BRICS Members’ Interests and Priorities for Cooperation

The Institutional Status of the BRICS and Pragmatic Cooperation: The Case of South America

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BRICS (Brazil, Russia, India, China and South Africa), a group of emerging powers, is a pragmatic political group in which members are not always in agreement. Internal cooperation in BRICS evolved, becoming more “institutional” with the creation of its financial institutions, the New Development Bank (NDB) and the Contingency Reserve Agreement (CRA), which have led the group to the next stage in its development without changing its essence. The NDB was created to mobilize resources for infrastructure and sustainable development projects in emerging and developing countries, and the CRA to provide liquidity to countries that face balance of payments difficulties and to future economic crises. Many developing countries are keenly observing these financial institutions. A number of South American countries appear particularly interested in these financial institutions, and would like to attract investments and obtain loans from BRICS to develop the infrastructures of their countries, and to build informal relationships with foreign partners, but without the same level of political commitments as those between BRICS members. South American countries see BRICS as an example of pragmatic cooperation that is different to the modus operandi of traditional powers, and its financial institutions as an alternative to the International Monetary Fund and World Bank for financial aid. The relations between BRICS and South America are characterized by a pragmatic approach reflecting the ethos of the group and the necessity for modernization in South America. This article analyzes the particular relationship that BRICS is establishing with South American countries, using its institutional status and pragmatic approach.

Key words: BRICS, pragmatic cooperation, emerging powers, New Development Bank, South America

Introduction

Globalization has led to new forms of cooperation influenced by economics of demand. BRICS (Brazil, Russia, India, China and South Africa) is an example: a heterogeneous group of emerging countries that operate in a pragmatic way to develop common interests through joint actions.

Since 2009 — the time of the first BRICS summit — BRICS has been characterized by an informal structure. In 2011, South Africa joined, giving the group more political power. At
the sixth summit (in 2014), the creation of the NDB and the CRA represented a formalization of the group to satisfy their economic interests and compete with the traditional hegemonic powers.

Many developing countries are keenly observing these financial institutions. South American countries appear particularly interested in them and would like to attract investments and obtain loans from BRICS to develop the infrastructures of their countries. The relationship between BRICS and South America is characterized by a pragmatic approach, reflecting the ethos of the group and the necessity for modernization in the South American region. This article analyzes the pragmatic strategy of BRICS and how it develops its relationships with South American countries.

Institutional Models and Pragmatic Cooperation: The Rise of Emerging Powers

As a product of history, the international order is influenced by several factors, from culture to economy, and political and social issues that demand different forms of structures adapted to changing relationships. Therefore, there is a constant evolution in institutional forms to adjust international relations and related organizations to each period of history.

Cox [1981, p. 219] demonstrated the strategic role of institutions for the establishment of a particular global order: “Institutionalization is a mean of stabilizing and perpetuating a particular order. Institutions reflect the power relations prevailing at their point of origin and tend, at least initially, to encourage collective images consistent with these power relations. Eventually, institutions take on their own life; they can become a battleground of opposing tendencies or rival institutions may reflect different tendencies. Institutions are particular amalgams of ideas and material power which in turn influence the development of ideas and material capabilities.”

Modern institutional forms of international organizations, that is with a high level of formalism, started to evolve after World War II, when treaties were signed to establish strict and clear rules to engage a large number of countries in a global system.

Globalization, which started to develop in the 1980s, changed this established order, generating new forms of complex international cooperation. Sometimes, international cooperation touched upon the integrity of the national sovereignty of states, as in the case of regional integration. The most important example is the European Union, which historical factors, such as the fall of the Berlin Wall, strengthened, and which has accelerated and expanded the integration process in Europe as a response to the unilateralism of the United States.

By the end of the 20th century, globalization had led to the emergence or re-emergence of new actors in the global economy known as “emerging powers.” These countries are challenging the political and economic hegemony of the Western powers that used to determine the global order. The rise of the emerging powers has challenged the traditional model of international cooperation with the appearance of informal and flexible multilateralism determined by political and economic pragmatism, as is the case with BRICS. This informal flexibility was reinforced by the economic and financial crisis of 2008 that profoundly affected the U.S. and the European Union, and showed their weakness in the face of rising powers, such as BRICS and others, such as MINT (Mexico, Indonesia, Nigeria, Turkey) and CIVET (Colombia, Indonesia, Vietnam, Egypt, Turkey).

The new global order, or disorder, characterized by the rise of emerging powers, and its current architecture has led to so-called forum shopping, in other words, the presence of multiple centres of international dialogue strategically elected by the actors to support their domestic
agenda [Forman and Segaar, 2006]. The main consequence of this political behaviour is the inefficiency in relation to dealing with global issues such as climate change, natural resources provisions, poverty and social inequalities, peace and military proliferation [Ruland, 2012]. As the United Nations General Assembly [2002] stated, the numerous meetings organized by intergovernmental organisms has increased considerably and it is clear that discussion on global issues is now overcharged with meetings, thus leading to “summit fatigue.”

Despite the affirmation of an ideological pluralism, the diversity and complexity of forum shopping causes instability at the international relations level, impacting negatively on the establishment of global governance that requires more compatibility between national interests, interdependence and solidarity. This form of cooperation makes new relationships possible between diverse countries that have different geographic, social and political stances, but pursue a set of common interests. The demand for international joint actions, especially in the economic field, and the informal models of collaboration, are redistributing global power.  

Institutional Status of BRICS

The rise of a new paradigm in the global order, forced by the economic and financial crisis, enables some countries to open spaces for their participation at the international level, for example BRICS, MINT and CIVET, as mentioned above. Banks created these groupings, based on economic indexes and predictions. The groups and their acronyms are familiar and commonly used in international political language, and are adopted by the countries to develop common interests through joint actions.

It is clear that BRICS plays a more significant role in the global economy and on world’s political stage than the other groupings of emerging economies. According to Goldman Sachs’ report “Dreaming with BRICs: The Path to 2050,” the economies of Brazil, Russia, India and China could, if combined, become larger than those of G6 (Britain, U.S., Germany, Japan, Italy and France) in less than 40 years [Wilson and Purushothaman, 2003].

Since the birth of the BRIC acronym, the leaders of these countries have had the political will to establish cooperation between themselves in order to deal with common interests. During the first BRIC summit, which was held in Yekaterinburg, Russia, on 16 June 2009, the will was consolidated with the signing of a statement of intention to adopt a common plan of action in the traditional international organizations with the objective of sharing power with Western countries, namely the U.S. and the European Union. One year later, during the second summit, in Brasilia on 16 April, the four leaders discussed important themes such as global governance and climate changes. The third summit, in Hainan, China, on 14 April 2011, was marked as an example of the redistribution of global power is the enlargement of the G7 into the G20. While the G7 was formed by a selected group of the richest nations of the world, the G20 now includes the main emerging powers, for example Brazil, Russia (previously admitted to the G8), China, India, South Africa.

In particular, the acronym BRIC was created by the Goldman Sachs Bank economist, Jim O’Neill [2001], to describe the group of emerging countries formed by Brazil, Russia, India and China that would dominate the future of the world economic system and restructure the global order.

A point of interest is the existence of certain hierarchical relationships between these categories. The BRICS group receives greater attention in international discussions because it is formed of countries with considerable political weight, extensive territorial dimensions, and large populations, and is an already-consolidated regional area of influence. For example: in MERCOSUR, Brazil leads South America; in the Euroasiatic Community, Russia has political influence in the ex-Soviet Republics; China has a consolidated zone of economical influence in Southeast Asia and India in South Asia. South Africa continues to expand its influence throughout sub-Saharan Africa. And the MINT and CIVET groupings aspire to a more active position in the international scene and to become protagonists in their respective regions.
by an important event: the admission of the fifth member, South Africa. The acronym changed from BRIC to BRICS, and this summit demonstrated the strength of the group with the extension of its political and economic power to the African continent.

The fourth BRICS summit took place in New Delhi on 29 March 2012, and amplified the main themes discussed in the past summits. It was characterized by a strong criticism of the then current global order and the function of international organizations, such as the World Bank the International Monetary Fund (IMF) and the United Nations Security Council (UNSC), especially in relation to the representation of developing countries. The Chinese leader Hu Jintao stated: “We are committed to stepping up exchange with other countries on global economic governance reforms and increasing representation of developing countries” [Vasudevan, 2012].

This summit was also a pioneering step toward the institution of a BRICS-led development bank which was the main focus of the fifth summit in Durban, South Africa, on 26 and 27 March 2013. The fourth summit was considered as the end of the first circle of meetings to construct BRICS. The discussion centred on procedural issues in relation to the creation of the NDB, in particular accordence on the quantum of start-up capital, the participation of each country, and the objectives of the NDB.

At the sixth summit, held in Fortaleza, Brazil, on 14 to 16 July 2014, arrangements for the NDB were completed and the institution was officially launched. In addition, the CRA gave BRICS the framework for more formal cooperation. At the Brazilian summit the leaders of the BRICS countries met the representatives of UNASUR (Union of Southern Nations) and discussed their many shared interests.

A New Chapter in BRICS Cooperation:
The Establishment of the New Development Bank and the Contingency Reserve Agreement

The sixth summit was a new chapter in the relationships between the countries as it elevated the level of cooperation from that of a lobby group to that of a more organized entity able to deliver solutions. The results of this summit established a new path for emerging powers led by BRICS. The reason behind the decision to launch a multilateral development bank is, according to its founders, to contribute to “a more just world order” by following one of the main topics of the BRICS agenda — “growth with social inclusion.”

Certainly, this political choice could be interpreted as the intention of the BRICS countries to boost their influence in the international community, to represent an alternative option to the current Western-dominated institutions and to seek the reform of the international monetary and financial system. As stated in the 2014 Fortaleza Declaration: “We remain disappointed and seriously concerned with the current non-implementation of the 2010 International Monetary Fund reforms, which negatively impacts on the IMF’s legitimacy, credibility and effectiveness” [BRICS, 2014a].

The NDB was created to mobilize resources for infrastructure and sustainable development projects in emerging and developing countries. Another important initiative in the field of finance is the establishment of the CRA to provide liquidity to countries that face difficulties.

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4 The first article of the Agreement of the Development Bank asserts this concept: “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” [BRICS, 2014b].
in their balance of payments, and to head off future economic crises. In other words, poor countries have an alternative to IMF and World Bank for financial aid.

Based in Shanghai, the NDB will have an initial capital of $50 billion funded equally by each party. The first president will be from India, the first board chair will be Brazilian and an Africa Regional Centre will be established in South Africa to guarantee a balance of power between the members. In the CRA, China is expected to participate with the biggest contribution, $41 billion, followed by Brazil, India and Russia with $18 billion each, and $5 billion from South Africa.

Based on statements in the constitutive agreement, the NDB is intended to be a powerful instrument for increasing economic cooperation in BRICS. Despite their diversity, participating countries are committed to a solid and productive association to enable a diversification of their investments and enhance their prosperity.

The launch of these financial institutions has caught the attention of governments of developing countries, especially those in South America. South American countries are currently interested in attracting foreign investment to develop their infrastructures and to build more informal relationships with foreign partners, but without the same level political commitment. South American countries see BRICS as an example of pragmatic cooperation that is different to the modus operandi of traditional powers.

BRICS and Its Influence in South America

Despite Brazil playing a particular role as a “leader” in South America because of its geographical proximity to many countries and its engagement in the regional integration, China and Russia are increasing their presence in the region. The South American continent can satisfy their needs, because of its abundance in natural resources and its growing middle-class high purchasing power necessary to sustain their economic development.

It is true that BRICS as a group speaks about South America as a common area of interest as the BRICS-South America Summit organized during the sixth BRICS Summit in Fortaleza indicates. However, in reality, each member pursues its own strategy in the region, and sometimes the strategies conflict with those of other members. Brazil accusing China of dumping low-cost products in its country is an example.

Around the time the BRICS Summit in Fortaleza, the Chinese and Russian leaders, Xi Jinping and Vladimir Putin, visited some strategic partners in Central and South American countries to strengthen their political and economic relationships. South American countries that want to take advantage of this investment model converted themselves into political allies in international affairs, including supporting Russia during the Ukraine crisis.

Because of their proximity to and relationships with the U.S., Chile, Colombia and Peru supported the UN Resolution adopted on 27 March 2015 — Territorial Integrity of Ukraine — that condemned Russia’s action; it was rejected by Venezuela and Bolivia, and Brazil, Argentina, Ecuador, Uruguay, Paraguay, Suriname and Guiana abstained because of their interest in gaining financial advantages from Russia and its economic presence in the region.

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5 The Contingency Reserve Agreement “is a framework for the provision of support through liquidity and precautionary instruments in response to actual or potential short-term balance of payments pressures” [BRICS, 2014b].

6 One example of this pragmatic formula of cooperation is given by Niall Ferguson, who reported a statement of a Chinese leader concerning China’s foreign policy strategy in Africa: “we will build up roads, and certain facilities for you, but you make sure that we will have access to the commodities and primary resources. As to your domestic politics and human rights you do whatever that you like” [from Global Business, 2010].
China, the second largest economy in the world, plays a central role inside BRICS and also in international politics. The Chinese influence in South America was almost absent until the 1980s. In the 1990s, its influence on the continent slowly increased until it reached a high level of influence under the leadership of Hu Jintao. In 2014, the Chinese leader Xi Jiping paid two official visits to South America, demonstrating the importance of this region for China. Not only are there diplomatic relationships through the multilateral channel of BRICS, but also through bilateral ties, such as the China–CELAC forum (Community of Latin American and Caribbean States) which was launched in Beijing in January 2015. “China will make efforts so that both sides can reap early harvests from the forum and build a new model of South-South cooperation,” said the Chinese foreign minister Wang Yi in a speech during the forum, highlighting Beijing’s growing interests in the backyard of the U.S. Xi Jiping opened the forum announcing an investment of $250 billion in Latin America over the next decade.

In South America, Argentina is specifically developing a stronger relation with Russia. During Putin’s last visit, a cooperation agreement was signed with the President of Argentina, Cristina Fernández de Kirchner, in relation to energy for the construction of two nuclear stations by the Russian company Rosatom. Argentina also wants to attract Russian investments, in particular, the company Gazprom, to explore shale oil and gas fields in the Vaca Muerta region. These economic interests reflect on political affairs. Vladimir Putin considers Argentina as a strategic partner for Russian foreign investments and stressed its importance not only in Latin America, but also at the international level in the framework of G20 and the United Nations.

Chinese interests toward South America are based on a clear strategy. South American countries supply China with natural resources, such as oil (Venezuela), meat (Argentina), soybean (Brazil and Argentina), copper (Chile and Peru), in exchange for loans with low rates of interest. In some cases, these loans are repaid directly with commodities. For example, since 2007, China has granted Venezuela $50 billion of credits, and a significant part of this loan is being repaid with barrels of crude oil and derivatives which Venezuela sends daily to China. This type of cooperation is seen by some analysts as a danger for Latin American economies because they are becoming more and more dependent on the exportation of natural resources [Contipelli and Picciau, 2014].

Argentina is a crucial player in the political game that involves the pragmatism of BRICS in the region. Currently, there is a discussion led by India about the possibility of extending membership in BRICS to Argentina. If this possibility became reality, what would be the new acronym? Would it be BRICSA or BRICAS? Argentina participated as a special guest at the last BRICS summit, invited by Russia, and its increasing cooperation at the bilateral level with China, Russia and India gives the country an opportunity to join the influential group, and to leave behind the 2001 catastrophic financial collapse that led to its decline of its influence in the international arena.

In this context, Argentina seems to feel comfortable with the BRICS approach, as the recent trade agreements signed with China shows. The Convenio Marco de Cooperación en Materia Económica y de Inversiones could affect the intra-MERCOSUR relationships, especially with Brazil. The agreement will help to build infrastructure projects in Argentina; in...
particular, two hydroelectric dams are planned for construction in Patagonia with the help of a loan of $4.7 billion from China. Another $2.1 billion loan will be used to build a railroad connecting Argentina’s agricultural areas to its ports, to more efficiently transport grains; China is the largest buyer of Argentinian soybeans.

Many analysts argue that Argentina, by signing this trade agreement with China, is ignoring its historical partnership with Brazil inside MERCOSUR. Argentina is following its own interests and looking to increase its economic relationship with China and to attract foreign investments, especially, by the production of Chinese manufactured-products in Argentina, which will reduce the competitiveness of Brazilian industry in the same sectors [Passos, 2015]. China appears to be unconcerned about its relationship with Brazil, which demonstrates the political philosophy of BRICS in a globalized economy: we are together but each one of us is free.

It is clear that, in addition to its increasing engagement with Russia and the substantial influence of Brazil in the region, China is the uncontested leader of BRICS. South American leaders, conscious of this reality, are developing a foreign policy to strategically flirt with China in order to attract more investments. The Vice President of Argentina, Amado Boudou, stated that “relations between China and Argentina will continue to grow for the benefit for our people ... it is not a simple buyer or trade partner but a strategic partner to work together and have an egalitarian world,” revealing the tendency of South American governments to use populist statements to sustain the new South-South development cooperation and the necessity of financial support from China [Ugarte, 2014].

**Expectations about the New Development Bank**

One of the main expectations of the South American countries about BRICS is the activities of the NDB in their region. The launch of the NDB is a political strategy of BRICS that fits with the current needs of developing countries’ demands for modernization and need to build national infrastructures.

As mentioned above, BRICS is interested in offering unconditional development loans in exchange for control of South American resources and increasing its political influence in the international order. In short, the NDB is a way to establish strong and lucrative relationships in South America without confronting the U.S. directly. In many discussions, the establishment of NDB has been envisioned as a way to subvert the hegemony of the U.S. dollar in the financial world. However, it is important to consider the fact that the official currency of payment in the NDB, and the CRA, will be the U.S. dollar, as stated in their founding agreement.

Finally, the creation of these financial institutions by BRICS cannot be seen as an attempt at political confrontation with the U.S., for it is not the main point of the strategy of BRICS. The Cold War has ended and the philosophy underlying the behaviour of the political actors in the current international context appears more and more concerned with being pragmatic rather than ideological.

South American countries have already experimented with the creation of a development bank in the region – the Bank of the South (Banco del Sur). The Bank of the South was proposed by the ex-Venezuelan President, Hugo Chavez, and supported by Joseph Stiglitz, both very well known for their criticism of the traditional financial institutions, the IMF and the World Bank. The Bank of the South was created in 2009 with similar objectives to those of the NDB (sustainable social programmes and infrastructure) but ideological purposes have changed in some ways. The institution exists only as promise, not as a reality, because of the
difficulties in establishing a political and a juridical consensus between its partners Argentina, Bolivia, Brazil, Ecuador, Paraguay, Uruguay and Venezuela.

It is too early to predict the benefits of the NDB for South America, and how the relationships between the region and BRICS will develop. Currently, most of the South American leaders see the NDB as an opportunity for national development. The NDB’s next steps will show if the pragmatic functioning of BRICS is able to overcome the impasse that affects the Bank of the South.

Conclusion

BRICS presents a set of coinciding interests, as well as cultural and political diversities, thereby demonstrating the operation of the group: converting its diversity into intra-group cooperation to overcome controversial issues and strengthen common interests, particularly where structural and formal conditions are not required as a substantial element of cooperation. Because of the diversity and contradictions, the existence of BRICS is a triumph for its country members, but the group as a political player on the international scene is still an actor under construction that little by little shapes its own pragmatic strategic profile.

Thus, until the fifth summit, informality was the basis of BRICS cooperation. In the sixth summit, the group drew its political profile with more distinctness, binding its members with some institutional ties with the creation of the NDB and the CRA. The launch of these financial institutions was the occasion to self-formalize the intention to compete strongly with other traditional players in the global system, especially as a possible counterweight to western-led financial institutions.

For South American countries, the presence of a regional power, Brazil, in BRICS, the strong relationships they are currently developing with China, and the creation of the NDB could help an attempt to obtain financial aid to solve their infrastructural problems. Of course, BRICS wants a counterpart from South American governments in exchange for loans: the control of natural resources and the conquest of new markets for their products. In this particular economic and political game, it is possible to perceive the strategy of the BRICS countries: when it comes to pursuing their own interests, member countries leave behind the collectivity of the group, even when their actions are not welcomed by their partners.

This functioning of the BRICS group could be criticized if a parameter of analysis is the functional logic of “homogeneity” and “no controversial” political relations. However, in this case, pragmatism is part of the framework that sustains the existence of the group, and it appears to fit with the Chinese foreign policy model. As the former president Deng Xiaoping said: “It doesn’t matter whether the cat is black or white, as long as it caches mice.”

References


