Theme: BRICS Evolution Vision: Institutionalization, Enlargement and Outreach Technologies

Title: The evolution of the BRICS, perspectives for enlargement, Prof. Olive Shisana, Matshaba Mothiane, and Jaya Josie, HSRC, May 2015

Introduction

The BRICS 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. Comprised initially of five nations, Brazil, Russia, India, China and South Africa, there have been many discussions regarding the expansion of the group to include countries with similar geo-political and economic development interests. The current arguments for and against the evolution of the BRICS into a wider grouping revolve around economic and political interests advocated by the BRICS member states in the various heads of state summit declarations since the inception of the group. In large measure the declarations seem to reinforce the sentiment that the BRICS group of countries will provide a multipolar alternative to current dominance of a unipolar worldview that permeates international relations today. In this regard 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 suite 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. Of course the question often posed is on what basis should the BRICS extend and expand the group to include other nations?

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 the many Summit declarations.

The Founding Principles of BRICS

Today Brazil, Russia, India and China have moved beyond what many considered to be the countries with the most economic potential in the first half of the 21st Century (O'Neill, 2001). Since then, the group, then known as BRIC has expanded to include South Africa and become BRICS. The BRICS now covers three billion people, with a total estimated GDP of nearly $US 16 trillion and around $US 4 trillion of foreign exchange reserves. Each country is effectively a sub-regional leader. The BRICS dwarfs the West in terms of demographics and geographical scope, encompassing 43 percent of the world's population and 26 percent of its land mass. Although geographically separated, economically and politically distinct, with different levels of development in many ways, one could argue that the BRICS is a reflection of the international community.

Before we present a position on whether BRICS should evolve into a larger group it is important to look at the underlying principles of the group and its key drivers for change. This will help to clarify key issues that may determine an integration or representation process.

The principles that underpin BRICS are captured in the declarations of the Heads of State Summit and summarized in the Five Pillars of the BRICS long Term Strategy endorsed by the Heads of State at the last Summit in Fortaleza, Brazil in

July 2014. The pillars are 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. Many of the principles resonate with the BRICS concern with counterbalancing the impacts and effects of the current western unipolar dominance of economic, political and governance of international relations and institutions.

Many countries and emerging economies outside of the BRICS see the BRICS as a champion for advocating and promoting reforms in favour of the developing countries and would like to be associated with the group for this purpose. They find themselves powerless in the face of overwhelming dominance of the West in international financial institutions. For example, governance of the IMF is largely determined by a quota system for allocating voting shares to member countries. In the current system, the US retains 17.4% of the total voting shares, giving it an effective veto. The EU's 27 nations hold 30.9% of voting shares. So far western powers continue to resist any major reforms in the international system, with the IMF and World Bank still dominated by Brussels and the US: The heads of the IMF and World Bank are still, respectively, European and American, while China's (the world's second largest economy) voting shares in the IMF are comparable to European countries. The BRICS establishment of their own New Development Bank and Contingency Reserve Arrangement is an attempt to directly challenge the existing order, pressuring the West to consider deeper reforms in the international financial system. This direction is of course an attractive option for many developing and emerging economies.

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The BRICS countries have also committed to ensure and maintain international peace and security. It is important that BRICS plays an increasing role in preventing and managing national and regional conflicts. This is already on the agenda. Both the Durban and Fortaleza and specifically the Sanya Declarations express concern about prevailing conflicts in the Middle East, North Africa and West Africa. Additionally, they commit to the principle stating that the use of force should be avoided and that independence, solidarity, territorial integrity and unity must be upheld. Also, the BRICS are all countries with vast ocean-related interests. Another area of cooperation may be in maritime safety and security as all the nations have access to the option and in particular India, Brazil and South Africa share the responsibility of maintaining and securing the Southern seas. The timely intervention of the BRICS in the 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.

The group is now perceived globally as the international counterbalance to unipolar dominance. In a short space of time the group has developed its long-term strategic objectives and institutionalized new forms of instruments for supporting the implementation of the decisions. In addition to the regular multilateral government engagements, member states have set up the BRICS Think Tank Council, the Academic Forum and the BRICS Business Council. However, in the eyes of other developing nations the establishments of BRICS economic and political cooperation agreements in the global arena are important. Among others the establishment of the BRICS Development Bank that envisages the participation of other countries is viewed as the most significant. In addition, there are steps taken to create a fertile environment for the evolution of BRICS to include other developing countries and emerging economies. This position was reiterated in the Heads of State summit declaration in Fortaleza, July 2014, and before that in the eThekwini declaration in Durban, March 2013. But do these developments present sufficient reasons for BRICS to evolve into a larger group? Will such expansion make it more or less effective and efficient? In the next few paragraphs we 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.

The Case For and Against Further Expansion of BRICS

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 relation may be key to determining whether a country should be invited to become part of BRICS or associated with the group.

The original four founding members were called BRIC countries, and later joined by South Africa to become BRICS, turning the organization from being an economic grouping to expanding the agenda to include the five pillars among other priorities. These principles have become the corner stone of the BRICS long-term strategy since South Africa joined BRICS and elicited interest from other countries wishing to become members or be associated with the Group. For example, there were suggestions that Argentina is a good candidate to join BRICS; others called for Indonesia, Mexico, Turkey, Syria and still others listed several countries that should be candidates for BRICS membership. 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? These are some of the issues that need to be explored.

If BRICS grows beyond the five countries it is likely to dilute its impact because more 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 with no clout. Mahapatra (2014) explored this topic and gave a good example of the NAM, which started with 30 members and ended with 120 and lost its significance as an alternative to post war politics.)

There is no consensus among BRICS member countries that BRICS should expand at this stage. It may very well be that the members feel that BRICS is in its infancy, 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 was the group's qualifications and standards for membership. Oliver Stuenkel, (2013:311) when discussing the issue of membership highlights how the inclusion of South Africa was clearly considered for quite some time as opposed to 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. According to a 2013 study by the Standard Bank of South Africa, BRICS members trade far more with other parts of Africa 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. Analysts such as Justin Lin, Peking University professor and Chief Economist of the World Bank, point out that South Africa should not be seen as a stand-alone economy like many other emerging economies (Wong 2013, 1). It 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 and essential role in the broader African economy (Gumede 2013). On its own, South Africa's boasts a robust economy which has a large supply of mineral resources, well-developed legal, energy, financial, communications, and transportation sectors, and an active stock exchange (The Johannesburg Stock Exchange) which rankings in the world's top twenty largest stock exchanges by market capitalization and is the largest exchange in Africa(JSE). Retrospectively, South Africa is invaluable to its BRICS partners, as it has far more established trade links on the continent. Accounting 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)

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 UN Security Council 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 DRC, on the border between Ethiopia and Eritrea and in Sudan (Solomon 2010:142)

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.

With regards to its perceived role as a 'gateway' to the African continent debate has centered on reasons for choosing South Africa over and above other 'gateways' with greater potential. (Patel 2012). However, despite South Africa's small economic contribution to the GDP of BRICS it is by far a more politically stable and predictable environment, in large part due to its stable political and economic environment in general, and its strong banking and regulatory systems in particular. Furthermore South Africa has demonstrated its support for Africa through activities such as hosting the Pan African Parliament, expansion of airline flights to many capitals linking Africa, promoting the African agenda.

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.

The decision to accept South Africa’s bid to join the BRICS was in this context favourable and represented fewer risks. All members of the BRICS through IBSA, with the exception of Russia, 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.

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South Africa, India, and China have the strongest trade relations within the BRICS. Common economic interests have laid the foundation for strong China-South Africa relations. In fact, amongst the BRICS, China has by far the biggest interest in not only South Africa but also the continent as a whole. As China’s largest trade partner in Africa, South Africa accounts for one quarter of Chinese Africa trade. The establishment of African headquarters of Chinese companies such as ZTE and Huawei and the government’s China-Africa Development Fund are clear signs of confidence in the country as a partner (Besada et al. 2013, 6). Chinese engagement in Africa has often received mixed responses. On the one hand its investments on the continent have created jobs in the mining and construction industries in particular, provided much needed infrastructure, assisted governments in their provision of basic goods, especially in countries traditionally overlooked or excluded by Development Assistance Committee (DAC) donors. On the other hand many African and international policy makers have criticized Chinese development aid models and so called infrastructure for resources loans.

South Africa is India's second largest trade partner in Africa with several Indian companies such as motor vehicle company Tata having made inroads into the country. South African investments in India are just as strong with an estimated USD 250 million invested by companies such as SABMiller, Airports Company South Africa, and First Rand, the first African bank to receive an operating license in India (Lund 2013).

Unlike India and China, Brazil and Russia have far fewer trade and investment interests in South Africa. While Russia's interests in Africa declined after the fall of the Soviet Union they have in recent years slowly re-emerged. However, unlike other BRICS nations, Russia is comparatively far less interested in the continent's natural resources on account of its own wealth in natural resources. While Brazil has similarly far less focus on South Africa as a trade partner, it has increased its presence in Africa in recent years. Most notable is their focus on mining, infrastructural development and large-scale agriculture with its largest trading partners being Nigeria, Angola, Algeria, and South Africa (Freemantle and Stevens 2013, 4). Above all it is clear that cooperation with African partners stands to benefit individual BRICS members substantially and that the membership of South Africa as an individual economy and gateway to the continent essential.

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 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. Those attending the forum included the BRICS Heads of State and Government, the Chairperson of the African Union, the Chairperson of the AU Commission, African Leaders representing the eight Regional Economic Communities, as well as the New Partnership for Africa's Development. The aim of the retreat was to offer an opportunity for BRICS and African Leaders to engage on measures to strengthen cooperation between the BRICS countries and the African continent to unlock its potential and promote regional integration through infrastructure development and industrialization. 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.

The second such event took place in 2014 during the Fortaleza summit in Brazil. The meeting brought together the BRICS and leaders of UNASUR, the Union of South American Nations which include Argentina's Kirchner, Chile's Bachelet, Colombia's Santos, Bolivia's Evo Morales, Ecuador's Correa, Uruguay's Pepe Mujica, Venezuela's Maduro, Peru's Umala, among others. In particular the heads of states commended the creation of the BRICS Bank, which would fund infrastructure loans that may benefit them too. 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, complementing the existing efforts of multilateral and regional financial institutions for global growth and development. To fulfil its purpose, the Bank shall support public or private projects through loans, guarantees, equity participation and other financial instruments. It shall also cooperate with international organizations and other financial entities, and provide technical assistance for projects to be supported by the Bank*." The funds will be provided by the BRICS states 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.

Through the Regional Centre the BRICS will extend services to African states through the provision of loans to fulfil their infrastructure needs. In addition, President Zuma proposed the formation of a BRICS Africa Council to further encourage cooperation, trade and investment opportunities between African countries and BRICS. The mandate of the BRICS New Development Bank is a concrete example of how regional economies associated with BRICS member states can benefit from the BRICS programmes without becoming members of the group. Thus it is clear that the BRICS New Development Bank is a very important instrument to support infrastructure, development and resolving current financial inequalities and injustices. 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 are 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 take them along to the global stage when crucial debates about the 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 of countries 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. According to declassified records, the United States government sent a plan of action in a telex to all their embassies and negotiators at the Geneva meeting to argue against the link of public interests to intellectual property laws (http://keionline.org/node/920).

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 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 its small size it adopted a coherent approach, supporting each member 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 the benefit of people all over the globe.

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, if 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 comes with being small. It is much better for BRICS to be a small agile, efficient and effective cheetha 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 organizations. BRICS itself needs to address the need for building and consolidating its own strong institutions before considering opening up to other countries and risk 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 multipolar system of international economic and political relations. This process has indeed 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.