mars exploration and lunar exploration programs. As an important governmental cooperation program between China and Brazil, 5 China-Brazil Earth Resources Satellites (CBERSs) have been developed and launched up until now. China and India has realized concrete communications on piggyback services, satellite payload development, and held positive and open attitude on remote sensing satellite data sharing. China and South Africa have cooperated on the construction of satellite application ground station and joint laboratory. It shows that bi-lateral cooperation has positively promoted the space technology development, people's livelihood and international influence as well. Moreover, bilateral cooperation has laid a good foundation for BRICS countries to execute abundant and deep cooperation in the future.

Part 3. Measures and Suggestions on BRICS Outer Space Cooperation

First of all, a high-level coordination mechanism on outer space cooperation could be set up.

In order to increase the cooperation opportunities and fruits, a high-level coordination mechanism on outer space cooperation is recommended to provide a direct communication platform for BRICS countries to carry out technology development, deep space exploration, human spaceflight, and satellite application activities jointly. Consequently, a new space cooperation pattern will be

formed in the world with the implementation of BRICS space cooperation framework.

Secondly, Input on the outer space cooperation will be increased by more resources.

The BRICS Bank will play an important role for BRICS countries and surrounding countries to guarantee space activities and relevant cooperation in the future. Besides the efficient financial support of the BRICS Bank, fund from domestic non-governmental channels, bi-lateral and multi-lateral mechanisms could also be attracted and utilized for space cooperation. As a result, we suggest that cooperation on satellite application and commercial launch could be carried out at first.

Thirdly, frequent exchanges and discussions could be conducted on international space rules on the principle of peaceful utilization of outer space.

Outer space activities shall follow numerous international institutions and practices. That means the ability of a country to conduct space cooperation is affected somehow by its ability to understand and apply these rules. So we recommend that more frequent discussion and exchanges would be held on the space international rules to help the BRICS countries to understand and apply these rules better. At the same time, strictly based on the principle of peaceful utilization of outer space and foundation of non-weaponization utilization, more researches could be conducted to explore the trend in formulating rules for future outer space activities including the utilization of space nuclear power, exploitation of space resources, and limitation on the satellite for Earth observation. Meanwhile, it will be helpful for BRICS countries to reach common consensus on the rules formulating for future outer space activities and the important international space affairs. So we can respond positive to member countries in the broader international cooperation mechanisms. By such means, the speech right of BRICS countries will be highlighted in the world.

Fourthly, we recommend accelerating implementation of the joint projects and jointly conducting verification of potential cooperation programs.

Currently, BRICS countries have already initiated multi-lateral cooperation plans successively. In the future, BRICS

countries could accelerate the implantation of the multi-literal cooperation activities and fully use the advantages of cooperation framework, technical abilities and the geographical distribution to jointly work on the commonly concerned issues and play a better role in the international affairs. Simultaneously, based on the satisfactory progress of the current cooperation programs, BRICS countries could collaborate more on the eye-catching areas such as mitigation of space debris, monitoring of space weather and conduct analysis, verification and execution of specific programs. In return, the BRICS countries will be more capable in sustainable utilization of outer space and play a more important and suitable role in the international space affairs.

Last but not least, study on the space polices and regulations would be emphasized to provide institutional guarantee for BRICS space cooperation.

Space polices and regulations are important principles for a country to carry out space activities, which define the principles, regime and borders for international cooperation. So, study on the space polices and regulations would be emphasized to provide institutional guarantees and better conditions for space cooperation among BRICS and surrounding countries. In return, BRICS space activities and international cooperation programs will be promoted effectively as well.

Chinese Approach to The Central Arctic Ocean

Guo Peiqing¹

Study shows that Arctic is undergoing unprecedented warming at around twice global average rate in the past decades,² even though people are arguing if humans are the most significant driver of global change, propelling the planet into a new geological epoch,

¹ Ocean University of China

² AMAP, Snow, Water, Ice and Permafrost in the Arctic (SWIPA): Climate Change and the Cryosphere (2011): <http://www.amap.no/documents/download/1448>.

the Anthropocene.¹ As a result, Arctic sea ice is melting rapidly with respect to shrinking of sea ice coverage and multi-year ice declining year and year but one-year ice increasing.² Particularly, 2012 summer saw over 40% of Central Arctic Ocean (CAO) that is beyond jurisdiction of Arctic Coastal States, was ice free.³

Rising atmospheric temperatures, melting sea ice, and changing oceanic currents are causing the change of ecosystem in the Arctic Ocean because more open water means more light, and then more photosynthesis.

Study by Antje Boetius of Bremen University says the seabed at the North Pole is now green—or would be if you could see it—because so much photosynthesis has taken place at the surface and the algae have died and sunk to the bottom.⁴ The research of Robert Campbell of the University of Rhode Island, one of Healey's supercargo of scientists, showed that planktonic animals such as copepods and krill were abundant, active in the CAO.⁵ Arctic cod, in the central position of food chain of Arctic Ocean ecosystem, are also now found much abundant and closer to the pole than they used to be, at 80° north in the Barents Sea.⁶ U.S. marine scientists study

¹ Cook J, Nuccitelli D, Green SA et al. (2013) Quantifying the consensus on anthropogenic global warming in the scientific literature. *Environmental Research Letters*, 8, 1–7, doi: 10.1088/1748-9326/8/2/024024.

² The Arctic Ocean Awakening, <http://www.economist.com/news/science-and-technology/21643059-earths-northernmost-sea-stirring-consequences-are-both-good-and>

³ Scott highleyman and Henry Huntington, “A melting Arctic hits home: Scott Highleyman and Henry Huntington.” http://www.cleveland.com/opinion/index.ssf/2010/10/a_melting_arctic_hits_home_sco.html

⁴ The Arctic Ocean Awakening, <http://www.economist.com/news/science-and-technology/21643059-earths-northernmost-sea-stirring-consequences-are-both-good-and>

⁵ The arctic ocean awakening, Feb 14th 2015 | TROMSO, NORWAY <http://www.economist.com/news/science-and-technology/21643059-earths-northernmost-sea-stirring-consequences-are-both-good-and>

⁶ AFWG-ICES (2013) Arctic Fisheries Working Group. International Council for the Exploration of the Sea. Available at: <http://www.ices.dk/community/groups/Pages/AFWG.aspx> (accessed 10 July 2013). 转引自 JØRGEN S . CHRISTIANSEN, CATHERINE W. MECKLENBURG and OLEG V. KARAMUSHKO, Arctic marine fishes and their fisheries in light of global change, *Global Change Biology* (2014) 20, p. 355.

shows that about half of 36 fish stocks in the Northwest Atlantic Ocean have been moving northward due to warming waters.¹

The Central Arctic Ocean (CAO), a large of international water in Arctic Ocean covers 2.8 million square kilometres.² Where fish go, fisheries usually follow. Open water is attracting fishing vessels looking for possible new fishing opportunities in human history. However, these international waters at present are not governed by any specific international fisheries agreements or organizations. The management of Arctic fishery is being mentioned in many international occasions, and how to prevent overfishing and IUU fishery is being paid much attention by international community.

On June 3, 2008, U.S. President George W. Bush signed S.J.R. 17 into public law (P.L. 110-243). U.S government decide to initiate international discussions with other Arctic nations to negotiate an agreement for managing migratory and straddling fish stocks in the international waters of the CAO. Since Ilulissat ministerial meetings in May 2008 kick off international discussion among Arctic five coastal states, they have had two ministerial meeting, three senior Arctic official meetings and three scientific meeting held focusing on CAO fishery management. what plan are likely practical and recognized?

1、 Legal status of CAO

We start with the study on the legal status of CAO that covers 2.8 million KM². Because of Passage waterway connecting Arctic Ocean and Atlantic, Pacific Ocean, and there existing large of water are not covered by EEZ of coastal states, Arctic Ocean is a “ocean”, but not “sea”, much less “semi-closed sea”. The Central Arctic Ocean (CAO) is a high sea, international water. This is the starting point and base we discuss fishery conservation and management of CAO. As a point of departure, it means that all the global legally binding and non-legally binding instruments related to fisheries

¹ “Ocean warming affecting fish populations,” 3 November 2009.

<http://www.ecoworld.com/animals/ocean-warming-affecting-fish-populations.html>

² “Ocean warming affecting fish populations,” 3 November 2009.

<http://www.ecoworld.com/animals/ocean-warming-affecting-fish-populations.html>

conservation and management are also applicable to the Arctic marine area.

Definition of enclosed sea and semi-enclosed sea: Article 122 “Definition” “enclosed or semi-enclosed sea” means a gulf, basin or sea surrounded by two or more States and connected to another sea or the ocean by a narrow outlet or consisting entirely or primarily of the territorial seas and exclusive economic zones of two or more coastal States.

The cornerstones of the current international law to regulate high sea fishery mainly are the 1982 LOS Convention and 1995 Fish Stocks Agreement, especially, the latter regarded the most important implementing agreement, plays an important role. Fishery freedom is the old and recognized principle and reflected in the sea constitution of 1982 UNCLOS.¹ Part VII of UNCLOS provides that “the high seas are open to all States” and provides a non-comprehensive list of activities covered by the freedom of the high seas, including freedom of navigation and over flight, freedom to lay submarine cables and pipelines, freedom to construct artificial islands and other installations, freedom of fishing, and freedom of scientific research.²

Article 116 of the 1982 United Nations Convention on the Law of the Sea and the concept of real interest (see Articles 8(3),(5) and 9(2) of the 1995 United Nations Fish Stocks Agreement.

Up to now, there is no any comprehensive regional fishery convention and coordinating management organization in Arctic reign, and in light of requirements of UN Convention on the Law of the Sea (UNCLOS) and UNFSA, the relevant states with Arctic fishery resources are liable and to take responsibility to cooperate in order to conserve and manage these Arctic fisheries resources properly.

2、The existing RFMO or arrangement are not applied to CAO.

One of options is to extend the fishery management organizations of North Atlantic Ocean or North Pacific Ocean to Central Arctic Ocean. At least one existing regional fisheries management organization (RFMO) — the North-East Atlantic

¹ UNCLOS, Articles 87 and 116.

² UNCLOS, art. 87.

Fisheries Commission (NEAFC) was mentioned in Oslo Declaration issued on 16 July 2015. The interim measures will recognize that at least one existing RFMO — the North-East Atlantic Fisheries Commission (NEAFC) — has the competence to adopt fisheries conservation and management measures in a portion of this high seas area, should such fisheries take place there. However, a major deficit of NEAFC is the incomplete coverage of these areas by RFMO, covering only 8% of the Arctic international waters, and incompetent for managing all relevant fish stocks. Concerning the central Arctic Ocean, NEAFC only has a mandate over the “European” wedge, while other sectors in the central Arctic Ocean do not have an RFMO/arrangement at all.¹

Therefore, for large parts of the central Arctic Ocean, there are still no applicable substantive fisheries standards beyond the general provisions on marine capture fisheries set out in the United Nations Convention on the Law of the Sea (UNCLOS), the 1995 UN Fish Stocks Agreement (UNFSA) and other global instruments.

3. Arctic council is not qualified to address fishery issues at all

The Arctic Council was not interested in having any involvement in the international regulation of marine capture fisheries, or becoming a forum for the negotiation of a regional agreement on central Arctic Ocean fisheries.²The November 2007 Meeting of the Senior Arctic Officials (SAOs), the Arctic Council decided not to become involved in fisheries management issues because considerable opposition within the membership of the Arctic Council against it becoming actively involved in fisheries management and conservation.³ To date, the Council has not changed this policy avoiding directly discussing matters related to Arctic fisheries.⁴

¹ E J Molenaar and R Corell, “Arctic Fisheries: Background Paper”, Arctic Transform, 9 February 2009, p. 25.

² Seamus Ryder, “The Nuuk Meeting on Central Arctic Ocean Fisheries”. Posted on 15/10/2014 by csk000

<http://site.uit.no/jclos/2014/10/15/the-nuuk-meeting-on-central-arctic-ocean-fisheries/>

³ Meeting of Senior Arctic Officials of the Arctic Council, Final Report, 28-29 November 2007, Narvik, Norway, p. 12.

⁴ E Molenaar, ‘Arctic Fisheries and International Law’, (2012) Carbon & Climate Law Review 63, 70.

Why is the Arctic Council not a suitable organization to discuss this issue? Impeding factors David Balton, U.S Deputy Assistant Secretary summarized are: the Arctic Council is not an international organization; the Arctic international water only involves the five coastal countries. Finland, Sweden and Iceland are not proactive in it; some fishing powers, such as China, Japan and Korea are only observing states in the Council who have no rights to speak and vote obviously.¹

4、Rapidly warming Arctic calls for RFMOs or arrangement.

The report released by IPCC on 2 November 2014, *Climate Change 2014: Synthesis Report*, declared that global warming are evident and human being contributes much to this change. “It is now widely accepted that global climate change will have dramatic impacts for the Arctic.”² The Pacific sector of the Arctic is already open in summer, including over 40% of the central Arctic Ocean in 2012.³ Rapidly and continuous melting of Arctic sea ice made more than 2,000 scientists from 67 countries sign a letter urging Arctic governments to develop an international agreement to protect fisheries in the Central Arctic Ocean based on sound scientific and precautionary principles because that the current legal and institutional regime that applies to the Arctic high seas areas is not adequate for safeguarding sustainable management of the respective fish stocks.⁴ “The current Arctic regulatory and governance framework is not sufficient in

¹ Zhou Chao, Chen Junyi, *The Centre Arctic Ocean: Building Fisheries Management Mechanism as Early as Possible*, : China Ocean News, http://narfuru/aan/Encyclopedia_Arctic/China%20Ocean%20News%20story.pdf.

² E.J. Molenaar, *Arctic Fisheries Conservation and Management: Initial Steps of Reform of the International Legal Framework*. Text submitted to *Yearbook of Polar Law*, March 2009, p. 1.

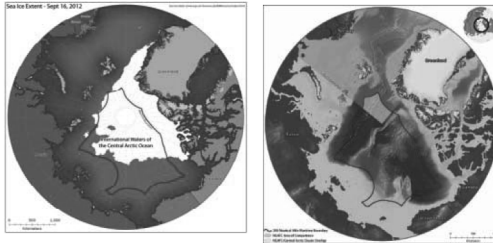
³ Arctic sea ice extent settles at record seasonal minimum, <http://nsidc.org/arcticseaicenews/2012/09/>. September 19, 2012.

⁴ See recently e.g., Arne Riedel, “Regulation of Fisheries in the Arctic High Seas — Going Forward with a Sidestep?”, *Current Developments in Arctic Law*, vol. 1 (2013), at 42-44; E J Molenaar, “Arctic Fisheries

Management“, supra note 7; L Weidemann, *International Governance of the Arctic Marine Environment — With*

Particular Emphasis on High Seas Fisheries, Springer International Publishing, Switzerland 2014.

scope and flexibility to adequately address future fishery changes brought on by climate change.”¹ Arctic Ocean region needs a new, dynamic management regime. Complying with UNFSA, it is the natural obligations for States Parties to establish the RFMOs and arrangements where these do not exist.”²



4、 The lessons from Bering Sea fishery

Overfishing is the normal outcome of fishing activity in the absence of effective management, and Fisheries management usually happens AFTER a crisis because overfishing is the normal outcome of fishing activity, in the absence of effective management.³ Bering Sea is Rich on Pollock during 80s, but and declined in 90s due to overfishing. Thanks to the international cooperation, the Convention of conservation and management for Pollock in centre Bering Sea bring a moratorium of decades. This convention shows the world a successful example for high sea fishery management. So a RFMO/agreement is needed emergently before fishing starts.

5、 Interim measures put forward by Oslo Declaration recognizes the common view among the Arctic Five that, despite these changes, commercial fishing in the high seas portion of the

¹ Jennifer Jeffers, Climate Change and the Arctic: Adapting to Changes in Fisheries Stocks and Governance Regimes, *ECOLOGY LAW QUARTERLY*, Vol. 37, 2010, p. 917.

² Molenaar, p. 17. See also UNGA Resolution No. 61/105, of 8 December 2006, ‘Sustainable fisheries, including through the 1995 Agreement for the Implementation of the Provisions of the United Nations Convention on the Law of the Sea of 10 December 1982 relating to the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks, and related instruments’, in particular at para. 46.

³ Henry Huntington,

central Arctic Ocean is unlikely to occur in the near future, and, therefore, that there is no need at present to establish any additional regional fisheries management organization for the area.

It is reconfirmed in the Chairman's statement. The meeting therefore also reaffirmed that there is no need at present to develop any additional regional fisheries management organization (RFMO) or arrangement for this area. CHAIRMAN'S STATEMENT, MEETING ON ARCTIC FISHERIES, Nuuk, Greenland, 24-26 February 2014.

6、 The problem of interim measures

(1) No ability to execute

the Declaration and the interim measures it describes are not legally binding upon the Arctic Five. and are legally non-enforceable. this declaration sets out a voluntary fishing moratorium for the Arctic High Seas for these 5 States, the effectiveness of Interim measures proposed strongly by US depends largely on consciousness and even morality of all participants, remains to be seen. It is soft law at best. Only does one regional fisheries management organization (RFMO) has the competence to impose on its members legally binding measures for the conservation and management of target fishery resources and regulating impacts of fishing on non-target species.¹ Some mutual or multilateral agreements, which have effects only on their member states, cannot develop an uniform regulation on fishery management and utilization in the arctic international waters.² Particularly, there is no explicit provision of 1995 UNFSA with respect to living resources management in ice covered areas. The outcome of the Nuuk meeting should be viewed as a precautionary and proactive step towards a regional agreement for central Arctic Ocean fisheries

Declaration cannot be characterized as imposing a legally binding ban or moratorium on commercial fishing in the high seas

¹ E.J. Molenaar, Arctic Fisheries Conservation and Management: Initial Steps of Reform of the International Legal Framework, Text submitted to Yearbook of Polar Law, March 2009, p. 2.

² Zhou Chao, Chen Junyi, The Centre Arctic Ocean: Building Fisheries Management Mechanism as Early as Possible : China Ocean News, http://narfu.ru/aan/Encyclopedia_Arctic/China%20Ocean%20News%20story.pdf.

portion of the central Arctic Ocean — at best, the Declaration can be seen as a political agreement among the Arctic Five to prevent unregulated commercial fishing.

(2) No legally-binding to non-signatories

it only applies to vessels flying the flags of the Arctic Five.

There is nothing in the Declaration to suggest that it applies to non-signatories. If it did, however, such a ban would be prima facie incompatible with the freedom of fishing on the high seas (Article 116 of the 1982 United Nations Convention on the Law of the Sea), and could therefore be challenged by other states outside of the Arctic Five. Without support from other key states and entities, the legitimacy and effectiveness of a future international instrument on high seas fisheries in the central Arctic Ocean will be reduced.

Other contradictory

One side claim it is unlikely fish in CAO, while to authorize their vessels to conduct commercial fishing in this high seas area only pursuant to one or more regional or subregional fisheries management organizations or arrangements that are or may be established to manage such fishing in accordance with modern international standards;

7. The need to set up one formal RFMO

Therefore, there is the need for a proper management framework for the Arctic High Seas fisheries based on international law. Therefore, we should not repeat the error of the past to start setting up such a framework too late, once stocks are depleted, and without involving all interested parties. Only does international law create an obligation to cooperate regarding the management of high seas, straddling and highly migratory fish stocks. Hence, a voluntary agreement amongst a few and only coastal States is not enough to ensure that living marine resources are managed sustainably.”

Regional Fisheries Management Organisations (RFMOs) are the best tools for such cooperation and are best suited to make sure that international rights and obligations are properly enacted and implemented. The importance of RFMOs is affirmed by a number of international instruments, such as UNCLOS (“the constitution of the oceans”), UNFSA, the 1993 FAO Agreement, the Code of Conduct and FAO Port State Measures Agreement. They create

a robust framework that suggests that cooperation for fisheries management is best managed through RFMOs.

RFMOs are frequently criticized for their lack of efficiency. It is true that sometimes the performance of these organizations leaves to desire. However, there are good success stories and the performance of RFMOs is constantly evolving due to the efforts of many contracting parties to these RFMOs. At present, most RFMOs have undergone at least one performance review; they have adopted modern principles of fisheries management such as precautionary and ecosystem approach and take science-based decisions. RFMOs play a key role in the fight against IUU with listing procedure and create a framework for Monitoring; Control and Surveillance and for compliance assessment processes between peers.

Fisheries management in the Arctic should be under international agreement involving the states which has interests.

We should start discussing the establishment of an Arctic RFMO — the sooner the better. Negotiating multilateral Conventions and their entry can take some time, notably to have the necessary number of ratifications. We should not wait until commercially viable fishing is established to go ahead. Such a process is as inclusive as possible in view of the potential interest that some nations may have.

Arctic five states have reaffirmed that other States may have an interest in this topic and looked forward to a broader process involving additional States. The Arctic Five acknowledge that the legitimacy and effectiveness of a future international instrument related to the central Arctic Ocean — where the high seas freedom of fishing applies — would benefit from the support of key non-Arctic states and entities. Accordingly, they anticipate that ultimately a broader process will emerge in the context of which the current **Arctic Ocean coastal state process** is perhaps best regarded as a **preparatory process**.

8、 Scientific Commission

According to UNFSA 6(7), measures taken on an emergency basis shall be temporary and shall be based on the best scientific evidence available. The interim measures needs scientific information in place, too. Only adequate science can be consistent

with the commitment of all States to prevent unregulated fishing and to adopt a precautionary approach to fisheries management. In a word, either formal RFMO or interim measure, need substantive, reliable and sufficient scientific information about the states of fish stocks and dependent species. Concerning the Arctic, this knowledge base is still insufficient. Therefore, the survey and biological investigation and research on Arctic marine resources should be on higher priority and must be carried out through international cooperation.

Scientific investigation is the key and starting point of fishery management system-making in CAO. A Scientific Investigation Commission for Living Resources in CAO or other similar institutes involving major interested states with the aim of improving understanding of the ecosystems of CAO is the first step in the right direction of CAO fishery conservation and management. The proposed commission will engaged in providing scientific guidance and recommendations, coordination of scientific investigation, information exchange and cooperation activities, which is the preparation and Foundation for establish a RFMO. Such a commission would ensure transparency in the science and allow participation by any state willing to assume certain scientific responsibilities. Without one organization, no state can afford to the chaos and mess when the numbers of scientific vessels surge to CAO.

The ACIA chapter also notes the complexity of the functioning of Arctic marine ecosystems as well as the limitations and shortcomings of science.¹ “Presumably, a lot of data required for pursuing an EAF is also presently not available.” Two recent studies built computer models to describe them is a tricky business. Even in well-studied habitats all the variables are rarely understood.² It is evident that it is impossible for any single states to finish all the research relevant to marine resources investigation

¹ ACIA, Scientific Report, Chapter 13: 692.

² Arctic ocean awakening, <http://www.economist.com/news/science-and-technology/21643059-earths-northernmost-sea-stirring-consequences-are-both-good-and>

without international cooperation because of harsh conditions in CAO. From Arctic coastal states' perspective, the realistic, effective and lower-cost solution is to introduce China into the management system for Living Resources in CAO so as to channel China's ever-growing influence on the Arctic. Introduction of China into the proposed commission is the best option and in the interest of all Arctic states.

BRICS Cooperation for Addressing Carbon Emissions in the Global Commons

Jaya Josie¹

Introduction

Between June and July 2015 two significant events provided the context for a critical discussion on partnerships for financing climate action. On the 6 June 2015 the international 24 hour World Wide Views on Climate and Energy Debate was organized across 83 countries and involving 10,000 participants. The views collected from participants are expected to influence climate change talks at COP21 in Paris, December 2015. Almost a month later, on 9 July 2015 the Ufa Declaration by the BRICS Heads of State Summit in Russia affirmed the BRICS commitment to international action against climate change in the context of the UN Framework Convention on Climate Change (UNFCCC). Among others the commitments include developing energy efficient technologies and equipment; mitigating the negative impact of climate change; encouraging investment in priority areas such as infrastructure, logistics and renewable sources of energy; cooperation between the relevant regulatory bodies aimed at better protection of the public, and environment in BRICS; monitoring global trends in the energy sector, and development of energy markets to ensure energy security and economic development.

At COP15, Copenhagen, 2009, BRICS countries including China, South Africa, India, Brazil together with the USA promised

¹ BRICS Research Centre (BRC), Human Sciences Research Council (HSRC)

poor countries \$30 billion annually to adapt to climate change from 2010 to 2012, and increasing to \$100 billion by 2020. The evidence thus far shows that pledged finances have been slow to come through. This is particularly significant given that BRICS countries are ranked globally among the main emitters of carbon emissions from the use of coal for energy production and consumption. Will this BRICS Ufa (2015) commitment suffer the same fate as other international promises made in the past?

A recent study (Wu, et al 2015) modeling and forecasting the relationship between energy consumption, urban population, economic growth and CO₂ emissions in BRICS for the period 2004 to 2010 found that in Brazil and Russia growth has a decreasing effect on emissions while in India, China and South Africa the opposite was true. However the study also found that with a growing urban populations and concomitant energy consumption emissions will increase in all BRICS countries. Recently published data indicate that in 2014 China accounted for 23.43% of the share of global emissions; India, 5.7%; Russia, 4.87%; Brazil, 4.17%; and South Africa, 1.6%.

Among BRICS countries South Africa ranks with China and India as predominant users of coal for energy production, and with Russia these countries have large endowments of recoverable coal reserves. Russia has the second largest coal reserve after the USA, with China third and India fifth. In terms of production China is the global leader, with India third, Russia sixth and South Africa seventh. Perhaps one of the main reasons why growth has a decreasing effect on emissions in Brazil and Russia is that both these countries are less dependent on coal as fuel source for energy production. Brazil is abundantly endowed with hydroelectric capabilities and Russia depends largely on its abundant natural gas reserves.

China, India and South Africa are dependent on coal for electricity generation. It is reported that in 2012 coal accounted for 81% electricity generation in China, 68% in India, and 95% in South Africa. For South Africa in particular, despite a low ranking amongst its BRICS partners, it is the 12th largest CO₂ emitter in the world and represents half of all emissions for Africa. Adding fuel to fire South Africa's largest energy resource is coal with estimated reserves to supply domestic and export demand for another 200

years. The power sector in South Africa is responsible for 48% of emissions where coal leads 75% fuel demand, and accounts for 95% of the input in electricity production. The coal industry employs more than 139,000 workers; contributes about 1.8% to a low GDP of 2.8% in 2012, in an economy with an official unemployment rate above 25% percent.

Given the abundant reserves in BRICS and growing demand for energy, coal will remain the biggest input for energy production and electricity generation in the foreseeable future. In Eurasia Russia, with the second largest global reserves and increased demand from China, has already committed to increase coal output to 30% by 2030. Globally, despite intensive investment programmes in alternative sources of energy, coal inputs in energy production has increased from 23% in 2000 to 29% currently. Since 2007 coal is the dominant input in G20 energy production, and grew by 2.1% in 2013. Since 2000 world coal consumption has increased to 7.8 Gt in 2013. Reports indicate that since 2008 coal represents about 40% of global energy consumed and is the main contributor to world energy demand. This scenario poses a significant potential for higher levels of CO₂ emissions. In 2013 energy related emissions rose +1.8% and seemed to be strongly correlated with +1.9% global demands for energy. While growth in emissions dropped in China for the third year running, and Europe on average continued on a downward trend, Germany's growth in emissions increased from +1.8% in 2012 to +2.9% in 2013. Clearly, the need for mitigating the effects of CO₂ emissions from the use of coal is a matter of urgency.

Internationally in general, and BRICS in particular, there are significant ongoing investment programmes in renewable sources of energy. China today is a leading international producer of equipment for generating renewables. However, these programmes generate a fraction of the energy requirements in growing economies. Even in countries such as Germany where renewables are an increasing source of energy coal still remains a critical input in the mix. In the short to medium term the abundant supply of low cost coal will continue to be the most cost-effective input in the production of energy despite being responsible for 90% of the Sulphur dioxide (SO₂) emissions, 70% of the dust emissions, 67% of the nitrogen oxide

(NO_x) emissions, and 70% of the carbon dioxide (CO₂) emissions. This poses a threat to the environment, and we need to invest more than just lip service towards mitigating the effects from the use of this cheap fuel. Investment in clean technologies is often presented as the most effective way for reducing emissions in the use of coal for energy and electricity generation. In addition, and for Sub Saharan Africa in particular, the use of clean technologies in the use of coal, must be seen as part of a transition strategy towards mobilizing alternative sources of energy such as natural gas, hydro power, solar and wind power.

Sub Saharan Africa disposes of large exploitable resources of solar, wind, natural gas, hydro and geothermal sources of energy. However, the 2014 Africa Energy Outlook (IEA, 2014) reported that of the 90GW on-grid power generation capacity in Africa in 2012 half was produced in South Africa. Forty-five percent of this capacity was produced from coal (mainly in South Africa), 22% from hydro, 17% from oil, and 14% from gas (mainly in Nigeria). While there has been considerable investment interest in solar and wind power more investment attention needs to be given to Sub Saharan Africa's natural gas and hydro power reserves. The International Energy Agency (IEA, 2014), estimated that Sub-Saharan Africa, would overtake Russia in natural gas supply over the next twenty-five years. The region is expected to produce about 175 billion cubic metres per year (bcm/y) by 2040. Much of this will be generated by Mozambique, Nigeria, Angola and Tanzania. For South Africa this is significant given that Mozambique, Angola and Tanzania are part of the Southern Africa Development Community (SADC). South Africa is already involved in the Mozambique natural gas programme.

Hydroelectric power is one of the least developed energy sectors in Africa although it accounts for almost 12% (283GW) of the world's hydropower potential. Despite having a technically viable production capacity of 1,200 TWh/year (8% of global technical potential), the continent generates only 3% of global hydropower and exploits less than 10% of its potential. This is considered the lowest regional proportion internationally. The low levels of exploitation and investment is surprising given that hydropower has the potential for large scale development and low average costs

for electricity generation compared to other technologies (IEA, 2014). For South Africa and the BRICS countries the SADC region provides important opportunities for investment in hydropower. The DR Congo, Lesotho, Mozambique, Namibia, Angola and Zimbabwe have considerable potential for development. Currently, the main focus for investment that could promote growth and development in the regions has been the Inga III (4.8GW) and the Grand Inga (44GW) projects in the DR Congo. Potentially, the SADC connection offers South Africa in particular and BRICS countries in general an opportunity for entering into financing partnerships with the BRICS New Development Bank and other multilateral development banks (MDBs) for increased investment in natural gas and hydropower sources of energy.

Clean Technologies for the use of Coal in the Transition to alternative sources of Energy

Clean technologies for the use of coal are a set of technologies used to mitigate the environmental effects of gas emissions given off by the use of coal for generating energy. The emissions produced by the burning of coal range from Sulphur dioxide (SO₂), nitrogen oxide (NO_x), carbon dioxide (CO₂), mercury, and different chemical byproducts depending on the type of the coal being used. It is well established in the literature that such emissions impact negatively on the environment and human health, contributing to acid rain, lung cancer and other diseases. A US Environmental Protection Agency Air Trends report (2013) revealed that new clean technologies in the use of coal resulted in a 77% cleaner generating capacity in the USA per regulated emission per unit. Techniques developed thus far include chemically removing minerals and impurities from coal, gasification of coal referred to as integrated gasification combined cycle (IGCC), improved technology for treating flue gases¹ to remove pollutants, carbon capture and

¹ Flue gas is the gas exiting to the atmosphere via a flue/pipe for conveying exhaust gases from a furnace boiler or steam generator. The gas refers to the combustion exhaust gas produced at power plants consisting of nitrogen, carbon dioxide (CO₂), and water vapour as well as excess oxygen. It further contains a small percentage of a number of pollutants, such as particulate matter (like soot), carbon monoxide, nitrogen oxides, and sulphur oxides.

storage (CSS) to capture the carbon dioxide from the flue gas and dewatering lower rank coals to improve their calorific value.

Among BRICS countries China and South Africa are in the forefront of investment in clean technologies for the use of coal. China has embarked on a massive programme of investment in such technologies in coal-fired power plants generating more than 600 MW of power. The technologies include high efficiency combustion and advanced power generation; coal transformation; integrated gasification combined cycle (IGCC), and carbon capture storage (CCS) [W.Chen, R. Xu, 2009, Clean coal technology development in China, *Energy Policy* 38 (2010) 2123–2130]. Potentially, China, the world's leading coal producer is fast becoming the innovator in technologies for CCS. In partnership with US firm Colombia Clean Power & Fuels the Chinese company Dongshi is developing new CCS technology for the production of metallurgical coke. In addition, the Chinese government is actively supporting underground coal gasification (UCG) technology because it is commercially and environmentally viable.

In South Africa the mineral-energy complex is founded upon the country's coal reserves and has long been the catalyst and key driver for industrialization and economic growth and development. The post-apartheid dispensation has seen a massive drive for electrification across the country resulting in steep increase in the demand for electricity going up to two times the current level of demand. Unfortunately a low level of infrastructure investment in maintenance and new generation capacity has meant erratic electricity supply with frequent blackouts. The state owned power company Eskom is building two new power stations Medupi and Kusile with the potential to generate 9600MW of base load electricity supply when fully operational at an initial cost of R340-billion. The project was supposed to have been completed by 2014 but will only come on line by late 2016 with costs escalating at an alarming rate. Notwithstanding, a recent study (Bohlmann, J.A. et al, June 9, 2015) conducted an economy-wide evaluation of new power generation and found that the macroeconomic impact of Kusile and Medupi will be positive, and in the medium term, investment expenditure is particularly sensitive to the building

of the new plants. A reduction in costly blackouts will promote economic growth and investment.

Alongside the building of the new plants South Africa has also pursued research into clean technologies for the use coal, and is a global leader in acid mine drainage research where such water can be used for agriculture, with fly ash from power stations used as a filter in the upgrading/treatment process. Also new dry coal technologies are undergoing testing in an attempt to reduce the requirement for water in such processes. Coal washing and UCG technologies have made considerable progress with Eskom's UCG initiative at the Majuba Colliery now in operation for three years and considered world class. In some of the world's largest coal-fired plants Eskom is a world leader in achieving increased combustion efficiencies using coals with high ash content. The high cost of carbon capture and storage (CCS) in South Africa has prompted advanced research for the use of CO₂ emissions in algal and/or bamboo farms for emission adsorption and biomass co-firing in adjacent, power stations, coal-to-liquids plants, and agricultural land. At the Medupi and Kusile sites the boiler contractor, Hitachi Power Authority (HPA), is incorporating new clean technology that includes hybrid concentrated solar power (CSP), biomass co-firing and carbon capture and storage (CSS). Depending on the choice of technology hybrid CSP costs can range from R600/t to R1500/t of CO₂.

In China and South Africa CCS is considered the most effective clean technology for continued use of coal with an emission level of less than 100gt of CO₂/kWh. In South Africa CSP and CCS require higher levels of financing and state support in the form of legal and institutional instruments; long-term loan financing, and appropriate storage facilities. Eskom is currently facing a serious financial crisis due to increased demand for new investment and maintenance of aging plants, and delays and escalating costs for bringing Medupi and Kusile on line and in time.

Financing Clean Technologies in the Transition to Cleaner Energy

The use of clean technologies in South Africa will not eliminate the constant threat of CO₂ emissions in South Africa and Southern Africa in general as the country continues its dependence on coal

for energy production. As the leading producer of CO₂ emissions in Africa, South Africa has a responsibility to move away from the use of coal to other forms of energy. Besides solar, wind and biomass alternatives Africa is also well endowed with natural gas and hydroelectric sources of energy. Although many of these resources are within reach of South Africa, the low levels of investment have circumscribed their use.

Finding finance to fund increased generation capacity is proving to be a nightmare for Eskom and the long-suffering South African public. With the latter having to endure regular blackouts (euphemistically called 'load-shedding') and increasing tariff hikes. The cost to the economy and business confidence in general has been negative. In addition recourse to external multilateral development bank (MDB) funds is severely limited after the World Bank followed, and adopted the US policy decision to limit the funding of coal based power generation to curb CO₂ emissions. The US decision was based on its Department of Energy assessment that it is not economically feasible to retrofit coal plants with CCS technology. A study in China, however, concluded that the IGCC unit cost is higher than other technologies, and in the long term per ton reduction in emissions will be lower for IGCC with CCS technology.

Although CSS is one of the most effective and economically feasible options to address CO₂ emissions with large-scale research programmes in China and South Africa, the initial costs are just as prohibitive. Critics also raise the specter of high human and social costs to health, risks from leakages and increased coal mining activity. The additional costs, it is argued, will make the cost of electricity more expensive. The increasing costs from using clean technologies such as CSS will translate into higher prices for electricity. Research will be required to inform policymakers on the range of pricing policy options that may be most appropriate when incorporating clean energy technologies in the generation of electricity.

Despite the misgivings from critiques, China and South Africa have entered into international research partnerships with the EU and the USA in the pursuit of feasible and economically viable clean technologies to more efficiently and effectively exploit their

coal reserves without negatively impacting upon the environment and climate change. China is a founding member of the Carbon Sequestration Leadership Forum (CSLF) and has long-standing partnerships with the EU and the UK to achieve zero emissions. Financing CCS and other options may still prove to be elusive. However, given that energy producers in both countries are state-owned, and both countries are committed to reducing carbon emissions, research into the pricing of electricity to take account of the use of clean technologies will be important for the long term.

The recently published (June, 2015) 2014 Joint Report on Multilateral Development Banks' (MDB) Climate Finance indicates that the listed MDBs (AfDB, ADB, EBRD, EIB, IDB, IFC and WB) have committed US\$ 28 billion in 2014 to projects in developing and emerging economies to address climate change. Of this amount 82% was earmarked for mitigation. The global allocations per region covered South Asia (21%); Latin America and the Caribbean (17%); non-EU Europe and Central Asia (16%), and Sub-Saharan Africa (15%). The sector allocations covered under mitigation included renewable energy (35%), transport (27%), and energy efficiency (22%). It is possible that clean technologies will be covered under categories listed for CSS; coal mine methane capture; energy efficiency improvements in thermal power plants, and waste heat recovery improvements. Given the limited MDB budget, wide regional allocation and narrow scope of technologies supported, it is clear that BRICS countries with rich coal reserves will have to consider alternative sources of investment finance for incorporating clean technologies into their energy and power generation strategies. Enter the BRICS New Development Bank (NDB)!

If the climate action commitments of the BRICS Heads of State summit in Ufa are to be implemented then the NDB may have to carry the responsibility for financing clean technology and new investment in hydroelectric and natural gas projects in Africa in particular as part of BRICS commitments towards mitigation costs. Of course this will be a deviation from the positions taken by the IMF, World Bank, USA, UK and the Netherlands to limit financing of coal fired power plants. However, three of the BRICS countries, and perhaps four when Russian gas and oil run low, will depend on

coal for electricity generation for decades to come. It remains to be seen whether the NDB will be prepared to buck the MDB trend and play the main role in financing clean technologies for coal-fired power plants in conjunction with investment in hydroelectric and natural gas projects in Africa. To make a significant impact on emissions in Africa the financing of cleaner technologies for the use of coal has to be combined with an increased commitment to investment in renewables, natural gas and hydroelectric power projects. If non-BRICS countries have difficulties in financing coal-fired plants will they be able to invest in hydroelectric and natural gas in Africa?

The NDB, in partnership with other MDBs, now has an opportunity to consider innovative ways for financing investment in clean technologies in the use of coal in the BRICS, and for financing investment in the use of hydropower and natural gas energy generation capacity in Africa. At least two methods for raising investment finance have been used internationally with some degree of success. The methods are the issuance of Green Bonds (Green Bonds, New Climate Economy Report, 2014, chapter 6, www.newclimateeconomy.report) and Crowd Financing. In Africa, Kenya is using Crowd Financing (The World Bank/infoDev 2014 — Crowdfunding's Potential for the Developing World) for financing investment in renewables, and South Africa is piloting Green Bonds at local government level (<http://www.engineeringnews.co.za/article/city-of-joburgs-r146bn-green-bond-lists-on-jse-2014-06-19>).

Conclusion

If BRICS and the NDB take a decision to finance clean technologies in conjunction with investment in natural gas and hydroelectric power will it be accommodated and accepted in COP21 as part of a BRICS concrete commitment to limit greenhouse gas emissions? For most emerging and developing countries, however, if nothing else COP21 must at least hold countries, and multilateral development banks, to their commitments and promises to invest in mitigation programmes and finance investment in such programmes in least developed countries and emerging economies at a faster pace. This is particularly urgent in countries dependent on their renewable endowments, hydroelectric potential, natural gas reserves and cheap coal rich resources for energy production and electricity generation.

ATTACHMENT

Recommendations of the 7th BRICS Academic forum to the Leaders

BRICS: Cooperation for Growth, Security and Prosperity

Delegates from five BRICS countries and over 200 international experts gathered in Moscow for the 7th BRICS Academic forum in May 2015 and worked out the following conclusions and recommendations:

BRICS and the outside world

1. Over the period since the previous Academic forum a shift of power from advanced economies to the emerging countries and thus a need for wider involvement of the developing countries in the global governance mechanism have become more pronounced. BRICS has risen its profile as the most vivid manifestation of that shift, being a unique mechanism based on the mutual respect and sovereign equality of its members. BRICS countries could be seen as civilizational and cultural lynchpins in their respective regions.

2. While there are considerable differences in our countries and current transformations of the international system add to those divergences, the five countries continue cooperation in the spirit of transparency, friendship and mutual respect. The BRICS do not seek to undermine the current global governance systems, but rather wish to reform it so that benefits of globalization accrue for the common good.

Building a fair world order

3. The five countries share values, based on the principles of sovereignty, cultural diversity, plurality and strengthening

international law against unilateral actions. They stress the need to preserve the central role of the United Nations in world affairs, while recognizing the need for reforming of the UN Security Council.

4. BRICS is an instrument of the global historic justice, representing a new model of global relations, based on collective leadership.

5. BRICS cooperation is also a manifestation of the democratic world order arrangements, based on the commonality of interests and aspiration towards convergence of approaches in the search of consensus.

6. While it is true that BRICS started their cooperation with the financial and economic issues, where the most visible achievements are the creation of the New Development Bank and Current Reserve Arrangement (awaiting also adoption of the BRICS Economic Strategy), there's gradual transformation of the forum into a cooperation mechanism in all areas of mutual concern, which would allow to collectively address new developments and contemporary challenges.

7. BRICS acknowledges that the modern world demonstrates unequal opportunities and rights to an independent opinion. BRICS countries in the spirit of inclusivity should promote and support multiple narratives and ideas from across the spectrum of the global community and should oppose dominance of a single vision and approach.

8. BRICS countries should play a more active role on the global arena, take up higher responsibility and assume the proportionate burden in maintenance of the new world order. This of course would necessitate reforming global economic and political institutions.

BRICS Evolution and Institutionalization Vision

9. Overbureaucratization may affect the flexibility and creativity of BRICS, nevertheless there is general consensus that intra-BRICS consultative mechanisms should be diversified and developed.

10. It is highly recommended that the BRICS governments follow through with their decision to have fully functional Virtual Secretariat operational by 2016.

11. Also at this moment, there is a need for deepening and expanding areas of cooperation between BRICS countries.

This would be more valuable as opposed to broadening of the membership of the group. Nevertheless, it is considered to be of utmost importance to establish sustainable outreach links with other countries and regional groupings and even beyond in order to propagate the BRICS objectives and ideas.

New Drivers for BRICS Economic Cooperation and Trade

12. BRICS need to consolidate strategy and build up mutual trust along with increasing degree of complementarity among the five countries. They need to find new mechanisms to address each members' concern, both regionally and globally.

13. Many emerging economies have worked out their own ambitious strategies of economic and technological development. Most of the time such programs require substantial governmental assistance and support. In order to meet the requirements of the current situation BRICS countries could launch within the WTO discussion on the legitimacy and possibility of support of national procedures in the situation when a country officially starts national programs of specific sector development.

14. BRICS should consider prospects of intra-industry trade specialization within the five countries, coordination of the industrial policies of member states, trade and industrial policy implications of Global Value Chains and trade facilitation agenda, as well as other new trade issues.

15. It is crucially important to participate in international (global, regional, interregional) value chains and create conditions for development in BRICS countries.

16. Energy, infrastructure, agriculture and manufacturing are the key areas to expand intra-BRICS cooperation. Other areas like digital economy and services are also important with regards to modernization and building resilience for BRICS economies in the times of uncertainty and slower growth patterns.

17. There is a need for BRICS to establish risk warning and prevention mechanism to cope with financial market economy vulnerabilities.

18. BRICS should generally support priority of WTO multilateral trade regime and work together to ensure that all that is required is achieved to implement trade facilitation steps agreed in Bali December 2013. Joint BRICS policy study and response

is needed on the challenge of plurilateral and mega -regional initiatives.

Peace and Security

19. There was general consensus that the current world order is characterized by chaos and growing instability. While the old world order is outdated, the transition to polycentric world is painfully slow with little progress on defining and agreeing to new rules for the road.

20. BRICS should strive for the world order based not on notion of exclusivity, but principles of inclusivity, indivisibility of security for all, cooperative and sustainable security behaviour, and sovereign equality of all states. Nexus between peace, security and development should be recognized.

21. BRICS should cooperate to ensure that the international system is based on supremacy of international law and norms (over force). BRICS platform could become a hub in international law, while an idea of multi-hub system with issue-specific leadership of each of BRICS states should be developed further.

22. BRICS countries should be committed to multi-polarity, the rule of law and democratization of international relations, and build a new type of international relations featuring win-win cooperation.

23. BRICS countries should aim at a Declaration of principles and then at elaborating new legally binding Non-Aggression and Peaceful Coexistence Treaty open to all states around the globe. In the spirit of comprehensive peace and security BRICS should also set global system of trust and promote confidence building measures.

24. Creation of an Interregional Coordination Council of Regional security organizations with BRICS countries membership could be considered. It can become a consultative mechanism for BRICS countries with regards to arising global, regional and local security challenges.

25. In the area of internet governance and security it is vital that BRICS enhance cooperation aimed at pushing for greater independence of ICANN (away from the US control) as well as promote higher role for the multilateral and multi-stakeholder internet governance forums including the IGF, ITU, GGE and others.

26. BRICS CERTs should initiate a dialogue on sharing critical and vital information and best practices among the five countries.

27. A set of rules for responsible state behaviour and cyber norms should be worked out by BRICS and further disseminated widely with the aim of general recognition and adherence. Best practice approach in defining the principle of state sovereignty with regard to state conduct in cyber-space and securing individual rights and freedoms from surveillance and illegal activities by state and non-state actors should be developed by relevant experts and institutions among BRICS. Sustainable inclusive development and quality of life.

28. Although sustainability and inclusion has been a key policy area for BRICS a number of factors make it difficult to identify and codify modality or common path of development for the five countries. Nevertheless BRICS should work out development paradigm based on principles of co-benefit sharing models, non-exclusive participation in the economic growth process, sharing of scientific and local knowledge. The development paradigm should be fundamentally strong yet flexible to accommodate local socio-political realities of individual BRICS economies.

29. BRICS should elaborate norms and standards to complement Post-2015 Development Agenda due for adoption in September 2015 within the United Nations framework. Its framework should be aligned with national strategies, plans, programs for meeting these goals domestically to reduce overlaps and building synergies in terms of planning cycles of each country.

30. Poverty and hunger eradication, quality of healthcare and education, economic growth, urbanization, unemployment, inequality and building up social infrastructure should be prioritized among BRICS. BRICS' New Development Bank should be seen as a relevant institution to fund social infrastructure projects.

31. BRICS should pay attention to people-centered sustainable and inclusive development. Data should be disaggregated in terms of gender and those policies should be worked out.

32. The new green economy in the form of efficient and clean energy technologies presents a viable incentive for further modernization and technological renewal. BRICS should consider different ways to support those developments, including through

implementing a proactive fiscal policy and forming international partnerships in elaboration and exchange of green technologies.

33. BRICS countries should aim at elaboration of common approaches with regards to climate change. Immediate areas of convergence include clean technologies advancement and sharing in preventing adverse climate impact.

34. The five countries should enhance cooperation and promote best practice exchange in the area of adaptation mechanisms to global warming to reduce vulnerabilities and build resilience of the BRICS countries to climate change. It is also vital that BRICS engage real sector economy into cooperation as a key actor.

35. With regards to healthcare there is urgent need for BRICS to exercise leadership role within the WHO. The five countries should develop cooperation plan with a common approach to fighting TB, Hepatitis, joint prevention and control of Ebola and other epidemics, collaboration on the development of medicines and generic medicines, and the delivery of quality healthcare to combat HIV/AIDS, cooperating on antimicrobial resistance and providing for preventive healthcare and treatment of NCDs.

Culture and education

36. BRICS countries believe that they live through a historical moment, since it is the first time that the issue of culture, science and education was taken up to the high level of leaders' discussions.

37. We believe it is high time to enhance competitive edge for the BRICS Universities. In order to achieve higher role for the BRICS countries in formation of international educational space and elevating their own quality and influence in the global educational space it is vital to ensure free flow of academic exchanges, introduce scholarships and programs for students, researchers and scholars.

38. There is a need to facilitate the process of visa acquisition for the BRICS scholars and students in order to promote further academic exchange and enhance academic mobility. Also a visa-free travel for experts (BRICS Travel card) should be aimed at.

39. BRICS countries should consider elaboration of common standards in education which would facilitate exchanges of academics and students. BRICS could look into launching joint website with the provision of the information on all research and education opportunities in BRICS academic institutions.

40. There is a need to increase cultural exchange between the BRICS countries to overcome barriers introduced by differences in mentality and understandings of one and the same issue. BRICS should promote pathways to transform from “I-thinking” to “we-thinking”.

41. BRICS should consider introducing a five-country education plan in the spirit of the Erasmus program of the EU.

42. BRICS should promote higher degree of people to people contacts, mobility and mutual understanding. Intra-BRICS tourism should be promoted with the NDB financing for development of tourism infrastructure within those countries. In addition, more direct flights should be introduced between largest cities of BRICS.

Moscow
22-23 May, 2015

VII BRICS Academic forum «Cooperation for growth, security and prosperity», organized by National Committee on BRICS Research as a part of a program of Russian Federation chairmanship in BRICS took place in Four Seasons Hotel, Moscow on 22-23 May 2015.

The agenda of the forum included such issues as building a fair world order, rule of international law, peace and security, role of international institutions, reform of the international financial system and future of the BRICS-born institutions, social problems, trade, strategy of economic partnership and sustainable inclusive development.

The outcome of the VII BRICS Academic forum included:

- Finalization of the report “BRICS Long-Term strategy” for the BRICS leaders’ summit in Ufa, Russian Federation.
- Adoption of recommendations to the summit of BRICS leaders in Ufa, Russian Federation.
- Announcement of a joint research prognostic project “BRICS—2025: The Jubilee Goals”.

This volume contains the proceedings of the VII BRICS Academic forum and relevant documents. Selected presentations of the International Conference “GLOBAL COMMONS AND BRICS” are also included.



NCR **BRICS**,
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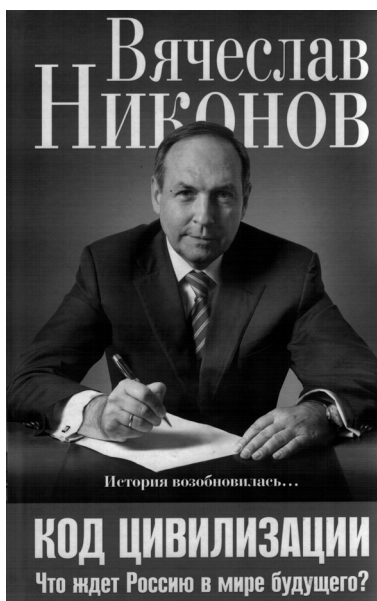
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КОД ЦИВИЛИЗАЦИИ. Что ждет Россию в мире будущего?

НИКОНОВ Вячеслав Алексеевич

CIVILIZATION CODE. What Awaits Russia in the Future World?

NIKONOV A. Vyacheslav



В своей новой книге Вячеслав Никонов показывает истоки современного мира, прослеживает жизненный путь народов и стран, основных центров влияния и сил, формирующих мир, в котором мы живем.

Мир демонстрирует множество моделей развития, все больше учитывающих национальную, региональную, историческую, религиозную и иную специфику каждой страны. Центр тяжести мирового развития перемещается с Запада на Восток, с Севера на Юг, из зоны развитых экономик в ареал развивающихся.

Еще 30 лет назад на страны Запада приходилось 80% мировой экономики, а сейчас заметно меньше половины. Азия, в которой уже проживает большинство человечества, в ближайшие десятилетия станет глобальным лидером. И что это означает, каким будем мир и какое место в нем займет Россия? Сохранится ли американская гегемония? Станет ли Китай сверхдержавой? Превратится ли Европа в музей для экскурсантов других континентов?

История возобновилась,
и мир устремился к большему разнообразию.
Раскрой его коды вместе с Вячеславом Никоновым!



Национальный Комитет
по исследованию **БРИКС**,
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VII BRICS Academic Forum

Editor: Georgy Toloraya

Издательско-торговая корпорация «Дашков и К°»
129347, Москва, Ярославское шоссе, д. 142, к. 732
Тел.: 8 (495) 668-12-30, 8 (499) 183-93-23
E-mail: sales@dashkov.ru —отдел продаж;
office@dashkov.ru —офис; <http://www.dashkov.ru>

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